The Town of Hilton Head Island

Regular Town Council Meeting

June 7, 2016

4:00 P.M.

BENJAMIN M. RACUSIN COUNCIL CHAMBERS

AGENDA

As a Courtesy to Others Please Turn Off/Silence All Mobile Devices During the Town Council Meeting

1) Call to Order

2) Pledge to the Flag

3) Invocation

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

5) Proclamations and Commendations

a. Girl Scout Recognition

b. Beaufort County School District Character Education Student of the Month

- Hilton Head Island High School
  Lauren Concino – 12th Grade

6) Approval of Minutes

a. Town Council Budget Workshop, May 10, 2016

b. Town Council Meeting, May 17, 2016

7) Report of the Town Manager

a. Hilton Head Island Rotary Club 50th Anniversary Service Project

b. Fire Rescue Emergency Management Update

c. Town Manager's Items of Interest

(1) Town News

(2) Noteworthy Events

8) Reports from Members of Council

a. General Reports from Council

b. Report of the Intergovernmental Relations Committee – Bill Harkins, Chairman

c. Report of the Community Services Committee – Kim Likins, Chairman

d. Report of the Public Planning Committee – Tom Lennox, Chairman

e. Report of the Public Facilities Committee – David Ames, Chairman

f. Report of the Public Safety Committee - Marc Grant, Chairman

g. Report of the Finance and Administrative Committee - John McCann, Chairman

h. Report of the Circle to Circle Committee - Tom Lennox, Town Council Liaison

9) Unfinished Business

a. Second Reading of Proposed Ordinance 2016-12

Second Reading of Proposed Ordinance 2016-12 authorizing the issuance and sale of not to exceed $30,500,000 General Obligation Refunding Bonds, in one or more series including a taxable series, with appropriate series designations, of the Town of Hilton Head Island, South Carolina; fixing the form and certain details of the bonds; authorizing the Town Manager or his lawfully authorized designee to determine certain matters relating to the bonds; providing for the payment of the bonds and the disposition of the proceeds thereof; other matters relating thereto; and providing for severability and an effective date.

b. Second Reading of Proposed Ordinance 2016-13

Second Reading of Proposed Ordinance 2016-13 authorizing the issuance and sale of not exceeding $25,000,000 General Obligation Bond Anticipation Notes, Series 2016, or such other appropriate series designation, of the Town of Hilton Head Island, South Carolina; fixing the form and details of the notes; authorizing the Town Manager to determine certain matters relating to the notes; providing for the payment of the notes and the disposition of the proceeds thereof; other matters relating thereto; and providing for severability and an effective date.

c. Second Reading of Proposed Ordinance 2016-14

Second Reading of Proposed Ordinance 2016-14 authorizing the issuance and sale of not to exceed $21,200,000 General Obligation Bonds, in one or more series, in one or more years, with appropriate series designations, of the Town of Hilton Head Island, South Carolina; fixing the form and certain details of the bonds; authorizing the Town Manager or his lawfully authorized designee to determine certain matters relating to the bonds; providing for the payment of the bonds and the disposition of the proceeds thereof; to adopt written procedures related to continuing disclosure; other matters relating thereto; and providing for severability and an effective date.

d. Second Reading of Proposed Ordinance 2016-15

Second Reading of Proposed Ordinance 2016-15 providing for the issuance and sale of Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Beach Preservation Fee Pledge), in one or more series, in the principal amount of not exceeding $25,200,000; delegating the authority to the Town Manager to determine certain matters with respect to the bonds; prescribing the form and details of such bonds; other matters relating thereto; and providing for severability and an effective date.

10) New Business

a. First Reading of Proposed Ordinance 2016-18

First Reading of Proposed Ordinance 2016-18 to amend Title 4 Finance and Taxation of the Municipal Code of the Town of Hilton Head Island, South Carolina by amending Chapter 12 (Allocation of South Carolina Accommodations Tax Revenues), Section 4-12-20 Management of the Special Fund for Tourism Promotion; and provide for severability and an effective date.

b. First Reading of Proposed Ordinance 2016-16

First Reading of Proposed Ordinance 2016-16 to amend Title 16, "The Land Management Ordinance," of the Municipal Code of the Town of Hilton Head Island, South Carolina, by amending Section 16-1-107, the Official Zoning Map with respect to those certain parcels identified as Parcels 118, 227, 30, 4D, 149E, 149B, 149D and 149 on Beaufort County Tax Map 7, to rezone the parcels from RM-8 (Moderate Density Residential) zoning district to the MS (Main Street) Zoning District; and providing for severability and an effective date.

c. First Reading of Proposed Ordinance 2016-19

First Reading of Proposed Ordinance 2016- 19 to amend Title 4 (Finance and Taxation) of the Municipal Code of the Town of Hilton Head Island, South Carolina by renaming Title 4; creating within Title 4 a new Chapter 11 (Road Usage Fee) which establishes a road usage fee; and providing for severability and an effective date.

d. General Discussion of Proposed Hilton Head Plantation Beach Sand Stockpile.

e. Budget Wrap-Up

11) Appearance by Citizens

12) 6:00 P.M. – PUBLIC HEARING ON THE MUNICIPAL BUDGET FOR FY17

13) Executive Session

a. Land Acquisition

Discussion of negotiations incident to the proposed sale, lease or purchase of property:

(1) related to a parcel in the Coligny Area.

(2) related to a parcel in the Northridge Area.

b. Legal Matters

Receipt of Legal Advice:
(1) related to pending litigation concerning a BZA appeal.

Receipt of Status Update:
(1) related to legal matters handled by Alford & Thoreson.

c. Contractual Matters

Discussion of negotiations incident to:
(1) proposed contractual arrangements for attorney review of HHI-Bluffton Chamber ATAX expenditures related to the existing Town/Chamber of Commerce contract.

14) Possible actions by Town Council concerning matters discussed in Executive Session

a. Consideration of an engagement letter with attorney Burnet R. Maybank, III of the law firm of Nexson/Pruet for the review of accommodations tax expenditures by the Chamber of Commerce from the promotional fund and preparation of a legal opinion, as required by paragraph 2.8 of the contract between the Town and the Hilton Head Island-Bluffton Chamber of Commerce.

15) Adjournment

Proclamation

BY
THE TOWN OF HILTON HEAD ISLAND

WHEREAS, *March 12, 2016, was the 104th anniversary of Girl Scouts of the USA, founded by Juliette Gordon Low in 1912 in Savannah, Georgia; and,*

WHEREAS*, throughout its long and distinguished history, Girl Scouting has inspired millions of girls and women with the highest ideals of character, conduct, and patriotism; and,*

WHEREAS*, through Girl Scouting, girls gain courage, confidence and character who make their local communities and the world a better place; and,*

WHEREAS*, more than 2.7 million current Girl Scout members nationwide will be celebrating 104 years of this American tradition, with nearly 60 million women who are former Girl Scouts and living proof of the impact of this amazing Movement;*

NOW THEREFORE*, I David Bennett, Mayor of the Town of Hilton Head Island, do hereby proclaim*

GIRL SCOUT RECOGNITION

in the Town of Hilton Head Island, South Carolina, and hereby applaud the commitment Girl Scouting has made to America's girls.

IN TESTIMONY WHEREOF*, I have hereunto set my hand and caused this seal of the Town of Hilton Head Island to be affixed this* ***Seventh day of June, in the Year of our Lord, Two Thousand and Sixteen.***

David Bennett, Mayor

Attest:

Victoria L. Pfannenschmidt, Town Clerk

TOWN OF HILTON HEAD ISLAND
Student Recognition Award

presented to

Lauren Concino

Hilton Head Island High School—12th Grade

Beaufort County School District
Character Education Student of the Month
April, 2016 - Forgiveness

"It takes a strong person to say sorry, and an ever stronger person to forgive."

*Presented this **7th** day of **June, 2016***

David G. Bennett, Mayor
Town of Hilton Head Island

THE TOWN OF HILTON HEAD ISLAND
TOWN COUNCIL WORKSHOP

Date: Tuesday, May 10, 2016 **Time:** 4:00 P.M.

Present from Town Council: David Bennett, *Mayor*; Marc Grant, Tom Lennox, Kim Likins, John McCann, *Council Members*

Absent from Town Council: Bill Harkins, *Mayor Pro Tem*; Lee Edwards, Council Member

Present from Town Staff: Steve Riley, Greg DeLoach, *Assistant Town Manager*; Charles Cousins, *Director of Community Development*; Scott Liggett, *Director of Public Projects & Facilities/Chief Engineer*; Brad Tadlock, *Fire Chief*; Brian Hulbert, *Staff Attorney*; Susan Simmons, *Director of Finance*; Nancy Gasen, *Director of Human Resources*; Tom Fultz, *Director of Administrative Services*; John Troyer, *Deputy Finance Director*; Shawn Colin, *Deputy Director of Community Development*; Jill Foster, *Deputy Director of Community Development*; Teri Lewis, *LMO Official*; Jennifer Ray, *Urban Designer*; Julian Walls, *Facilities Manager*; Derrick Coaxum, *Assistant Facilities Manager*; Jeff Buckalew, *Town Engineer*; Ed Boring, *Deputy Fire Chief – Support Services*; Mike Mayers, *Deputy Fire Chief – Operations*; Melissa Cope, *Systems Analyst*; Bryan McIlwee, *Assistant Town Engineer/ Storm Water Manager*; Erica Madhere; *Finance Administrator*; Cindaia Ervin; *Finance Assistant*; Vicki Pfannenschmidt *Executive Assistant;*

Present from Media: Rebecca Lurye, Island Packet

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1) Call to Order

Mayor Bennett called the workshop to order at 4:01p.m.

2) Pledge to the Flag

3) FOIA Compliance – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

4) Review of Budgets of Affiliated Agencies

Mayor Bennett stated he would go through the list and if any Council member chose to have a representative of the agency conduct a presentation or had any questions for the representative they would do so and if not they would move on down the list.

a. Solicitor's Office – Drug Court and Career Criminal Program
Shawn Thornton reviewed the request and answered questions.

b. Beaufort County Sheriff's Office
Suzanne Cook and Lt. Col. Allen Horton reviewed the budget request and answered questions. After lengthy discussion, Council was in agreement to consider placing approximately $289,000 of the request for additional officers in reserve pending the completion of the performance audit.

c. USCB Event Management and Hospitality Training Program
Keri Oliveti reviewed the budget request and answered questions. Mrs. Likins suggested that future budget requests include details concerning retention of trainees.

d. Hilton Head Island Economic Development Corporation
Don Kirkman, Mary Ann Bastnagel and Carlton Dallas reviewed the budget request and answered questions. After discussion, Mayor Bennett requested that the HHIEDC conduct a review of their proposed budget to work on reducing it to the amount requested last year and bring it back to the next budget workshop for review and consideration.

e. Shore Beach Services, Inc.
No presentation requested.

f. Coastal Discovery Museum
Rex Garniewicz reviewed the budget requests and answered questions. Discussion focused on the request for $100,000 to cover the salary and benefits for a Mitchelville Preservation Project Executive Director. Mrs. Likins expressed concern regarding the ability to attract a qualified person for the position with the amount requested. After lengthy discussion, Mr. Garniewicz confirmed that the Coastal Discovery Museum would cover the difference if they would have to add to the figure to attract a qualified individual.

g. Island Recreation Association
Frank Soule reviewed the budget requests and answered questions.

h. Palmetto Breeze (LRTA)
No presentation requested.

i. Community Foundation of the Lowcountry Public Art Exhibition
No presentation requested.

Mayor Bennett stated that Council had received a request from First Tee of the Lowcountry asking to be considered for $50,000 in funding for the upcoming year.

Mrs. Likins informed the Mayor she was going to recuse herself due to a potential conflict of interest pertaining to the matter and she left the dais. The required Potential Conflict of Interest form will be attached to the approved, signed minutes.

Mayor Bennett asked the remaining Council members at the dais if they had an opportunity to review the request from First Tee of the Lowcountry and all confirmed they had. Mr. Grant spoke in support of the request. Mr. Gerald Walker, representative for the First Tee of the Lowcountry spoke on behalf of the organization detailing the need for the funding.

5) Review of General Operating Budget
Mrs. Likins returned to the dais at this time.
Susan Simmons presented a power point regarding the above and answered questions from Council.

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6) Review of Debt Service

Susan Simmons presented a power point regarding the above and answered questions from Council.

7) Review of Capital Projects Fund (CPF) and Storm Water Utility Fund (SWU)

Susan Simmons presented a power point regarding the above and answered questions from Council. Scott Liggett added information pertaining to the CPF and SWU. Jennifer Ray answered questions pertaining to the USCB project.

8) Adjournment

The workshop was adjourned at 8:20 p.m.

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Vicki L. Pfannenschmidt
Executive Assistant/Town Clerk

Approved:

_____

David Bennett, Mayor

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THE TOWN OF HILTON HEAD ISLAND

REGULAR TOWN COUNCIL MEETING

Date: Tuesday, May 17, 2016 **Time:** 4:00 P.M.

Present from Town Council: David Bennett, *Mayor* Bill Harkins, *Mayor Pro Tem*; David Ames, Marc Grant, Kim Likins, John McCann, *Council Members*

Absent from Town Council: Tom Lennox, *Council Member*

Present from Town Staff: Steve Riley, *Town Manager*; Greg DeLoach, *Assistant Town Manager*; Charles Cousins, *Director of Community Development*; Scott Liggett, *Director of Public Projects & Facilities/Chief Engineer*; Mike Mayers, *Deputy Fire Chief-Operations*; Brian Hulbert, *Staff Attorney*; Susan Simmons, *Director of Finance*; Tom Fultz, *Director of Administrative Services*; John Troyer, *Deputy Finance Director*; Shawn Colin, *Deputy Director of Community Development*; Teri Lewis, *LMO Official*; Rene Phillips, *Website Administrator*; Melissa Cope, *Systems Analyst*; Cindaia Ervin; *Finance Assistant*; Vicki Pfannenschmidt *Executive Assistant;* Numerous staff members of Hilton Head Island Fire Rescue

Present from Media: Rebecca Lurye, Island Packet

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1) CALL TO ORDER

Mayor Bennett called the meeting to order at 4:00 p.m.

2) PLEDGE TO THE FLAG

3) INVOCATION

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

5) Swearing in of Ward 3 Council Member – David Ames

- The Honorable Maureen Coffey

Judge Coffey administered the Oath of Office. Mr. Ames took his seat at the dais.

6) Proclamations and Commendations

a. EMS Week

A crew of Town of Hilton Head Island Firefighters were present to accept the proclamation.

b. National Gun Violence Awareness Day

Rudy Milton was present to accept the proclamation.

7) Approval of Minutes

a. Town Council Meeting, May 3, 2016

Mr. Harkins moved to approve. Mr. McCann seconded. The minutes of the May 3, 2016 regular Town Council meeting were approved by a vote of 5-0-1. (Mr. Ames abstained as he was not present at the meeting.

8) Report of the Town Manager

Mr. Riley reported on the items listed below.

a. Town Manager's Items of Interest

(1) Town News

(2) Noteworthy Events

8) Reports from Members of Council

a. General Reports from Council

Mr. McCann requested a quarterly update from Town the Attorney. Mayor Bennett asked Mr. Riley to contact Mr. Alford to produce the report for Council's review.

Mr. Harkins referenced the meeting with bond counsel and said the subject of fund balance was discussed. He noted the importance of fund balance for the Town and suggested that the bond counsel be requested to work with the Town Manager to come up with a range for guidance relative to reserves. Mr. McCann suggested the item be assigned to the Finance and Administrative Committee. Mayor Bennett agreed and assigned it to the Committee.

Mayor Bennett referenced his son's presentation suggesting a student government day. He stated that Faidra Smith has been working diligently with himself, Mrs. Bennett and a couple other individuals regarding the program. He announced there will be a middle school and high school segment with the proposed dates being November 1 and November 15. He said Faidra would be contacting Council with an outline of the program.

Mayor Bennett stated that in conjunction with the RBC Heritage Tournament Council participated in a community challenge and put together a video that was posted on Facebook and other social media. He had the video played for Council's viewing.

Mayor Bennett announced that in follow-up to the matter involving lock-out units the attorney that has been hired is able to come to Hilton Head Island for several meetings on May 31 at 2:00 p.m. and he has arranged for it to be a public meeting at Town Hall.

Mayor Bennett stated that last year he, Alex Brown and a couple churches in the community organized the One Island – One Community Inaugural Fourth of July Community-Wide Picnic and there were over 1500 citizens that participated in the festivities. Mayor Bennett announced it would take place this year on July 4th and extended an invitation to all.

Mayor Bennett stated that David Ames brings different strengths to the Council than that of Mr. Edwards and one of those is in the area of community planning. He asked Mr. Ames to replace Mr. Edwards on sub-committee assignments with one proposed augmentation which is to add Mr. Ames as a fourth member to the Public Planning Committee. He noted Mr. Ames has strengths in the vision process and with the upcoming Cordillo Court project he felt Mr. Ames strengths would be very beneficial to Council's efforts. Mayor Bennett stated he needed to adjust the Town Code to permit the change and directed Mr. Riley and Mr. DeLoach to bring forward the necessary ordinance(s) and/or resolution(s) to do so. He stated he had spoken with Mr. Lennox and he welcomed Mr. Ames to the Committee and asked Council if they had any objections. There were none.

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b. Report of the Intergovernmental Relations Committee – Bill Harkins, Chairman

Mr. Harkins reported that Senator Davis was present at the meeting held on Monday and discussed state roads highlighting revenue, structure and the infrastructure bank along with USC-B education funding. He detailed the Senator's remarks to the Committee.

c. Report of the Community Services Committee – Kim Likins, Chairman

Mrs. Likins stated that after Executive Session the appointments and reappointments to boards and commissions would be addressed. She announced the Venue Committee would be meeting on Thursday, May 19 at 9:00 a.m.

d. Report of the Public Planning Committee – Tom Lennox, Chairman

No report.

e. Report of the Public Facilities Committee

No report.

f. Report of the Public Safety Committee - Marc Grant, Chairman

No report.

g. Report of the Finance and Administrative Committee - John McCann, Chairman

No report.

h. Report of the Circle to Circle Committee - Tom Lennox, Town Council Liaison

No report.

9) Unfinished Business

a. Second Reading of Proposed Ordinance 2016-10

Second Reading of Proposed Ordinance 2016-10 to amend Title 16 of the Municipal Code of the Town of Hilton Head Island, South Carolina, the Land Management Ordinance (LMO) , Chapters 2, 3, 4, 5, 6 and 10 and Appendices A and D to revise various sections. These amendments, commonly referred to as *2016 LMO Amendments – First Set* as noticed in the Island Packet on February 14, 2016, include changes that provide for general amendments to a variety of sections in the LMO, and providing for severability and an effective date.

Mr. Harkins moved to approve. Mr. McCann seconded. The motion was approved by a vote of 6-0.

11) New Business

a. Consideration of a Recommendation – Procurement Code

Consideration of a Recommendation to select and utilize a South Carolina licensed attorney or firm to opine as to whether: i. the Town of Hilton Head Island was required to follow its procurement code in its selection of a designated marketing organization and recently entered into contract by the Town and the Hilton Head Island-Bluffton Chamber of Commerce and ii. a procurement occurred at the time the Chamber was selected and codified in the Town of Hilton Head Island Municipal Code as the Designated Marketing Organization, and if so, were there procurement provisions in effect at that time and did any of them apply. Furthermore, consideration of a recommendation by Town Council to release for public disclosure, in some form or fashion, the opinion of the Town Attorney regarding town procurement as it relates to the Town's recently executed contract with the Hilton Head Island-Bluffton Chamber of Commerce.

Mr. Harkins referenced the item listed on Executive Session and said he considered it a guidance document and suggested the above items be joined with the Executive Session item for discussion. Mr. McCann seconded. Mr. Ames asked if there was an advantage to discuss the issue in public. Mayor Bennett stated he felt the advantage would be to be transparent in discussions concerning the topic. Mayor Bennett said that if the concern was violating attorney-client privilege, he would be glad to set the legal opinion aside and discuss the Town Attorney's recent letter to a law firm that contains similar points that are outlined in the legal opinion. Mr. Ames stated his opinion is that this issue has been dogging the community and he does not understand the ordinance that gives the Chamber the monopoly. He expressed concern that there is not a competitive bid process.

Mr. Peter Buonaiuto, Eric Sommerville, Tom Gardo, Randy Tardy, Jack Alderman, Tony Schopp, Tom Shkor, Jay Wiendl, George Paletta, and John Joseph opined on the contract with the Hilton Head Island-Bluffton Chamber of Commerce, the ordinance and the town procurement.

Mr. Grant said he would like staff to be able address questions posed to Council so conflict is not created. He said it is difficult for the public to understand when multiple opinions are requested. He asked for specific suggestions needed to address issues with the Chamber referencing the workshop held with Council and the Chamber noting there was not one complaint during the workshop. He said that he feels the issue should be identified, fixed and Council should move on. Mr. Ames stated his problem is that the Island depends on people coming to the Island multiple times and purchasing real estate and the issue of marketing is much broader than getting heads in beds. He said part of the discussion is not about the Chamber but how we market ourselves and get the pipeline filled with people that want to live here in the future. Mr. Harkins pointed out that very well-meaning and well-intentioned people may not have all the facts and noted there has been failure in communicating as well as they should so people can make informed decisions. He suggested a public workshop on the item.

Mrs. Likins stated that when Council went into contract with the Chamber she supported it and continues to do so. She pointed out that the relevance of the code should be reviewed and maybe designation of the Chamber should be removed. She noted that anyone can apply for ATAX applications and they are vetted through the Accommodations Tax Advisory Committee (ATAC). She further stated that the ATAC has never recommended anyone but the Chamber and had they done so, Council would have had to look at changing the code. She stated the Town has other contractual relationships and referenced the Island Recreation Association. Mrs. Likins said Council can't hold one organization to a certain accountability without broadly looking at the remainder of the affiliated relationships. After further discussion by Council with all expressing the need to discuss the item in Executive Session, the motion was approved by a vote of 6-0.

Upon completion of Executive Session Mayor Bennett requested that Mr. Riley bring forward a resolution/ordinance change to cause the Chamber to be removed as the DMO for the Island in terms of being its position in the Town Code.

Council also concurred to give Mr. Riley permission to release the letter from Town Attorney Gregg Alford to Mr. Smith.

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b. Consideration of a Recommendation – Island Wide Vision

Consideration of a Recommendation from the Public Planning Committee that the Town Council grant the following authority to the Public Planning Committee: (1) engage Rawle Murdy, the Town's on-call communication consultant, on a task order to develop a communications plan for the Island Wide Vision; (2) prepare an RFP to hire a Vision Consultant; (3) release the RFP, review and evaluate responses, and recommend a preferred consultant to Town Council for approval; (4) At Town Council's direction, hire a Vision Consultant to implement the project.

Mr. Harkins moved to approve. Mr. McCann seconded. Mr. McCann stated that Chairman Lennox expressed to him that he endorsed the recommendation and requested that Council approve it unanimously. The motion was approved by a vote of 6-0.

c. First Reading of Proposed Ordinance 2016-12

First Reading of Proposed Ordinance 2016-12 authorizing the issuance and sale of not to exceed $30,500,000 General Obligation Refunding Bonds, in one or more series including a taxable series, with appropriate series designations, of the Town of Hilton Head Island, South Carolina; fixing the form and certain details of the bonds; authorizing the Town Manager or his lawfully authorized designee to determine certain matters relating to the bonds; providing for the payment of the bonds and the disposition of the proceeds thereof; other matters relating thereto; and providing for severability and an effective date.

Mr. Harkins moved to approve. Mr. McCann seconded. Susan Simmons reviewed the details regarding the item above along with Items 11.d., 11.e., and 11.f. Michael Seezen of McNair Law Firm answered questions regarding legal matters pertaining to the items.

The motion was approved by a vote of 6-0.

d. First Reading of Proposed Ordinance 2016-13

First Reading of Proposed Ordinance 2016-13 authorizing the issuance and sale of not exceeding $25,000,000 General Obligation Bond Anticipation Notes, Series 2016, or such other appropriate series designation, of the Town of Hilton Head Island, South Carolina; fixing the form and details of the notes; authorizing the Town Manager to determine certain matters relating to the notes; providing for the payment of the notes and the disposition of the proceeds thereof; other matters relating thereto; and providing for severability and an effective date.

Mr. Harkins moved to approve. Mr. McCann seconded. The motion was approved by a vote of 6-0.

e. First Reading of Proposed Ordinance 2016-14

First Reading of Proposed Ordinance 2016-14 authorizing the issuance and sale of not to exceed $21,200,000 General Obligation Bonds, in one or more series, in one or more years, with appropriate series designations, of the Town of Hilton Head Island, South Carolina; fixing the form and certain details of the bonds; authorizing the Town Manager or his lawfully authorized designee to determine certain matters relating to the bonds; providing for the payment of the bonds and the disposition of the proceeds thereof; to adopt written procedures related to continuing disclosure; other matters relating thereto; and providing for severability and an effective date.

Mr. Harkins moved to approve. Mr. McCann seconded. The motion was approved by a vote of 6-0.

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f. First Reading of Proposed Ordinance 2016-15

First Reading of Proposed Ordinance 2016-15 providing for the issuance and sale of Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Beach Preservation Fee Pledge), in one or more series, in the principal amount of not exceeding $25,200,000; delegating the authority to the Town Manager to determine certain matters with respect to the bonds; prescribing the form and details of such bonds; other matters relating thereto; and providing for severability and an effective date.

Mr. Harkins moved to approve. Mr. McCann seconded. The motion was approved by a vote of 6-0.

g. Consideration of a Resolution – Coligny Road Improvements Project

Consideration of a Resolution of the Town Council of the Town of Hilton Head Island, South Carolina, authorizing condemnation, pursuant to S.C. Code Section 28-2-10, *et seq.*, of easement rights and right of way ownership over portions of parcels in the Coligny and South Forest Beach areas on Hilton Head Island to facilitate the Town of Hilton Head Island's Coligny Road Improvements Project.

This item was held until the completion of Executive Session.

Upon completion of Executive Session, Mr. Harkins moved to approve. Mr. McCann seconded. The motion was approved by a vote of 6-0.

11) Appearance by Citizens

Mr. Ric Fisher, Doug MacNeille, Lee Mellinger, Rolland Hill addressed Council regarding the operations at ArborNature on Leg O Mutton Road. They presented a video of the operations along with photos.

Tai Scott and Theresa White addressed Council regarding the Gullah Geechee Catering and issues with the LMO.

12) Executive Session

Mr. Riley stated he needed an Executive Session pertaining to Land Acquisition: Discussion of negotiations incident to the proposed sale, lease or purchase of property related to a parcel near the intersection of US 278 and Spanish Wells Road and discussion of negotiations incident to the acquisition of easements from several parcels necessary for the implementation of the improvements associated with the Coligny District Redevelopment Conceptual Plan; Legal Matters: Receipt of Legal Advice: 1) related to pending litigation concerning a BZA appeal; 2) related to a pending threatened potential claim concerning Town procurement regulation; and 3) regarding a claim related to continuing disclosure in the municipal securities market; Personnel Matters: appointments to boards and commissions; and Contractual Matters related to a proposed MOU with the Sandbox Children's Museum. At 6:21 p.m. Mr. Harkins moved to enter Executive Session for the reason as set forth by the Town Manager. Mr. McCann seconded. The motion was approved by a vote of 6-0.

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Mayor Bennett called the meeting back to order at 8:24 p.m. stating that no action was taken during executive session and asked if there was any business as a result of Executive Session. The items below were addressed along with the 11.a. and 11.g. above. Please refer to those items for the results.

13) Possible actions by Town Council concerning matters discussed in Executive Session

a. Consideration of Appointments to Board and Commissions

Mrs. Likins moved to re-appoint the following persons to boards and commissions:

For the Accommodations Tax Advisory Committee:

Re-appoint Rob Bender to a 3-year term ending June 30, 2019, as a Hospitality member.

For the Board of Zoning Appeals:

Re-appoint Lisa Laudermilch to a 3-year term ending June 30, 2019, as an At-Large member.

Re-appoint David Fingerhut to a 3-year term ending June 30, 2019, and re-designate him as an Attorney member.

For the Design Review Board

Re-appoint Kyle Theodore to a 3-year term ending June 30, 2019, as a Landscape Architect member.

For the Planning Commission:

Re-appoint Alex Brown to a 3-year term ending June 30, 2019, as an At-Large member.

Re-appoint Judd Carstens to a 3-year term ending June 30, 2019, as an At-Large member.

Further, I move to appoint the following persons to boards and commissions:

For the Board of Zoning Appeals:

Appoint Robert S. Johnson to a 3-year term ending June 30, 2019, as an Architect member.

For the Construction Board of Adjustments & Appeals:

Appoint Marc Ellis to fill the unexpired term of Chauncey Burtch ending June 30, 2018, as a Building Industry At-Large member.

For the Beaufort Housing Authority:

Appoint Ronald Ianoale to fill an unexpired term on the Board of Commissioners ending March 12, 2018, as the Town of Hilton Head Island representative.

Mr. McCann seconded. The motion was approved by a vote of 6-0.

b. Consideration of an Order of Settlement related to continuing disclosure in the municipal securities market

Mr. McCann moved that the Town Council for the Town of Hilton Head Island authorize the Town Manager to execute on behalf of the Town of Hilton Head Island the attached offer of settlement with and subject to the approval of the Securities and Exchange Commission pursuant to the continuing disclosure in the municipal securities market. Mr. Harkins seconded. The motion was approved by a vote of 6-0.

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15) Adjournment

Mayor Bennett adjourned the meeting at 8:28 p.m.

_____

Vicki L. Pfannenschmidt
Executive Assistant/Town Clerk

Approved:

_____

David Bennett, Mayor

DRAFT

ITEMS OF INTEREST

JUNE 7, 2016

Noteworthy Events

Some of the upcoming meetings at Town Hall:

- Circle to Circle Committee – June 8, 2016, 8:30 a.m.
- Community Services Committee – June 13, 2016, 9:00 a.m.
- Design Review Board – June 14, 2016, 1:15 p.m.
- Town Council Budget Workshop/Special Meeting – June 14, 2016, 4:00 p.m.
- Planning Commission – June 15, 2016, 3:00 p.m.
- Venue Committee – June 16, 2016, 4:30 p.m.
- Intergovernmental Relations Committee – June 20, 2016, 10:00 a.m.
- Finance and Administrative Committee – June 21, 2016, 2:00 p.m
- Town Council – June 21, 2016, 4:00 p.m.

(Additional meetings may be scheduled and all meetings are subject to change and/or cancellation. Please visit the Town of Hilton Head Island website at www.hiltonheadislandsc.gov for Committee meeting dates and agendas.

MEMORANDUM

TO: Town Council

FROM: Susan M. Simmons, CPA, Director of Finance

VIA: Stephen G. Riley, ICMA-CM, Town Manager

DATE: May 18, 2016

RE: **Second Reading of Proposed Ordinance No. 2016-12**

Recommendation:
Staff recommends that Town Council approve the second reading of Proposed Ordinance No. 2016-12.

There have been no changes to this ordinance from First Reading.

AN ORDINANCE FOR THE TOWN OF HILTON HEAD ISLAND

ORDINANCE NO. _____ PROPOSED ORDINANCE NO. 2016-12

AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $30,500,000 GENERAL OBLIGATION REFUNDING BONDS, IN ONE OR MORE SERIES INCLUDING A TAXABLE SERIES, WITH APPROPRIATE SERIES DESIGNATIONS, OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; FIXING THE FORM AND CERTAIN DETAILS OF THE BONDS; AUTHORIZING THE TOWN MANAGER OR HIS LAWFULLY AUTHORIZED DESIGNEE TO DETERMINE CERTAIN MATTERS RELATING TO THE BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS AND THE DISPOSITION OF THE PROCEEDS THEREOF; OTHER MATTERS RELATING THERETO; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, on March 15, 2005, the Town issued its $24,265,000 General Obligation Refunding Bonds, Series 2005A (the "2005" Bonds"); and

WHEREAS, on March 20, 2008, the Town issued its $12,215,000 General Obligation Refunding Bonds, Series 2008A (the "2008 Bonds"); and

WHEREAS, on February 3, 2010, the Town issued its $12,000,000 General Obligation Bonds, Taxable Series 2010 Bonds (Build America Bonds – Direct Pay to Issuer) (the "2010 Bonds"); and

WHEREAS, Town Council has been advised that due to the current interest rate environment, the 2005 Bonds and the 2008 Bonds are good refunding candidates;

WHEREAS, as a result of sequestration and the reduction of the interest subsidy associated with the 2010 Bonds, the 2010 Bonds can be currently refunded resulting in an interest rate savings; and

WHEREAS, in order to take advantage of the opportunity to refund the 2005 Bonds, the 2008 Bonds, and the 2010 Bonds, Town Council must enact an appropriate ordinance authorizing the issuance of general obligation refunding bonds.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AS FOLLOWS:

SECTION 1. Findings and Determinations. The Town Council (the "Town Council") of the Town of Hilton Head Island, South Carolina (the "Town"), hereby finds and determines:

(a) The Town is an incorporated municipality located in Beaufort County, South Carolina, and as such possesses all powers granted to municipalities by the Constitution of the State of South Carolina, 1895, as amended (the "Constitution") and laws of the State of South Carolina (the "State").

(b) Article X, Section 14 of the Constitution provides that general obligation debt may be incurred by the governing body of each municipality of the State for any public and corporate purpose in an amount not exceeding eight (8%) percent of the assessed value of all taxable property of such municipality and upon such terms and conditions as the General Assembly may prescribe. Such Article further provides that if general obligation debt is authorized by a majority vote of the qualified electors of the municipality voting in a referendum authorized by law, there shall be no conditions or restrictions limiting the incurring of such indebtedness except as specified in such Article.

(c) Title 5, Chapter 21, Article 5, Code of Laws of South Carolina, 1976, as amended (the "Municipal Bond Act"), provides that the municipal council of any municipality may issue general obligation bonds of such municipality for any corporate purpose of such municipality to any amount not exceeding the constitutional debt limitation applicable to such municipality.

(d) The Municipal Bond Act provides that as a condition precedent to the issuance of bonds an election be held and the result be favorable thereto. Title 11, Chapter 27, Code of Laws of South Carolina 1976, as amended, provides that if an election be prescribed by the provisions of the Municipal Bond Act, but not be required by the provisions of Article X of the Constitution, then in every such instance, no election need be held (notwithstanding the requirement therefor) and the remaining provisions of the Municipal Bond Act shall constitute a full and complete authorization to issue bonds in accordance with such remaining provisions.

(e) Pursuant to State constitutional and statutory authorizations, the favorable results of referenda held on November 3, 1998, and November 7, 2000, and an Ordinance duly enacted by the Town Council on April 6, 2004, the Town issued the 2005 Bonds, the proceeds of which were used to refund the 2010 through 2024 maturities of the $12,000,000 General Obligation Bonds, Series 1999A and to refund the 2010 through 2021 maturities of the $20,000,000 General Obligation Bonds, Series 2001.

(f) Pursuant to State constitutional and statutory authorizations, the favorable results of referendum held on November 4, 1997, and an Ordinance duly enacted by the Town Council on February 19, 2008, the Town issued the 2008 Bonds, the proceeds of which were used to refund the outstanding original principal amount of the Town's $15,000,000 General Obligation Bonds, Series 1998A.

(g) Pursuant to the American Reinvestment and Recovery Act of 2009, State constitutional and statutory authorizations, the favorable results of a referendum held on November 4, 2008, and an Ordinance duly enacted by Town Council on September 15, 2009, the Town issued the 2010 Bonds.

(h) Sections 11-21-10 to 11-21-80 of the Code of Laws of South Carolina 1976, as amended, empower any "public agency" to utilize the provisions of Article 5, Chapter 15, Title 11 (the "Refunding Act") of the Code of Laws of South Carolina 1976, as amended, to effect the refunding of any outstanding general obligation bonds.

(i) The 2005 Bonds are currently outstanding in the amount of $13,201,000 (the "2005 Bonds to be Refunded"). The 2008 Bonds maturing on or after December 1, 2016, are subject to redemption at the option of the Town on or after December 1, 2015, as a whole or in part at any time, at par, together with the interest accrued thereon to the date fixed for redemption.

(j) The 2008 Bonds are currently outstanding in the amount of $7,305,000 (the "2008 Bonds to be Refunded"). The 2008 Bonds maturing on or after December 1, 2018, shall be subject to redemption at the option of the Town on or after December 1, 2017, as a whole or in part at any time, at par, together with the interest accrued thereon to the date fixed for redemption.

(k) The 2010 Bonds are currently outstanding in the amount of $9,515,000 (the "2010 Bonds to be Refunded," together with the 2005 Bonds to be Refunded and the 2008 Bonds to be Refunded, the "Bonds to be Refunded") and are subject to extraordinary redemption as follows: "The Bonds are subject to redemption by the Town, at its option, prior to maturity at any time or times at the redemption price of par plus accrued interest to the redemption date if and to the extent the federal government should not make the subsidy payment equal to 35% of the amount of interest paid on such taxable Bonds pursuant to the ARRA."

(l) As a result of federal sequestration, the interest subsidy payment for the 2010 Bonds has been reduced to less than 35%.

(m) Pursuant to Ordinance No. 2013-03 duly enacted by the Town Council on May 7, 2013, the Town has adopted Written Procedures Related to Tax-Exempt Debt.

(n) It is now in the best interest of the Town for the Town Council to provide for the issuance and sale of not exceeding $30,500,000 aggregate principal amount general obligation refunding bonds of the Town to provide funds for the purposes of (i) refunding the Bonds to be Refunded; and (ii) paying costs of issuance of the Bonds (hereinafter defined).

SECTION 2. Authorization and Details of the Bonds. Pursuant to the aforesaid provisions of the Constitution and laws of the State and the successful results of the referenda described above, there is hereby authorized to be issued not exceeding $30,500,000 general obligation refunding bonds of the Town (the "Bonds") for the purposes listed in Section 1(n) above.

The Bonds shall be issued as fully-registered Bonds; shall be dated as of their date of delivery; shall be in denominations of $5,000 or any integral multiple thereof not exceeding the principal amount of the Bonds maturing in each year; shall be numbered from R-1 upward; shall bear interest at such times as hereafter designated by the Town Manager or his lawfully authorized designee at such rate or rates as may be determined at the time of the sale thereof; and shall mature serially in successive annual installments as determined by the Town Manager or his lawfully authorized designee.

The refunding of the 2008 Bonds to be Refunded shall be effected with a portion of the proceeds of the Bonds which proceeds shall be used for the payment of the principal of such 2008 Bonds to be Refunded as and when such 2008 Bonds to be Refunded mature and are called for redemption in accordance with the provisions of the Ordinance authorizing the 2008 Bonds to be Refunded, the redemption premium thereon, if any, and interest on such 2008 Bonds to be Refunded as and when the same becomes due. If necessary, notice of the refunding of the 2008 Bonds to be Refunded for which a portion of the proceeds of the Bonds will be used shall be given in a financial paper published in the City of New York, State of New York.

Upon the delivery of the Bonds, the principal proceeds thereof to be used to refund the 2008 Bonds to be Refunded, less any issuance expenses, shall be deposited with an escrow agent to be named (the "Escrow Agent") and held by it under a written refunding trust agreement (the "Refunding Trust Agreement") in a special trust account. It shall be the duty of such Escrow Agent to keep such proceeds invested and reinvested to the extent that it shall be practical in obligations of the United States or any agency thereof and to apply the principal and interest of the trust so established in the manner prescribed in such Refunding Trust Agreement.

The Town Manager is hereby authorized and directed for and on behalf of the Town to execute such agreements and give such directions as shall be necessary to carry out the provisions of this Ordinance, including the execution and delivery of the Refunding Trust Agreement. The Refunding Trust Agreement shall be dated the date of delivery of the Bonds to the initial purchasers thereof.

SECTION 3. Delegation of Authority to Determine Certain Matters Relating to the Bonds. The Town Council hereby expressly delegates to the Town Manager the authority, with respect to the Bonds, to determine (a) the maturity dates and the respective principal amounts maturing on such dates; (b) the interest payment dates; (c) the redemption provisions, if any; (d) the Registrar/Paying agent; (e) whether to publish notice of the adoption of this ordinance under the provisions of Section 11-27-40(8), Code of Laws of South Carolina, 1976, as amended; (f) the date and time of the sale, including whether or not the Bonds should be sold on the same date as one or more series or on separate dates as separate series; (g) what portion of the Bonds should be issued as taxable; and (h) such other matters as are necessary or appropriate. The Town Manager is further directed to consult with the Town's financial advisor and bond counsel in making any such decisions.

The Town Council hereby further delegates to the Town Manager or his lawfully authorized designee the authority to receive bids on behalf of the Town Council and the authority to award the sale of the Bonds to the lowest bidder therefor, in accordance with the terms of the Notice of Sale for the Bonds, provided the true interest cost does not exceed 4.00% for taxable bonds and 3.00% for tax-exempt bonds. After the sale of the Bonds, the Town Manager or his lawfully authorized designee shall submit a written report to the Town Council setting forth the results of the sale of the Bonds.

SECTION 4. Registration, Transfer and Exchange of Bonds. The Town shall cause books (herein referred to as the "registry books") to be kept at the offices of the Registrar/Paying Agent, for the registration and transfer of the Bonds. Upon presentation at its office for such purpose the Registrar/Paying Agent shall register or transfer, or cause to be registered or transferred, on such registry books, the Bonds under such reasonable regulations as the Registrar/Paying Agent may prescribe.

Each Bond shall be transferable only upon the registry books of the Town, which shall be kept for such purpose at the principal office of the Registrar/Paying Agent, by the registered owner thereof in person or by his duly authorized attorney upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar/Paying Agent duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Bond the Registrar/Paying Agent on behalf of the Town shall issue in the name of the transferee a new fully-registered Bond or Bonds, of the same aggregate principal amount, interest rate and maturity as the surrendered Bond. Any Bond surrendered in exchange for a new registered Bond pursuant to this Section shall be canceled by the Registrar/Paying Agent.

The Town and the Registrar/Paying Agent may deem or treat the person in whose name any fully-registered Bond shall be registered upon the registry books as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Town nor the Registrar/Paying Agent shall be affected by any notice to the contrary. In all cases in which the privilege of transferring Bonds is exercised, the Town shall execute and the Registrar/Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Ordinance. Neither the Town nor the Registrar/Paying Agent shall be obliged to make any such transfer of Bonds during the fifteenth (15th) day of the calendar month preceding an interest payment date on such Bonds.

SECTION 5. Record Date. The Town establishes a record date for the payment of interest or for the giving of notice of any proposed redemption of Bonds, and such record date shall be the fifteenth (15th) day (whether or not a business day) preceding an interest payment date on such Bond or, in the case of any proposed redemption of Bonds, such record date shall be the fifteenth (15th) day (whether or not a business day) prior to the mailing of notice of redemption of Bonds.

SECTION 6. Mutilation, Loss, Theft or Destruction of Bonds. In case any Bond shall at any time become mutilated in whole or in part, or be lost, stolen or destroyed, or be so defaced as to impair the value thereof to the owner, the Town shall execute and the Registrar shall authenticate and deliver at the principal office of the Registrar, or send by registered mail to the owner thereof at his request, risk and expense a new Bond of the same series, interest rate and maturity and of like tenor and effect in exchange or substitution for and upon the surrender for cancellation of such defaced, mutilated or partly destroyed Bond, or in lieu of or in substitution for such lost, stolen or destroyed Bond. In any such event the applicant for the issuance of a substitute Bond shall furnish

the Town and the Registrar evidence or proof satisfactory to the Town and the Registrar of the loss, destruction, mutilation, defacement or theft of the original Bond, and of the ownership thereof, and also such security and indemnity as may be required by the laws of the State or such greater amount as may be required by the Town and the Registrar. Any duplicate Bond issued under the provisions of this Section in exchange and substitution for any defaced, mutilated or partly destroyed Bond or in substitution for any allegedly lost, stolen or wholly destroyed Bond shall be entitled to the identical benefits under this Ordinance as was the original Bond in lieu of which such duplicate Bond is issued, and shall be entitled to equal and proportionate benefits with all the other Bonds of the same series issued hereunder.

All expenses necessary for the providing of any duplicate Bond shall be borne by the applicant therefor.

SECTION 7. Form of Bonds. The Bonds shall be in substantially the form attached hereto as Exhibit A and incorporated herein by reference.

SECTION 8. Execution of Bonds. The Bonds shall be executed in the name of the Town with the manual or facsimile signature of the Mayor of the Town attested by the manual or facsimile signature of the Town Clerk under a seal of the Town which shall be impressed, imprinted or reproduced thereon. The Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication. Each Bond shall bear a certificate of authentication manually executed by the Registrar/Paying Agent in substantially the form set forth herein.

SECTION 9. Security for the Bonds. The full faith, credit, taxing power and resources of the Town are hereby irrevocably pledged for the payment of the principal and interest of the Bonds as they respectively mature and for the creation of such sinking fund as may be necessary to provide for the prompt payment thereof. There shall be levied and collected annually upon all taxable property of the Town an ad valorem tax, without limitation as to rate or amount, sufficient for such purposes. The Town at its option may also utilize any other funds available therefor for the payment of the principal of and interest on the Bonds.

SECTION 10. Defeasance. The obligations of the Town herein made or provided for, shall be fully discharged and satisfied as to any portion of the Bonds, and such Bond or Bonds shall no longer be deemed to be outstanding hereunder when:

(a) such Bond or Bonds shall have been purchased by the Town and surrendered to the Town for cancellation or otherwise surrendered to the Town or the Paying Agent and is canceled or subject to cancellation by the Town or the Paying Agent; or

(b) payment of the principal of and interest on such Bonds either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Paying Agent in trust and irrevocably set aside exclusively for such payment (1) moneys sufficient to make such payment or (2) Government Obligations (hereinafter

defined) maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of the Paying Agent. At such time as the Bonds shall no longer be deemed to be outstanding hereunder, such Bonds shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Government Obligations, shall no longer be secured by or entitled to the benefits of this Ordinance.

"Government Obligations" shall mean any of the following:

(i) direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America;

(ii) non-callable, U. S. Treasury Securities - State and Local Government Series ("SLGS");

(iii) general obligation bonds of the State, its institutions, agencies, Towns and political subdivisions which, at the time of purchase, carry a AAA rating from Standard & Poor's or a Aaa rating from Moody's Investors Service; and

(iv) a defeasance obligation as defined in Section 6-5-10 of the S.C. Code as such as may be amended from time to time.

(c) Such Bond of Bonds shall be defeased as provided in Section 11-14-110 of the S.C. Code as such may be amended from time to time.

The Town has reserved the right to modify this definition to conform to amendments in State law regarding legal investments of public funds.

SECTION 11. Exemption from State Taxes. Both the principal of and interest on the Bonds shall be exempt, in accordance with the provisions of Section 12-2-50 of the Code of Laws of South Carolina, 1976, as amended, from all State, county, municipal, town and all other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

SECTION 12. Eligible Securities. The Bonds initially issued (the "Initial Bonds") will be eligible securities for the purposes of the book-entry system of transfer maintained by The Depository Trust Company, New York, New York ("DTC"), and transfers of beneficial ownership of the Initial Bonds shall be made only through DTC and its participants in accordance with rules specified by DTC. Such beneficial ownership must be of $5,000 principal amount of bonds of the same maturity or any integral multiple of $5,000.

The Initial Bonds shall be issued in fully-registered form, one Bond for each of the maturities of the Bonds, in the name of Cede & Co., as the nominee of DTC. When any principal of or interest on the Initial Bonds becomes due, the Paying Agent, on behalf of the Town, shall transmit to DTC an amount equal to such installment of principal and interest. DTC shall remit such payments to the beneficial owners of the Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Bonds or any portion thereof shall be sent to DTC in accordance with the provisions of the Ordinance.

If (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Town has advised DTC of its determination that DTC is incapable of discharging its duties, the Town shall attempt to retain another qualified securities depository to replace DTC. Upon receipt by the Town of the Initial Bonds together with an assignment duly executed by DTC, the Town shall execute and deliver to the successor securities depository bonds of the same principal amount, interest rate and maturity registered in the name of such successor.

If the Town is unable to retain a qualified successor to DTC or the Town has determined that it is in its best interest not to continue the book-entry system of transfer or that interests of the beneficial owners of the Bonds might be adversely affected if the book-entry system of transfer is continued (the Town undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify beneficial owners of the Bonds by mailing an appropriate notice to DTC, upon receipt by the Town of the Initial Bonds together with an assignment duly executed by DTC, the Town shall execute, authenticate and deliver to the DTC participants bonds in fully-registered form in the denomination of $5,000 or any integral multiple thereof.

SECTION 13. Sale of Bonds, Form of Notice of Sale. The Bonds shall be sold at public sale. A Notice of Sale shall be distributed to prospective bidders and a summary of such Notice shall be published in a newspaper having general circulation in the State or in a financial publication published in the City of New York, State of New York, or both, not less than seven (7) days prior to the date set for such sale in substantially the form attached hereto as Exhibit B and incorporated herein by reference.

SECTION 14. Preliminary and Final Official Statement. The Town Council hereby authorizes and directs the Town Manager or his lawfully authorized designee to prepare, or cause to be prepared, a Preliminary Official Statement to be distributed to prospective purchasers of the Bonds together with the Notice of Sale. The Town Council authorizes the Town Manager or his lawfully authorized designee to designate the Preliminary Official Statement as “near final” for purposes of Rule 15c2-12 of the Securities Exchange Commission (the “Rule”). The Town Manager or his lawfully authorized designee is further authorized to see to the completion of the final form of the Official Statement upon the sale of the Bonds so that it may be provided to the purchasers of the Bonds.

SECTION 15. Filings with Central Repository. In compliance with Section 11-1-85, South Carolina Code of Laws 1976, as amended, the Town covenants that it will file or cause to be filed with a central repository for availability in the secondary bond market when requested: (a) a copy of an annual independent audit of the Town within thirty (30) days of the Town's receipt thereof; and (b) within thirty (30) days of the occurrence thereof, event specific information of an event which adversely affects more than five (5%) percent of the tax revenues of the Town or the Town's tax base.

SECTION 16. Continuing Disclosure. In compliance with the Rule, the Town covenants and agrees for the benefit of the holders from time to time of the Bonds to execute and deliver prior to closing, and to thereafter comply with the terms of a Continuing Disclosure Certificate in substantially the form attached hereto and incorporated herein by reference as Exhibit C. In the event of a failure of the Town to comply with any of the provisions of the Continuing Disclosure Certificate, an event of default under this Ordinance shall not be deemed to have occurred. In such event, the sole remedy of any bondholder or beneficial owner shall be an action to compel performance by the Town.

SECTION 17. Deposit and Use of Proceeds. The proceeds derived from the sale of the Bonds necessary to refund the 2008 Bonds to be Refunded shall be deposited with the Escrow Agent pursuant to the terms of the Refunding Trust Agreement between the Escrow Agent and the Town. The proceeds derived from the sale of the Bonds necessary to refund the 2005 Bonds to be Refunded and the 2010 Bonds to be Refunded shall be deposited with the respective Paying Agent for each and used to refund the 2005 Bonds to be refunded and the 2010 Bonds to be refunded as soon as practicable after closing. The remaining proceeds, if any, shall be deposited with the Town in a special fund and shall be applied solely to the purposes for which the Bonds have been issued, including payment of costs of issuance of the Bonds.

SECTION 18. Tax Covenants. With respect to the series of Bonds issued as tax-exempt, the Town hereby covenants and agrees with the holders of the Bonds that it will not take any action which will, or fail to take any action which failure will, cause interest on the Bonds to become includable in the gross income of the holders of the Bonds for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986 as amended (the "Code") and regulations promulgated thereunder in effect on the date of original issuance of the Bonds. The Town further covenants and agrees with the holders of the Bonds that no use of the proceeds of the Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Bonds would have caused the Bonds to be "arbitrage bonds," as defined in Section 148 of the Code, and to that end the Town hereby shall:

(i) comply with the applicable provisions of Sections 103 and 141 through 150 of the Code and any regulations promulgated thereunder so long as the Bonds are outstanding;

(ii) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebates of certain amounts to the United States; and

(iii) make such reports of such information at the time and places required by the Code.

SECTION 19. Miscellaneous. The Town Council hereby authorizes the Mayor and Town Clerk, the Town Manager, the Director of Finance and any lawfully authorized designee to execute such documents and instruments as may be necessary to effect the issuance of the Bonds or make modifications in any documents including but not limited to the form of the Bond or Notice of Sale, if necessary. The Town Council hereby retains the law firm of McNair Law Firm, P.A. as bond counsel and Stifel – Merchant Capital Division, as financial advisor in connection with the issuance of the Bonds. The Town Manager is authorized to execute such contracts, documents or engagement letters as may be necessary and appropriate to effectuate these engagements.

SECTION 20. 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 21. Codification. This Ordinance shall be forthwith codified in the Code of Town Ordinances in the manner required by law.

SECTION 22. Effective Date. This Ordinance shall be effective upon its enactment by the Town Council of the Town of Hilton Head Island, South Carolina.

ORDINANCE NO. _____ **PROPOSED ORDINANCE NO. 2016-12**

PASSED, APPROVED, AND ADOPTED BY THE TOWN COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA ON THIS ____DAY OF _____, 2016.

_____
David Bennett, Mayor

ATTEST:

_____
Victoria L. Pfannenschmidt
Town Clerk

APPROVED AS TO FORM:

_____
Gregory M. Alford, Town Attorney

First Reading:_____

Second Reading:_____

Introduced by Council Member:

_____

Exhibit A

FORM OF BOND

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
THE TOWN OF HILTON HEAD ISLAND
$_____ GENERAL OBLIGATION REFUNDING BOND
SERIES 20___

No. R-

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
%			

REGISTERED HOLDER:

PRINCIPAL AMOUNT: DOLLARS

KNOW ALL MEN BY THESE PRESENTS, that the Town of Hilton Head Island, South Carolina (the "Town"), is justly indebted and, for value received, hereby promises to pay to the registered holder named above, or registered assigns, the principal amount shown above on the maturity date shown above, upon presentation and surrender of this Bond at the principal office of _____ in _____ (the "Paying Agent"), and to pay interest on such principal sum from the date hereof at the interest rate per annum shown above until this Bond matures. Interest on this Bond is payable semiannually on _____ 1 and _____ 1 of each year commencing _____ 1, 20__, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Town maintained by the registrar, presently _____, in _____ (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month next preceding each semiannual interest payment date. The principal and interest on this Bond are payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance of the Town authorizing the Bonds, nor become valid or obligatory for any purpose, until the Certificate of Authentication hereon shall have been duly executed by the Registrar.

For the payment of the principal and interest of this Bond as they respectively mature and for the creation of such sinking fund as may be necessary to provide for the prompt payment hereof, the full faith, credit, taxing power and resources of the Town are hereby irrevocably pledged, and there shall be levied and collected annually upon all taxable property of the Town an ad valorem tax, without limitation as to rate or amount, sufficient for such purposes.

The Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Ordinance. One bond certificate with respect to each date on which the Bonds are stated to mature, registered in the name of the securities depository nominee, is being issued and required to be deposited with the securities depository and immobilized in its custody. The book-entry system will evidence positions held in the Bonds by the securities depository's participants, beneficial ownership of the Bonds in the principal amount of $5,000 or any multiple thereof being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the securities depository and its participants pursuant to rules and procedures established by the securities depository and its participants. The Town and the Registrar/Paying Agent will recognize the securities depository nominee, while the registered owner of this bond, as the owner of this bond for all purposes, including payments of principal of and redemption premium, if any, and interest on this bond, notices and voting. Transfer of principal and interest payments to participants of the securities depository will be the responsibility of the securities depository, and transfer of principal, redemption premium, if any, and interest payments to beneficial owners of the Bonds by participants of the securities depository will be the responsibility of such participants and other nominees of such beneficial owners. The Town will not be responsible or liable for such transfers of payments or for maintaining, supervision or reviewing the records maintained by the securities depository, the securities depository nominee, its participants or persons acting through such participants. While the securities depository nominee is the owner of this bond, notwithstanding, the provision hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Bond shall be made in accordance with existing arrangements between the Registrar/Paying Agent or its successors under the Ordinance and the securities depository.

This Bond is one of a series of Bonds of like date of original issue, tenor and effect, except as to number, date of maturity, denomination, [redemption provisions] and rate of interest, aggregating _____ Dollars issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina, including Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 11, Chapters 15 and 27, Code of Laws of South Carolina 1976, as amended; [the favorable results of a referendum held in the Town on _____]; and Ordinance No. _____ duly enacted by the Town Council of the Town.

[Redemption Provisions]

This Bond is transferable as provided in the Ordinance, only upon the books of the Town kept for that purpose at the principal office of the Registrar by the registered holder in person or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered holder or his duly authorized attorney. Thereupon a new fully-registered Bond or Bonds of the same aggregate principal amount, interest rate, and maturity shall be issued to the transferee in exchange therefor as provided in the Ordinance. The Town, the Registrar and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes.

Under the laws of the State of South Carolina (the "State"), this Bond and the interest hereon are exempt from all State, county, municipal, school district and other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State to exist, to happen and to be performed precedent to or in the issuance of this Bond exist, have happened and have been performed in regular and due time, form and manner as required by law; that the amount of this Bond, together with all other indebtedness of the Town does not exceed the applicable limitation of indebtedness under the laws of the State; and, that provision has been made for the levy and collection of a tax, without limit, on all taxable property in the Town sufficient to pay the principal and interest of this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

IN WITNESS WHEREOF, THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, has caused this Bond to be signed with the manual or facsimile signature of the Mayor of the Town, attested by the manual or facsimile signature of the Town Clerk and the seal of the Town impressed, imprinted or reproduced hereon.

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

_____
Mayor

(SEAL)

ATTEST:

_____
Town Clerk

[FORM OF REGISTRAR'S CERTIFICATE OF AUTHENTICATION]

Date of Authentication:

This Bond is one of the bonds described in the within mentioned Ordinance of the Town of Hilton Head Island, South Carolina.

_____,
as Registrar

By:_____
Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT -

_____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to
Minors Act _____
(state)

Additional abbreviations may also be used though not in above list.

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____
(Name and Address of Transferee)
_____
the within Bond and does hereby irrevocably constitute and appoint _____ _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:_____

_____
Signature Guaranteed

_____
Notice: Signature(s) must be guaranteed by an institution which is a a participant in the registered Securities Transfer Agents Medallion Program ("STAMP") or similar program.

_____
(Authorized Officer)

_____
Notice: The signature to the assignment must correspond with the name of the holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

A copy of the final approving legal opinion to be rendered shall accompany each Bond and preceding the same a certificate shall appear, which shall be signed on behalf of the Town with a manual or facsimile signature of the Town Clerk in the following form:

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the final legal opinion (except for date and letterhead) of McNair Law Firm, P.A., Columbia, South Carolina, approving the issue of Bonds of which the within Bond is one, the original of which opinion was manually executed, dated and issued as of the date of delivery of and payment for the Bonds, and a copy of which is on file with the Town of Hilton Head Island, South Carolina.

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By_____
Town Clerk

Exhibit B

FORM OF NOTICE OF SALE

$_____ GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016___
TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

Time and Place of Sale: NOTICE IS HEREBY GIVEN that proposals addressed to the undersigned will be received on behalf of the Town Council (the "Council") of the Town of Hilton Head Island, South Carolina (the "Town"), in Council Chambers, One Town Center Court, Hilton Head Island, South Carolina, until _____, South Carolina time, on _____, 2016, at which time said proposals will be publicly opened for the purchase of _____ ($_____) General Obligation Refunding Bonds, Series 2016__ of the Town (the "Bonds").

Sealed Bids: Each hand delivered proposal shall be enclosed in a sealed envelope marked "Proposal for $_____ General Obligation Refunding Bonds, Series 2016___, Town of Hilton Head Island, South Carolina" and should be directed to the Director of Finance at the address in the first paragraph hereof.

Electronic Bids: Electronic proposals must be submitted through i-Deal's Parity Electronic Bid Submission System ("Parity"). No electronic bids from any other providers of electronic bidding services will be accepted. Information about the electronic bidding services of Parity may be obtained from i-Deal, 40 W. 23rd Street, 5th floor, New York, New York 10010, Customer Support, telephone (212) 404-8102.

PROPOSALS MAY BE DELIVERED BY HAND, BY MAIL, BY FACSIMILE TRANSMISSION OR BY ELECTRONIC BID, BUT NO PROPOSAL SHALL BE CONSIDERED WHICH IS NOT ACTUALLY RECEIVED BY THE TOWN AT THE PLACE, DATE AND TIME APPOINTED, AND THE TOWN SHALL NOT BE RESPONSIBLE FOR ANY FAILURE, MISDIRECTION, DELAY OR ERROR RESULTING FROM THE SELECTION BY ANY BIDDER OF ANY PARTICULAR MEANS OF DELIVERY OF BIDS.

Book-Entry-Only Bonds: The Bonds will be issued in fully-registered form. One Bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds and each such Bond will be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry-only form in the principal amount of $5,000 or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year; Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates representing each maturity with DTC. The Bonds will be dated _____ 1, 2010 and will mature serially in successive annual installments on _____ 1 in each of the years and in the principal amounts as follows:

_____1	Principal Amount*	_____1	Principal Amount*

*Preliminary, subject to adjustment.

Adjustment of Maturity Schedule. If, after final computation of the proposals, the Town determines in its sole discretion that the funds necessary to accomplish the purposes for which the Bonds are being issued are either more or less than the proceeds of the sale of the amount of the Bonds as shown in this Notice of Sale, it reserves the right either to decrease or increase the principal amount of the Bonds (all calculations to be rounded to the near $5,000), provided that any such decrease or increase shall not exceed 10% of the par amount. Such adjustment(s), if any, shall be made within twenty-four (24) hours of the award of the Bonds. In order to calculate the yield on the Bonds for federal tax law purposes and as a condition precedent to the award of the Bonds, bidders must disclose to the Town in connection with their respective bids the price (or yield to maturity) at which each maturity of the Bonds will be reoffered to the public.

In the event of any adjustment of the maturity schedule for the Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. Nevertheless, the award of the Bonds will be made to the bidder whose proposal produces the lowest true interest cost solely on the basis of the Bonds offered, without taking into account any adjustment in the amount of the Bonds pursuant to this paragraph.

The Bonds will bear interest from the date thereof payable semiannually on _____ 1 and _____ 1 of each year, commencing _____ 1, 2016.

[Redemption Provisions.]

Registrar/Paying Agent: Within twenty-four (24) hours of the sale of the Bonds, the Town will designate a registrar and paying agent ("Registrar/Paying Agent") for the Bonds. The Registrar/Paying Agent shall be a bank, trust company, depository or transfer agent located either within or without the State of South Carolina.

Bid Requirements: Bidders shall specify the rate or rates of interest per annum which the Bonds are to bear, to be expressed in multiples of 1/20 or 1/8 of 1% with no greater difference than two percent (2%) between the highest and lowest rates of interest named by a bidder. Bidders are not limited as to the number of rates of interest named, but the rate of interest on each separate maturity must be the same single rate for all Bonds of that maturity from their date to such maturity date. A bid for less than all the Bonds, a bid at a price less than par or a bid which includes a premium of more than 1% will not be considered. In addition to the bid price, the successful bidder must pay accrued interest from the date of the Bonds to the date of full payment of the purchase price.

Good Faith Deposit: A good faith deposit is not required.

Bid Form: It is requested but not required that you submit your bid on the Proposal for Purchase of Bonds supplied with the Official Statement.

Official Statement: Upon the award of the Bonds, the Town will prepare an official statement (the "Official Statement") in substantially the same form as the preliminary official statement subject to minor additions, deletions and revisions as required to complete the Official Statement. Within seven (7) business days after the award of the Bonds, the Town will deliver the Official Statement to the successful bidder in sufficient quantity to comply with Rule G-32 of the Municipal Securities Rulemaking Board. The successful bidder agrees to supply to the Town within 24 hours after the award of the Bonds all necessary pricing information and any Underwriter identification necessary to complete the Official Statement.

Security: The Bonds shall constitute binding general obligations of the Town, and the full faith, credit, resources and taxing power of the Town are irrevocably pledged for the payment of the principal and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary to provide for the prompt payment thereof. There shall be levied and collected annually upon all taxable property of the Town a tax, without limitation as to rate or amount, sufficient for such purposes.

Continuing Disclosure: In order to assist the bidders in complying with S.E.C. Rule 15c2-12(b)(5), the Town will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Legal Opinion: The Town shall furnish upon delivery of the Bonds the final approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, which opinion shall accompany each Bond, together with the usual closing documents, including a certificate that no litigation is pending affecting the Bonds.

Certificate as to Issue Price: The successful bidder must provide a certificate to the Town by the date of delivery of the Bonds, stating the initial reoffering price of the Bonds to the public (excluding bond houses and brokers) and the price at which a substantial amount of the Bonds were sold to the public, in form satisfactory to Bond Counsel. A sample copy of such a certificate may be obtained from Bond Counsel.

Delivery: The Bonds will be delivered on or about _____, 2016, in New York, New York, at the expense of the Town or at such other place as may be agreed upon with the purchaser at the expense of the purchaser. The balance of the purchase price then due (including the amount of accrued interest) must be paid in federal funds or other immediately available funds.

CUSIP Numbers: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of its proposal. All expenses in relation to the printing of CUSIP identification numbers on the Bonds shall be paid for by the Town; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the successful bidder.

Award of Bid. The Bonds will be awarded to the bidder or bidders offering to purchase the Bonds at the lowest true interest cost (TIC) to the Town. The TIC will be the nominal interest rate which, when compounded semiannually and used to discount all debt service payments on the Bonds (computed at the interest rates specified in the bid and on the basis of a 360-day year of twelve 30-day months) to the dated date of the Bonds, results in an amount equal to the price bid for the Bonds. In the case of a tie bid, the winning bid will be awarded by lot. The Town reserves the right to reject any and all bids or to waive irregularities in any bid. Bids will be accepted or rejected no later than 3:00 p.m., South Carolina time, on the date of the sale.

Additional Information: The Preliminary Official Statement and the Official Notice of Sale of the Town with respect to the Bonds are available via the internet at http://www.idealprospectus.com and will be furnished to any person interested in bidding on the Bonds upon request to McNair Law Firm, P. A., Post Office Box 11390, Columbia, South Carolina 29211, attention: Francenia B. Heizer, Esquire, telephone (803) 799-9800, e-mail: fheizer@mcnair.net. The Preliminary Official Statement shall be reviewed by bidders prior to submitting a bid. Bidders may not rely on this Official Notice of Sale as to the complete information concerning the Bonds. For additional information, please contact the Town's Bond Counsel, Francenia B. Heizer, Esquire, McNair Law Firm, P. A., Post Office Box 11390, Columbia, South Carolina 29211, telephone (803) 799-9800, e-mail: fheizer@mcnair.net or the Town's Financial Advisor, Brenton J. Robertson, Managing Director, Stifel – Merchant Capital Division, 515 Gervais Street, Columbia, South Carolina 20201, telephone (803) /331-3848, e-mail: robertsonb@stifel.com.

Town of Hilton Head Island, South Carolina

EXHIBIT C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Town of Hilton Head Island, South Carolina (the "Town") in connection with the issuance of $_____ General Obligation Refunding Bonds, Series 2016__ (the "Bonds"). The Bonds are being issued pursuant to an Ordinance adopted by the Town Council of the Town (the "Council"). The Town covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the beneficial owners and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Bonds" shall mean the $_____ General Obligation Refunding Bonds, Series 20___, of the Town of Hilton Head Island, South Carolina, dated _____.

"Dissemination Agent" shall mean the Town or any successor Dissemination Agent designated in writing by the Town and which has filed with the Town a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean for purposes of the Rule, the Electronic Municipal Market Access (EMMA) system created by the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean _____ and any other original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Depository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Depository" shall mean any public or private repository or entity designated by the State of South Carolina as a state depository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports.

(a) The Town shall, or shall cause the Dissemination Agent to provide, not later than February 1 of each year, commencing in 2017, to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to such date the Town shall provide the Annual Report to the Dissemination Agent, if other than the Town; provided, that if the audited financial statements required pursuant to Section 4 hereof to be included in the Annual Report are not available for inclusion in the Annual Report as of such date, unaudited financial statements of the Town may be included in such Annual Report in lieu thereof, and the Town shall replace such unaudited financial statements with audited financial statements within fifteen (15) days after such audited financial statements become available for distribution. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted separately from the balance of the Annual Report.

(b) If the Town is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Town shall send a notice to the Municipal Securities Rulemaking Board and State Depository, if any, in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Depository, if any; and

(2) if the Dissemination Agent is other than the Town, file a report with the Town and (if the Dissemination Agent is not the Registrar) the Registrar certifying whether the Annual Report has been provided pursuant to this Disclosure Certificate, and, if provided, stating the date it was provided, and listing the Repository to which it was provided.

SECTION 4. Content of Annual Reports.

(a) The Town's Annual Report shall contain or incorporate by reference the most recent audited financial statements, which shall be prepared in conformity with generally accepted accounting principles (or, if not in such conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information) applicable to governmental entities such as the Town, and shall, in addition, contain or incorporate by reference the following, for the immediately preceding fiscal year:

(1) Town population;
(2) Total state appropriations subject to withholding under Article X, Sec. 14, South Carolina Constitution;
(3) Outstanding indebtedness of the Town;
(4) Market value/assessment summary of taxable property in Town;
(5) Tax levy for Town;
(6) Tax collections for Town; and
(7) Ten largest taxpayers (including fee-in-lieu-of-tax) for Town.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Town is an "obligated person" (as defined by the Rule), which have been previously filed with the National Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Town will clearly identify each such document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

(a) Pursuant to the provisions of this Section 5, the Town shall give, or cause to be given, notice of the occurrence of any of the following events (the "Listed Events"):

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701- TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) Modifications to rights of security holders;

(8) Bond calls;

(9) Tender offers;

(10) Defeasances;

(11) Release, substitution, or sale of property securing repayment of the securities;

(12) Rating changes;

(13) Bankruptcy, insolvency, receivership or similar event of the County;

(14) The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(15) Appointment of a successor or additional trustee or the change of name of a trustee.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event described in subsections (a)(2), (7), (8), (11), (14), or (15) above, the Town shall as soon as possible determine if such event would be material under applicable federal securities laws. If the Town determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the Town shall promptly, and no later than 10 days after the occurrence of the event, file a notice of such occurrence with the Trustee, the Municipal Securities Rulemaking Board and the State Depository.

(c) Whenever the Town obtains knowledge of the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (9), (10), (12), or (13) above, the Town shall promptly, and no later than 10 days after the occurrence of the event, file a notice of such occurrence with the Trustee, the Municipal Securities Rulemaking Board and the State Depository.

(d) Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8), (9), and (10) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds. For the purposes of the event identified in (a)(13) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and

officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

SECTION 6. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Town.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Town, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Town chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Town shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Town, or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any beneficial owner may take such actions as may be necessary and appropriate, including seeking injunctive relief or specific performance by court order, to cause the Town, or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town, or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Town agrees to indemnify and save the Dissemination Agent, its officers,

directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Town under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Town, the Dissemination Agent, the Participating Underwriters, and Holders from time to time of the Bonds and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By:_____
Town Manager

Dated: _____, 20___

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Town: Town of Hilton Head Island, South Carolina

Name of Bond Issue: $_____ General Obligation Refunding Bonds, Series 2016___, Town of Hilton Head Island, South Carolina

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that The Town of Hilton Head Island, South Carolina (the "Town") has not provided an Annual Report with respect to the above-named Bonds as required by Sections 3 and 4 of the Continuing Disclosure Certificate executed and delivered by the Town as Dissemination Agent. The Town has notified us in writing that the Annual Report will be filed by _____.

Dated:_____

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

MEMORANDUM

TO: Town Council

FROM: Susan M. Simmons, CPA, Director of Finance

VIA: Stephen G. Riley, ICMA-CM, Town Manager

DATE: May 18, 2016

RE: **Second Reading of Proposed Ordinance No. 2016-13**

Recommendation:
Staff recommends that Town Council approve the second reading of Proposed Ordinance No. 2016-13.

There have been no changes to this ordinance from First Reading.

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND

ORDINANCE NO. _____ PROPOSED ORDINANCE NO. 2016-13

AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING $25,000,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2016, OR SUCH OTHER APPROPRIATE SERIES DESIGNATION, OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; FIXING THE FORM AND DETAILS OF THE NOTES; AUTHORIZING THE TOWN MANAGER TO DETERMINE CERTAIN MATTERS RELATING TO THE NOTES; PROVIDING FOR THE PAYMENT OF THE NOTES AND THE DISPOSITION OF THE PROCEEDS THEREOF; OTHER MATTERS RELATING THERETO; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town is undertaking a beach renourishment project (the "Beach Project"), the approximate cost of which is $20,500,000; and

WHEREAS, Town Council has been advised that a portion of the cost of the Beach Project may be paid from funds received from the Federal Emergency Management Agency ("FEMA") as a result of the torrential rain event which occurred in October 2015;

WHEREAS, Town Council has been advised that the amount of the FEMA reimbursement is unknown at this time; and

WHEREAS, Town Council has been advised that permanent funding for the Beach Project will be provided through the issuance of Special Obligation Bonds (Beach Preservation Fee Pledge) under the terms and provisions of its General Bond Ordinance No. 2011-18 enacted by the Town Council on September 6, 2011, and a Second Supplemental Ordinance to be enacted; and

WHEREAS, Town Council has been advised that the issuance of general obligation bond anticipation notes to provide interim financing for the Beach Project is appropriate and in the best interests of the Town;

WHEREAS, the Town plans to undertake a series of capital projects (the "Capital Projects") which will be funded from the proceeds of general obligation bonds; and

WHEREAS, the full and final costs of the Capital Projects has not yet been determined; and

WHEREAS, Town Council has been advised that the issuance of general obligation bond anticipation notes to provide interim financing for the Capital Projects is appropriate and in the best interests of the Town.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AS FOLLOWS:

ORDINANCE NO. _____ **PROPOSED ORDINANCE NO. 2016-13**

SECTION 1. Findings and Determinations. The Town Council (the "Town Council") of the Town of Hilton Head Island, South Carolina (the "Town"), hereby finds and determines:

(a) The Town is an incorporated municipality located in Beaufort County, South Carolina, and as such possesses all powers granted to municipalities by the Constitution of the State of South Carolina, 1895, as amended (the "Constitution")and laws of the State of South Carolina (the "State").

(b) Article X, Section 14 of the Constitution provides that general obligation debt may be incurred by the governing body of each municipality of the State for any public and corporate purpose in an amount not exceeding eight (8%) percent of the assessed value of all taxable property of such municipality and upon such terms and conditions as the General Assembly may prescribe. Such Article further provides that if general obligation debt is authorized by a majority vote of the qualified electors of the municipality voting in a referendum authorized by law, there shall be no conditions or restrictions limiting the incurring of such indebtedness except as specified in such Article.

(c) Title 5, Chapter 21, Article 5, Code of Laws of South Carolina, 1976, as amended (the "Municipal Bond Act"), provides that the municipal council of any municipality may issue general obligation bonds of such municipality for any corporate purpose of such municipality to any amount not exceeding the constitutional debt limitation applicable to such municipality.

(d) The Municipal Bond Act provides that as a condition precedent to the issuance of bonds an election be held and the result be favorable thereto. Title 11, Chapter 27, Code of Laws of South Carolina 1976, as amended, provides that if an election be prescribed by the provisions of the Municipal Bond Act, but not be required by the provisions of Article X of the Constitution, then in every such instance, no election need be held (notwithstanding the requirement therefor) and the remaining provisions of the Municipal Bond Act shall constitute a full and complete authorization to issue bonds in accordance with such remaining provisions.

(e) The assessed value of all the taxable property in the Town as of December 14, 2014, for purposes of computation of the Town's constitutional debt limit, is $907,022,000. Eight percent of such sum is $72,561,760. As of the date hereof, the outstanding general obligation debt of the Town subject to the limitation imposed by Article X, Section 14(7) of the Constitution is $6,967,845. Thus, the Town may incur $65,593,915 of additional general obligation debt within its applicable debt limitation.

(f) Article X, Section 14 of the Constitution further provides that general obligation bond anticipation notes may be issued in anticipation of the proceeds of general obligation bonds which may lawfully be issued under such terms and conditions that the General Assembly may prescribe by law.

(g) Pursuant to the provisions of Title 11, Chapter 17 of the Code of Laws of South Carolina, 1976, as amended, any municipality, whenever authorized by general or special law to issue bonds, may, pending the sale and issuance thereof, borrow in anticipation of the receipt of the proceeds of the bonds. Such provisions also provide that if any approval be necessary prior to the issuance of bonds by the municipality, the municipality must obtain the same approval prior to the issuance of temporary financing provided therein.

(h) Simultaneously with the enactment of this Ordinance, the Town intends to enact an ordinance authorizing not to exceed $25,200,000 Special Obligation Bonds to pay a portion of the Notes authorized herein and to fund the Beach Project and an ordinance authorizing not to exceed $21,200,000 General Obligation Bonds to pay a portion of the Notes authorized herein and to fund the Capital Projects.

(i) Pursuant to Ordinance No. 2013-03 duly enacted by the Town Council on May 7, 2013, the Town has adopted Written Procedures Related to Tax-Exempt Debt.

(j) The Town Council finds that pending the issuance and sale of the special obligation bonds and the general obligation bonds, it is necessary and in the best interest of the Town to provide for the issuance and sale of general obligation bond anticipation notes of the Town pursuant to the provisions of the Constitution and laws of the State for the purposes of providing funds: (i) to defray the costs of the Beach Project and the Capital Projects; and (ii) to pay the costs of issuance of the Notes hereinafter defined.

SECTION 2. Authorization of Bonds. At the Town Council meeting wherein this Ordinance will be enacted, the Town Council intends to enact an ordinance authorizing not to exceed $25,200,000 Special Obligation Bonds (the "Special Obligation Bonds") to pay a portion of the Notes authorized herein and to fund the Beach Project and an ordinance authorizing not to exceed $21,200,000 General Obligation Bonds (the "General Obligation Bonds," and together with the Special Obligation Bonds, the "Bonds") to pay a portion of the Notes authorized herein and to fund the Capital Projects.

SECTION 3. Authorization and Details of Notes. Pursuant to the provisions of the Constitution and laws of the State, there is hereby authorized to be issued general obligation bond anticipation notes of the Town for the purposes set forth in Section 1(j) above in an aggregate amount not exceeding $25,000,000. The notes authorized hereunder shall be identified as "General Obligation Bond Anticipation Notes, Series 2016, or such other series designation, of the Town of Hilton Head Island, South Carolina" (the "Notes").

The Notes will initially be issued under the DTC Book-Entry-Only System in the form of a single fully registered note, registered in the name of Cede & Co. as the registered owner and nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Notes. The Notes shall be dated their date of delivery; shall be in denominations of $5,000 or any integral multiple thereof not exceeding the principal amount of the Notes; shall be numbered from R-1 with an appropriate series designation, if any; shall bear

interest from their date as may be accepted by the Town Manager at the time of the sale thereof; and shall mature in annual installments as determined by the Town Manager.

Both the principal of and interest on the Notes shall be payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts.

Pending the issuance and sale of the Bonds, Town Council may determine it to be in the best interest of the Town to refund or renew the outstanding Notes. Therefore, the Town Council hereby authorizes the Notes to be refunded or renewed and such authorization to be effected by a resolution of Town Council incorporating the terms of this Ordinance.

SECTION 4. Delegation of Authority to the Town Manager. The Town Council hereby expressly delegates to the Town Manager the authority, with respect to the Notes, to determine (a) the maturity dates and the respective principal amounts maturing on such dates; (b) the interest payment dates; (c) the redemption provisions, if any; (d) the Registrar/Paying agent; (e) whether to publish notice of the adoption of this ordinance under the provisions of Section 11-27-40(8), Code of Laws of South Carolina, 1976, as amended; (f) the date and time of the sale, including whether or not the Notes should be sold on the same date as the general obligation Notes being authorized under separate ordinance; (g) what portion of the Notes should be issued as taxable; and (h) such other matters as are necessary or appropriate. The Town Manager is further directed to consult with the Town's financial advisor and bond counsel in making any such decisions.

The Town Council hereby further delegates to the Town Manager or his lawfully authorized designee the authority to receive bids on behalf of the Town Council and the authority to award the sale of the Notes to the lowest bidder therefor, in accordance with the terms of the Notice of Sale for the Notes, provided the true interest cost does not exceed 3.00%. After the sale of the Notes, the Town Manager or his lawfully authorized designee shall submit a written report to the Town Council setting forth the results of the sale of the Notes.

SECTION 5. Registrar/Paying Agent. Within twenty-four (24) hours of the sale of the Notes, the Town will designate a registrar and paying agent ("Registrar/Paying Agent") for the Notes. The Registrar/Paying Agent shall be a bank, trust company, depository or transfer agent located either within or without the State.

SECTION 6. Registration and Transfer. The Town shall cause books (herein referred to as the "registry books") to be kept at the offices of the Registrar/Paying Agent, for the registration and transfer of the Notes. Upon presentation at its office for such purpose, the Registrar/Paying Agent shall register or transfer, or cause to be registered or transferred, on such registry books, the Notes under such reasonable regulations as the Registrar/Paying Agent may prescribe.

Each Note shall be transferable only upon the registry books of the Town, which shall be kept for such purpose at the principal office of the Registrar/Paying Agent, by the registered

owner thereof in person or by his duly authorized attorney upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar/Paying Agent, duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Note, the Registrar/Paying Agent on behalf of the Town shall issue in the name of the transferee a new fully registered Note, of the same aggregate principal amount, interest rate, and maturity as the surrendered Note. Any such Note surrendered in exchange for a new registered Note pursuant to this Section shall be canceled by the Registrar/Paying Agent.

The Town and the Registrar/Paying Agent may deem or treat the person in whose name any fully registered Note shall be registered upon the registry books as the absolute owner of such Note, whether such Note shall be overdue or not, for the purpose of receiving payment of the principal of and interest on such Note and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the Town nor the Registrar/Paying Agent shall be affected by any notice to the contrary. In all cases in which the privilege of transferring Notes is exercised, the Town shall execute and the Registrar/Paying Agent shall authenticate and deliver Notes in accordance with the provisions of this Ordinance. Neither the Town nor the Registrar/Paying Agent shall be obliged to make any such transfer of Notes during the period beginning on the day after the 15th calendar day of the month next preceding an interest payment date on such Notes and ending on such interest payment date.

SECTION 7. Record Date. The Town hereby establishes a record date for the payment of interest or for the giving of notice of any proposed redemption of Notes, and such record date shall be the 15th day of the calendar month next preceding an interest payment date on such Notes or, in the case of any proposed redemption of Notes, such record date shall not be more than 15 days prior to the mailing of notice of redemption of Notes.

SECTION 8. Lost, Stolen, Destroyed, or Defaced Notes. In case the Notes shall at any time become mutilated, or be lost, stolen or destroyed, or be so defaced as to impair the value thereof to the owner, the Town shall execute and the Registrar/Paying Agent shall authenticate and deliver at the principal office of the Registrar/Paying Agent, or send by registered mail to the owner thereof at his request, risk and expense, a new Note of the same interest rate and maturity and of like tenor and effect in exchange or substitution for and upon the surrender for cancellation of such defaced, mutilated or partly destroyed Note, or in lieu of or in substitution for such lost, stolen or destroyed Note. In any such event the applicant for the issuance of a substitute Note shall furnish the Town and the Registrar/Paying Agent evidence or proof satisfactory to the Town and the Registrar/Paying Agent of the loss, destruction, mutilation, defacement or theft of the original Note, and of the ownership thereof, and also such security and indemnity in such amount as may be required by the laws of the State or such greater amount as may be required by the Town and the Registrar/Paying Agent. Any duplicate Note issued under the provisions of this Section in exchange and substitution for any defaced, mutilated or partly destroyed Note or in substitution for any allegedly lost, stolen or wholly destroyed Note shall be

entitled to the identical benefits under this Ordinance as was the original Note in lieu of which such duplicate Note.

All expenses necessary for the providing of any duplicate Note shall be borne by the applicant therefor.

SECTION 9. Book-Entry-Only System. The Notes initially issued (the "Initial Notes") will be eligible securities for the purposes of the book-entry system of transfer maintained by The Depository Trust Company, New York, New York ("DTC"), and transfers of beneficial ownership of the Initial Notes shall be made only through DTC and its participants in accordance with rules specified by DTC. Such beneficial ownership must be of $5,000 principal amount of Notes of the same maturity or any integral multiple of $5,000.

The Initial Notes shall be issued as one single fully-registered Note in the name of Cede & Co., as the nominee of DTC. When any principal of or interest on the Initial Notes becomes due, the Paying Agent, on behalf of the Town, shall transmit to DTC an amount equal to such installment of principal and interest. DTC shall remit such payments to the beneficial owners of the Notes or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Notes or any portion thereof shall be sent to DTC in accordance with the provisions of the Ordinance.

If (a) DTC determines not to continue to act as securities depository for the Notes, or (b) the Town has advised DTC of its determination that DTC is incapable of discharging its duties, the Town shall attempt to retain another qualified securities depository to replace DTC. Upon receipt by the Town of the Initial Notes together with an assignment duly executed by DTC, the Town shall execute and deliver to the successor securities depository Notes of the same principal amount, interest rate, and maturity registered in the name of such successor.

If the Town is unable to retain a qualified successor to DTC or the Town has determined that it is in its best interest not to continue the book-entry system of transfer or that interests of the beneficial owners of the Notes might be adversely affected if the book-entry system of transfer is continued (the Town undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify beneficial owners of the Notes by mailing an appropriate notice to DTC, upon receipt by the Town of the Initial Notes together with an assignment duly executed by DTC, the Town shall execute, authenticate and deliver to the DTC participants Notes in fully-registered form, in substantially the form set forth in Exhibit A of this Ordinance in the denomination of $5,000 or any integral multiple thereof.

Notwithstanding the foregoing, at the request of the purchaser, the Notes will be issued as one single fully-registered note not issued through the book-entry system.

SECTION 10. Execution of Notes. The Notes shall be executed in the name of the Town with the manual or facsimile signature of the Mayor attested by the manual or facsimile signature of the Town Clerk under a facsimile of the seal of the Town which shall be impressed, imprinted or reproduced thereon. The Notes shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication. The Notes shall bear a certificate of authentication manually executed by the Registrar/Paying Agent in substantially the form attached hereto as Exhibit A.

SECTION 11. Form of Notes. The Notes shall be in substantially the form attached hereto as Exhibit A.

SECTION 12. Security for Notes. For the payment of the principal of and interest on the Notes as they respectively mature there are hereby pledged the proceeds of the Bonds and the full faith, credit and taxing power of the Town. The Town at its option may also utilize any other funds available therefor for the payment of the principal of and interest on the Notes.

SECTION 13. Exemption from Taxation. Both the principal of and interest on the Notes shall be exempt, in accordance with the provisions of Section 12-2-50, Code of Laws of South Carolina, 1976, as amended, from all State, county, municipal, school district, and all other taxes or assessments, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate and transfer taxes, but the interest thereon may be includable in certain franchise fees or taxes.

SECTION 14. Sale of Notes, Form of Notice of Sale. The Notes shall be sold at public sale. A summary Notice of Sale shall be published not less than seven days prior to the date fixed for sale, in a newspaper having general circulation in the State and, if deemed appropriate by the Town Manager, in a financial publication published in the City of New York, State of New York. The official Notice of Sale shall be in the form attached hereto as Exhibit B and shall be distributed simultaneously with the distribution of the Preliminary Official Statement, if any, prepared in connection with the Notes, with such modifications as may be determined to be necessary by the financial advisor and bond counsel.

SECTION 15. Deposit and Use of Proceeds. The proceeds derived from the sale of the Notes are to be used for the purposes set forth in Section 1(j) herein, and shall be applied by the Town solely to the purposes for which the Notes have been issued, except that the premium, if any, shall be placed in a sinking fund.

SECTION 16. Preliminary and Final Official Statement. The Town Council hereby authorizes and directs the Town Manager to prepare, or cause to be prepared, a Preliminary Official Statement to be distributed to prospective purchasers of the Notes together with the Notice of Sale of the Notes. The Town Council authorizes the Town Manager to designate the Preliminary Official Statement as "near final" for purposes of Rule 15c2-12 of the Securities Exchange Commission. The Town Manager is further authorized to see to the completion of the

final form of the Official Statement upon the sale of the Notes so that it may be provided to the purchaser of the Notes.

SECTION 17. Filings with Central Repository. In compliance with Section 11-1-85 of the SC Code, as amended, the Town covenants that it will file or cause to be filed with a central repository for availability in the secondary bond market when requested: (a) a copy of an annual independent audit of the Town within thirty (30) days of the Town's receipt thereof; and (b) within thirty (30) days of the occurrence thereof, event specific information of an event which adversely affects more than five (5%) percent of the tax revenues of the Town or the Town's tax base.

SECTION 18. Continuing Disclosure. In compliance with the Rule, the Town covenants and agrees for the benefit of the holders from time to time of the Notes to execute and deliver prior to closing, and to thereafter comply with the terms of a Continuing Disclosure Certificate in substantially the form attached hereto and incorporated herein by reference as Exhibit C. In the event of a failure of the Town to comply with any of the provisions of the Continuing Disclosure Certificate, an event of default under this Ordinance shall not be deemed to have occurred. In such event, the sole remedy of any bondholder or beneficial owner shall be an action to compel performance by the Town.

SECTION 19. Defeasance. The obligations of the Town under this Ordinance and the pledges, covenants and agreements of the Town herein made or provided for, shall be fully discharged and satisfied as to any portion of the Notes, and such Note or Notes shall no longer be deemed to be outstanding hereunder when:

(a) such Note or Notes shall have been purchased by the Town and surrendered to the Town for cancellation or otherwise surrendered to the Town or the Paying Agent and is canceled or subject to cancellation by the Town or the Paying Agent; or

(b) payment of the principal of and interest on such Notes either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with a corporate trustee in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, or (2) Government Obligations (hereinafter defined) maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of the corporate trustee. At such time as the Notes shall no longer be deemed to be outstanding hereunder, such Notes shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Government Obligations, shall no longer be secured by or entitled to the benefits of this Ordinance.

"Government Obligations" shall mean any of the following:

(i) direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on

which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America;

(ii) non-callable, U. S. Treasury Securities - State and Local Government Series ("SLGS");

(iii) general obligation bonds of the State, its institutions, agencies, Towns and political subdivisions which, at the time of purchase, carry a AAA rating from Standard & Poor's or a Aaa rating from Moody's Investors Service; and

(iv) a defeasance obligation as defined in Section 6-5-10 of the S.C. Code as such as may be amended from time to time.

(c) Such Note or Notes shall be defeased as provided in Section 11-14-110 of the S.C. Code as such may be amended from time to time.

SECTION 20. Tax Covenants. The Town hereby covenants and agrees with the holders of the Notes that it will not take any action which will, or fail to take any action which failure will, cause interest on the Notes to become includable in the gross income of the holders of the Notes for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended (the "Code") and regulations promulgated thereunder in effect on the date of original issuance of the Notes. The Town further covenants and agrees with the holders of the Notes that no use of the proceeds of the Notes shall be made which, if such use had been reasonably expected on the date of issue of the Notes would have caused the Notes to be "arbitrage bonds," as defined in Section 148 of the Code, and to that end the Town hereby shall:

(a) comply with the applicable provisions of Sections 103 and 141 through 150 of the Code and any regulations promulgated thereunder so long as the Notes are outstanding;

(b) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebates of certain amounts to the United States; and

(c) make such reports of such information at the time and places required by the Code.

SECTION 21. Declaration of Intent to Reimburse Certain Expenditures. This Ordinance shall constitute the Town's declaration of official intent pursuant to Regulation §1.150-2 of the Code to reimburse the Town from a portion of the proceeds of the Bonds for expenditures it anticipates incurring (the "Expenditures") with respect to the Referendum Projects set forth in Section 2(f) hereof prior to the issuance of the Bond. The Expenditures which are reimbursed are

limited to Expenditures which are: (a) properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Regulation §1.150-2 of the Code) under general federal income tax principals; or (2) certain de minimis or preliminary Expenditures satisfying the requirements of Regulation §1.150-2(f) of the Code. The source of funds for the Expenditures with respect to these projects will be the Town's reserve funds. To be eligible for reimbursement of the Expenditures, the reimbursement allocation must be made not later than 18 months after the later of (a) the date on which the Expenditures were paid; or (b) the date such projects were placed in service, but in no event more than three (3) years after the original Expenditures.

SECTION 22. Miscellaneous. The Town Council hereby authorizes the Mayor and Town Clerk, the Town Manager, the Director of Finance and any lawfully authorized designee to execute such documents and instruments as may be necessary to effect the issuance of the Notes or make modifications in any documents including but not limited to the form of the Note or Notice of Sale, if necessary. The Town Council hereby retains the law firm of McNair Law Firm, P.A. as bond counsel and Stifel – Merchant Capital Division, as financial advisor in connection with the issuance of the Notes. The Town Manager is authorized to execute such contracts, documents or engagement letters as may be necessary and appropriate to effectuate these engagements.

SECTION 23. 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 24. Codification. This Ordinance shall be forthwith codified in the Code of Town Ordinances in the manner required by law.

SECTION 25. Effective Date. This Ordinance shall be effective upon its enactment by the Town Council of the Town of Hilton Head Island, South Carolina.

ORDINANCE NO. _____ **PROPOSED ORDINANCE NO. 2016-13**

PASSED, APPROVED, AND ADOPTED BY THE TOWN COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA ON THIS ____DAY OF _____, 2016.

_____
David Bennett, Mayor

ATTEST:

_____
Victoria L. Pfannenschmidt
Town Clerk

APPROVED AS TO FORM:

_____
Gregory M. Alford, Town Attorney

First Reading:_____
Second Reading:_____

Introduced by Council Member:

_____

EXHIBIT A

FORM OF NOTE

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA
GENERAL OBLIGATION BOND ANTIICIPATION NOTE
SERIES _____

No. R-

Interest Rate	Maturity Date	Original Issue Date	CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

KNOW ALL MEN BY THESE PRESENTS that the Town of Hilton Head Island, South Carolina (the "Town") hereby acknowledges itself indebted, and for value received promises to pay to the registered owner hereof, the principal sum of _____ Dollars ($_____) at the principal office of _____, in the City of _____, State of _____ on the ___ day of _____, 20___, and to pay interest (calculated on the basis of a 360-day year of twelve 30-day months) on said principal sum from the date hereof, at the rate of _____%, payable upon the maturity of this note.

[Redemption Provisions]

11

Both the principal of and interest on this note are payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for the payment of public and private debts.

This note represents a series of general obligation bond anticipation notes (the "Notes"), issued by the Town, pursuant to the authorization of Title 11, Chapter 17, Code of Laws of South Carolina 1976, as amended, in anticipation of the receipt of the proceeds to be derived from the general obligation bonds of the Town to be issued pursuant to and in accordance with the provisions of the Constitution and Laws of the State of South Carolina including Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 11, Chapter 27, Code of Laws of South Carolina, 1976, as amended; Title 5, Chapter 21, Code of Laws of South Carolina, 1976, as amended, and an ordinance duly enacted by the Town Council

on _____, 2016 (the "Ordinance"). The full faith, credit and taxing power of the Town and the proceeds to be derived from the sale of bonds are pledged for the payment of the principal of and interest on the Notes.

The Notes are being issued by means of a book-entry system with no physical distribution of certificates to be made except as provided in the Ordinance. One certificate registered in the name of the Securities Depository Nominee is being issued and is required to be deposited with the Securities Depository. The book-entry system will evidence positions held in the Notes by the Securities Depository's participants, beneficial ownership of the Notes in the principal amount of $5,000 or any multiple thereof being evidenced in the records of such Participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its Participants.

_____ as Registrar/Paying Agent will recognize the Securities Depository Nominee, while the registered owner of the Notes, as the owner of the Notes for all purposes, including payments of principal of and redemption premium, if any, and interest on the Notes, notices and voting. Transfer of principal and interest payments to Participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, redemption premium, if any, and interest payments to beneficial owners of the Notes by Participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Town and Registrar/Paying Agent will not be responsible or liable for such transfers of payment or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, its Participants or persons acting through such Participants. While the Securities Depository Nominee is the owner of the Notes, notwithstanding the provision hereinabove contained, payments of principal of, redemption premium, if any, and interest on the Notes shall be made in accordance with existing arrangements between the Registrar/Paying Agent or its successors under the Ordinance and the Securities Depository.

This Note and the interest hereon are exempt from all State of South Carolina (the State"), county, municipal, school district, and all other taxes or assessments of the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate and transfer taxes but the interest on this Note may be included for certain franchise fees or taxes.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State to exist, to happen, or to be performed precedent to or in the issuance of this note, do exist, have happened, and have been performed in regular and due time, form and manner, and the amount of this note, and the issue of which this note is one, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, has caused this Note to be signed with the signature of the Mayor of the Town

Council, attested by the signature of the Town Clerk and the seal of the Town impressed, imprinted, or reproduced hereon.

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

(SEAL)

_____
Mayor

ATTEST:

_____
Town Clerk

[FORM OF REGISTRAR/PAYING AGENT'S CERTIFICATE OF AUTHENTICATION]

Date of Authentication:

This note is one of the Notes described in the within mentioned Ordinance of the Town of Hilton Head Island, South Carolina.

[REGISTRAR/PAYING AGENT] as Registrar/Paying Agent

By:_____
Authorized Officer

The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -	as tenants in common	UNIF GIFT MIN ACT -
TEN ENT -	as tenants by the entireties	_____ Custodian _____ (Cust) (Minor)
JT TEN -	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (state)

Additional abbreviations may also be used though not in above list.

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

_____

(Name and Address of Transferee)

_____ the within Note and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

_____ _____

Signature Guaranteed (Authorized Officer)

_____ _____

Signature must be guaranteed by a participant in the Securities Transfer Agent Medallions Program (STAMP)

Notice: The signature to the assignment must correspond with the name of the registered owner as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever

EXHIBIT B

FORM OF NOTICE OF SALE

NOTICE OF SALE
$_____GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES _____
OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

DATE AND TIME OF SALE: Sealed and electronic bids for the purchase of all but not part of the above notes (the "Notes") will be received by the Town of Hilton Head Island, South Carolina (the "Town"), in the case of sealed bids, at the offices of the Town, One Town Center Court, Hilton Head Island, South Carolina, until _____ (South Carolina Time) on _____, _____ ____, 2016.

BID SUBMISSION: Sealed and electronic bids only will be accepted. Sealed bids shall be enclosed in a sealed envelope marked on the outside "Proposal for the Purchase of Town of Hilton Head Island, South Carolina, General Obligation Bond Anticipation Notes, Series 20__." Electronic proposals must be submitted through i-Deal's Parity Electronic Bid Submission System ("Parity"). No electronic bids from any other providers of electronic bidding services will be accepted. Information about the electronic bidding services of Parity may be obtained from i-Deal, 1359 Broadway, 2nd Floor, New York, New York 10018, Customer Support, telephone (212) 849-5021.

GOOD FAITH DEPOSIT: No good faith deposit will be required.

NOTE DETAILS: The Notes will be issued initially as a single fully registered note in book-entry only form and when issued will be registered to Cede & Co., as nominee for DTC. Purchases of beneficial interest in the Notes will be made in book-entry form only, in the denomination of $5,000 or any integral multiple thereof. The Notes will be dated _____, 20___, the expected date of delivery, and due on _____ ____, 20___. Interest, calculated on the basis of a 360-day year of twelve 30-day months, will be payable at maturity on _____ ____, 20___.

ADJUSTMENT OF PAR AMOUNT: The par amount set forth above (the "Par Amount") represents an estimate of the Par Amount of the Notes which will be sold. If, after final computation of the bids, the Town determines that the Par Amount of the Notes should be adjusted, the Town reserves the right to increase or decrease the Par Amount of the Notes (to be rounded to the near $5,000).

In the event of any such adjustment of the Par Amount as described herein, no rebidding or recalculation of the bids submitted will be required or permitted. Nevertheless, the award of the Notes will be made to the bidder whose proposal produces the lowest true interest cost solely on the basis of the Notes offered, without taking into account any adjustment in the Par Amount of the Notes pursuant to this paragraph.

REDEMPTION PROVISIONS: The Notes will [will not] be subject to redemption prior to their stated maturity.

INTEREST RATES: Bidders must specify the fixed rate of interest the Notes shall bear according to the following restrictions: (a) the interest rate may not exceed _____ percent (___%); and (b) the interest rate specified must be a multiple of 1/100th of one percent.

BASIS OF AWARD: The Notes will be awarded to the bidder or bidders offering to purchase the Notes at the lowest true interest cost (TIC) to the Town. The TIC will be the nominal interest rate which, when compounded semiannually and used to discount the debt service payment on the Notes (computed at the interest rates specified in the bid and on the basis of a 360-day year of twelve 30-day months) to the dated date of the Notes, results in an amount equal to the price bid for the Notes. In the case of a tie bid, the winning bid will be awarded based on time received. The Town reserves the right to reject any and all bids or to waive irregularities in any bid. **ANY BID FOR LESS THAN ALL THE NOTES OR A BID FOR LESS THAN PAR WILL BE REJECTED.** In order to calculate the yield on the Notes for federal tax law purposes and as a condition precedent to the award of the Notes, the successful bidder will be required to disclose to the Town the price (or yield to maturity) at which the Notes will be reoffered to the public. The Notes will be awarded or all bids will be rejected by no later than 3:00 P.M. (Eastern Time) on the day bids are opened, _____, 20__.

SECURITY: The Notes are secured by an irrevocable pledge of the full faith, credit and taxing power of the Town. In addition, so much of the principal proceeds of the special obligation bonds and general obligation bonds (the "Bonds"), when issued, have been directed to be applied to the payment of the Notes; further, the Town covenants and irrevocably pledges to effect the issuance of the Bonds or, in the alternative, to refund or renew the Notes in order that the proceeds thereof will be sufficient to provide for the retirement of the Notes.

REGISTRAR/PAYING AGENT: Within twenty-four (24) hours of the sale of the Notes, the Town will designate a registrar and paying agent ("Registrar/Paying Agent") for the Notes. The Registrar/Paying Agent shall be a bank, trust company, depository or transfer agent located either within or without the State of South Carolina.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the Notes, but neither the failure to print such numbers on the Notes nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Notes.

DELIVERY: The Notes will be delivered on or about _____ ____, 20___, in New York, New York, at the expense of the Town. The purchase price then due must be paid in federal funds or other immediately available funds.

OFFICIAL STATEMENT: The Preliminary Official Statement has been deemed final by the Town for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") but is subject to revision, amendment and completion in a final Official Statement as provided in the Rule. Within seven (7) business days of the bid opening date, the Town will deliver the final Official Statement to the successful bidder in sufficient quantity to comply with the Rule.

LEGAL OPINION: The issuance of the Notes is subject to the favorable opinion of McNair Law Firm, P.A., Bond Counsel, as to the validity of the issuance of the Notes under the constitution and laws of the State and the exemption of the Notes from federal income taxation, which opinion shall accompany the Notes, together with the usual closing documents, including a certificate that no litigation is pending affecting the Notes.

CERTIFICATE AS TO ISSUE PRICE: The successful bidder must provide a certificate to the Town by the date of delivery of the Notes, stating the initial reoffering price of the Notes to the public (excluding bond houses and brokers) and the price at which a substantial amount of the Notes were sold to the public, in form satisfactory to Bond Counsel. A sample copy of such a certificate may be obtained from Bond Counsel.

ADDITIONAL INFORMATION: The Preliminary Official Statement and the Official Notice of Sale of the Town with respect to the Notes are available via the internet at http://www.idealprospectus.com and will be furnished to any person interested in bidding for the Notes upon request to McNair Law Firm, P. A., Post Office Box 11390, Columbia, South Carolina 29211, attention: Francenia B. Heizer, Esquire, telephone (803) 799-9800, e-mail: fheizer@mcnair.net. The Preliminary Official Statement shall be reviewed by bidders prior to submitting a bid. Bidders may not rely on this Official Notice of Sale as to the complete information concerning the Notes. For additional information, please contact the Town's Bond Counsel, Francenia B. Heizer, Esquire, McNair Law Firm, P. A., Post Office Box 11390, Columbia, South Carolina 29211, telephone (803) 799-9800, e-mail: fheizer@mcnair.net or the Town's Financial Advisor, Brenton J. Robertson, Managing Director, Stifel – Merchant Capital Division, 515 Gervais Street, Columbia, South Carolina 20201, telephone (803) /331-3848, e-mail: robertsonb@stifel.com.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

EXHIBIT C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Town of Hilton Head Island, South Carolina (the "Town") in connection with the issuance of $_____ General Obligation Bond Anticipation Notes, Series 2016 (the "Notes"). The Notes are being issued pursuant to an Ordinance adopted by the Town Council of the Town (the "Council"). The Town covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the beneficial owners and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the Town or any successor Dissemination Agent designated in writing by the Town and which has filed with the Town a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean for purposes of the Rule, the Electronic Municipal Market Access (EMMA) system created by the Municipal Securities Rulemaking Board.

"Notes" shall mean the $_____ General Obligation Bond Anticipation Notes, Series 2016, of the Town of Hilton Head Island, South Carolina, dated _____.

"Participating Underwriter" shall mean _____ and any other original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

"Repository" shall mean each National Repository and each State Depository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Depository" shall mean any public or private repository or entity designated by the State of South Carolina as a state depository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports.

(a) The Town shall, or shall cause the Dissemination Agent to provide, not later than February 1 of each year, commencing in 20___, to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to such date the Town shall provide the Annual Report to the Dissemination Agent, if other than the Town; provided, that if the audited financial statements required pursuant to Section 4 hereof to be included in the Annual Report are not available for inclusion in the Annual Report as of such date, unaudited financial statements of the Town may be included in such Annual Report in lieu thereof, and the Town shall replace such unaudited financial statements with audited financial statements within fifteen (15) days after such audited financial statements become available for distribution. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted separately from the balance of the Annual Report.

(b) If the Town is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Town shall send a notice to the Municipal Securities Rulemaking Board and State Depository, if any, in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Depository, if any; and

(2) if the Dissemination Agent is other than the Town, file a report with the Town and (if the Dissemination Agent is not the Registrar) the Registrar certifying whether the Annual Report has been provided pursuant to this Disclosure Certificate, and, if provided, stating the date it was provided, and listing the Repository to which it was provided.

SECTION 4. Content of Annual Reports.

(a) The Town's Annual Report shall contain or incorporate by reference the most recent audited financial statements, which shall be prepared in conformity with generally accepted accounting principles (or, if not in such conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information) applicable to governmental entities such as the Town, and shall, in addition, contain or incorporate by reference the following, for the immediately preceding fiscal year:

(1) Town population;
(2) Total anticipated state appropriations subject to withholding under Article X,
Sec. 14, South Carolina Constitution;
(3) Outstanding indebtedness of the Town;
(4) Market value/assessment summary of taxable property in Town;
(5) Tax levy for Town;
(6) Tax collections for Town; and
(7) Five largest taxpayers (including fee-in-lieu-of-tax) for Town.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Town is an "obligated person" (as defined by the Rule), which have been previously filed with the National Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Town will clearly identify each such document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Town shall give, or cause to be given, notice of the occurrence of any of the following events (the "Listed Events"):

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(7) Modifications to rights of security holders;
(8) Bond calls;
(9) Tender offers;
(10) Defeasances;
(11) Release, substitution, or sale of property securing repayment of the securities;
(12) Rating changes;
(13) Bankruptcy, insolvency, receivership or similar event of the Town;

(14) The consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(15) Appointment of a successor or additional trustee or the change of name of a trustee.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event described in subsections (a)(2), (7), (8), (11), (14), or (15) above, the Town shall as soon as possible determine if such event would be material under applicable federal securities laws. If the Town determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the Town shall promptly, and no later than 10 days after the occurrence of the event, file a notice of such occurrence with the Repository.

(c) Whenever the Town obtains knowledge of the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (9), (10), (12), or (13) above, the Town shall promptly, and no later than 10 days after the occurrence of the event, file a notice of such occurrence with the Repository.

(d) Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8), (9), and (10) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Notes. For the purposes of the event identified in (a)(13) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

SECTION 6. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

SECTION 7. Dissemination Agent. The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Town.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this

Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Town, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Town chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Town shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Town, or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any beneficial owner may take such actions as may be necessary and appropriate, including seeking injunctive relief or specific performance by court order, to cause the Town, or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town, or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The provisions of this Section 11 shall apply if the Issuer is not the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and to the extent permitted by applicable law and other public policy considerations, the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Town, the Dissemination Agent, the Participating Underwriters, and Holders from time to time of the Notes and shall create no rights in any other person or entity.

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By:_____
Town Manager

Dated: _____, 2016

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Town: Town of Hilton Head Island, South Carolina

Name of Bond Issue: $_____ General Obligation Bond Anticipation Notes, Series ____, Town of Hilton Head Island, South Carolina

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that The Town of Hilton Head Island, South Carolina (the "Town") has not provided an Annual Report with respect to the above-named Notes as required by Sections 3 and 4 of the Continuing Disclosure Certificate executed and delivered by the Town as Dissemination Agent. The Town has notified us in writing that the Annual Report will be filed by _____.

Dated:_____

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

MEMORANDUM

TO: Town Council

FROM: Susan M. Simmons, CPA, Director of Finance

VIA: Stephen G. Riley, ICMA-CM, Town Manager

DATE: May 18, 2016

RE: **Second Reading of Proposed Ordinance No. 2016-14**

Recommendation:
Staff recommends that Town Council approve the second reading of Proposed Ordinance No. 2016-14.

There have been no changes to this ordinance from First Reading.

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND

ORDINANCE NO. _____ PROPOSED ORDINANCE NO. 2016-14

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $21,200,000 GENERAL OBLIGATION BONDS, IN ONE OR MORE SERIES, IN ONE OR MORE YEARS, WITH APPROPRIATE SERIES DESIGNATIONS, OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; FIXING THE FORM AND CERTAIN DETAILS OF THE BONDS; AUTHORIZING THE TOWN MANAGER OR HIS LAWFULLY AUTHORIZED DESIGNEE TO DETERMINE CERTAIN MATTERS RELATING TO THE BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS AND THE DISPOSITION OF THE PROCEEDS THEREOF; TO ADOPT WRITTEN PROCEDURES RELATED TO CONTINUING DISCLOSURE; OTHER MATTERS RELATING THERETO; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town Council has been advised that the Town's capital improvement plan includes several capital projects (the "Capital Projects") that would appropriately be funded through the issuance of general obligation bonds; and

WHEREAS, the Town has not yet determined the amount needed in order to fund the Capital Projects; and

WHEREAS, the Town intends to authorize the issuance of general obligation bond anticipation notes under separate ordinance to be enacted during the meeting at which this ordinance is enacted; and

WHEREAS, in order to authorize the issuance of general obligation bonds to be used to retire all or a portion of the general obligation bond anticipation notes and to fund the Capital Projects, it is necessary for Town Council to enact an ordinance.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AS FOLLOWS:

SECTION 1. Findings and Determinations. The Town Council (the "Town Council") of the Town of Hilton Head Island, South Carolina (the "Town"), hereby finds and determines:

(a) The Town is an incorporated municipality located in Beaufort County, South Carolina, and as such possesses all powers granted to municipalities by the Constitution of the State of South Carolina, 1895, as amended (the "Constitution") and laws of the State of South Carolina (the "State").

(b) Article X, Section 14 of the Constitution provides that general obligation debt may be incurred by the governing body of each municipality of the State for any public and corporate purpose in an amount not exceeding eight (8%) percent of the assessed value of all taxable property of such municipality and upon such terms and conditions as the General Assembly may prescribe.

Such Article further provides that if general obligation debt is authorized by a majority vote of the qualified electors of the municipality voting in a referendum authorized by law, there shall be no conditions or restrictions limiting the incurring of such indebtedness except as specified in such Article.

(c) Title 5, Chapter 21, Article 5, Code of Laws of South Carolina, 1976, as amended (the "Municipal Bond Act"), provides that the municipal council of any municipality may issue general obligation bonds of such municipality for any corporate purpose of such municipality to any amount not exceeding the constitutional debt limitation applicable to such municipality.

(d) The Municipal Bond Act provides that as a condition precedent to the issuance of bonds an election be held and the result be favorable thereto. Title 11, Chapter 27, Code of Laws of South Carolina 1976, as amended, provides that if an election be prescribed by the provisions of the Municipal Bond Act, but not be required by the provisions of Article X of the Constitution, then in every such instance, no election need be held (notwithstanding the requirement therefor) and the remaining provisions of the Municipal Bond Act shall constitute a full and complete authorization to issue bonds in accordance with such remaining provisions.

(e) The assessed value of all the taxable property in the Town as of December 14, 2014, for purposes of computation of the Town's constitutional debt limit, is $907,022,430. Eight percent of such sum is $72,561,760. As of the date hereof, the outstanding general obligation debt of the Town subject to the limitation imposed by Article X, Section 14(7) of the Constitution is $6,967,845. Thus, the Town may incur $65,593,915 of additional general obligation debt within its applicable debt limitation.

(f) Pursuant to Ordinance No. 2013-03 duly enacted by the Town Council on May 7, 2013, the Town has adopted Written Procedures Related to Tax-Exempt Debt.

(g) Town Council has been advised by Bond Counsel that a best practice related to the issuance of publicly-traded debt is for each issuer to have Written Procedures related to Continuing Disclosure.

(h) It is now in the best interest of the Town for the Town Council to provide for the issuance and sale of not exceeding $21,200,000 aggregate principal amount general obligation bonds of the Town to provide funds for the purposes of (i) retiring or redeeming a portion of the Town's General Obligation Bond Anticipation Note, Series 2016; (ii) funding other capital improvements including but not limited to projects related to the Island Recreation Center, fire stations and sewer systems (the "Projects); (iii) reimbursing the Town for funds previously expended on the Projects; and (iv) paying costs of issuance of the Bonds (hereinafter defined).

SECTION 2. Authorization and Details of the Bonds. Pursuant to the aforesaid provisions of the Constitution and laws of the State, there is hereby authorized to be issued not exceeding

$21,200,000 general obligation bonds of the Town (the "Bonds") for the purposes listed in Section 1(h) above.

The Bonds shall be issued as fully-registered Bonds; shall be dated their date of delivery; shall be in denominations of $5,000 or any integral multiple thereof not exceeding the principal amount of the Bonds maturing in each year; shall be numbered from R-1 upward; shall bear interest at such times as hereafter designated by the Town Manager or his lawfully authorized designee at such rate or rates as may be determined at the time of the sale thereof; and shall mature serially in successive annual installments as determined by the Town Manager or his lawfully authorized designee.

SECTION 3. Delegation of Authority to Determine Certain Matters Relating to the Bonds. The Town Council hereby expressly delegates to the Town Manager the authority, with respect to the Bonds, to determine (a) the maturity dates and the respective principal amounts maturing on such dates; (b) the interest payment dates; (c) the redemption provisions, if any; (d) the Registrar/Paying agent; (e) whether to publish notice of the adoption of this ordinance under the provisions of Section 11-27-40(8), Code of Laws of South Carolina, 1976, as amended; (f) the date and time of the sale, including whether or not the Bonds should be sold on the same date as one or more series or on separate dates as separate series; and (g) such other matters as are necessary or appropriate. The Town Manager is further directed to consult with the Town's financial advisor and bond counsel in making any such decisions.

The Town Council hereby further delegates to the Town Manager or his lawfully authorized designee the authority to receive bids on behalf of the Town Council and the authority to award the sale of the Bonds to the lowest bidder therefor, in accordance with the terms of the Notice of Sale for the Bonds, provided the true interest cost does not exceed 5.00%. After the sale of the Bonds, the Town Manager or his lawfully authorized designee shall submit a written report to the Town Council setting forth the results of the sale of the Bonds.

SECTION 4. Registration, Transfer and Exchange of Bonds. The Town shall cause books (herein referred to as the "registry books") to be kept at the offices of the Registrar/Paying Agent, for the registration and transfer of the Bonds. Upon presentation at its office for such purpose the Registrar/Paying Agent shall register or transfer, or cause to be registered or transferred, on such registry books, the Bonds under such reasonable regulations as the Registrar/Paying Agent may prescribe.

Each Bond shall be transferable only upon the registry books of the Town, which shall be kept for such purpose at the principal office of the Registrar/Paying Agent, by the registered owner thereof in person or by his duly authorized attorney upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar/Paying Agent duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Bond the Registrar/Paying Agent on behalf of the Town shall issue in the name of the transferee a new fully-registered Bond or Bonds, of the same aggregate principal amount, interest rate and maturity as the surrendered

Bond. Any Bond surrendered in exchange for a new registered Bond pursuant to this Section shall be canceled by the Registrar/Paying Agent.

The Town and the Registrar/Paying Agent may deem or treat the person in whose name any fully-registered Bond shall be registered upon the registry books as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Town nor the Registrar/Paying Agent shall be affected by any notice to the contrary. In all cases in which the privilege of transferring Bonds is exercised, the Town shall execute and the Registrar/Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Ordinance. Neither the Town nor the Registrar/Paying Agent shall be obliged to make any such transfer of Bonds during the fifteenth (15th) day of the calendar month preceding an interest payment date on such Bonds.

SECTION 5. Record Date. The Town establishes a record date for the payment of interest or for the giving of notice of any proposed redemption of Bonds, and such record date shall be the fifteenth (15th) day (whether or not a business day) preceding an interest payment date on such Bond or, in the case of any proposed redemption of Bonds, such record date shall be the fifteenth (15th) day (whether or not a business day) prior to the mailing of notice of redemption of Bonds.

SECTION 6. Mutilation, Loss, Theft or Destruction of Bonds. In case any Bond shall at any time become mutilated in whole or in part, or be lost, stolen or destroyed, or be so defaced as to impair the value thereof to the owner, the Town shall execute and the Registrar shall authenticate and deliver at the principal office of the Registrar, or send by registered mail to the owner thereof at his request, risk and expense a new Bond of the same series, interest rate and maturity and of like tenor and effect in exchange or substitution for and upon the surrender for cancellation of such defaced, mutilated or partly destroyed Bond, or in lieu of or in substitution for such lost, stolen or destroyed Bond. In any such event the applicant for the issuance of a substitute Bond shall furnish the Town and the Registrar evidence or proof satisfactory to the Town and the Registrar of the loss, destruction, mutilation, defacement or theft of the original Bond, and of the ownership thereof, and also such security and indemnity as may be required by the laws of the State or such greater amount as may be required by the Town and the Registrar. Any duplicate Bond issued under the provisions of this Section in exchange and substitution for any defaced, mutilated or partly destroyed Bond or in substitution for any allegedly lost, stolen or wholly destroyed Bond shall be entitled to the identical benefits under this Ordinance as was the original Bond in lieu of which such duplicate Bond is issued, and shall be entitled to equal and proportionate benefits with all the other Bonds of the same series issued hereunder.

All expenses necessary for the providing of any duplicate Bond shall be borne by the applicant therefor.

SECTION 7. Form of Bonds. The Bonds shall be in substantially the form attached hereto as Exhibit A and incorporated herein by reference.

SECTION 8. Execution of Bonds. The Bonds shall be executed in the name of the Town with the manual or facsimile signature of the Mayor of the Town attested by the manual or facsimile signature of the Town Clerk under the seal of the Town which shall be impressed, imprinted or reproduced thereon. The Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication. Each Bond shall bear a certificate of authentication manually executed by the Registrar/Paying Agent in substantially the form set forth herein.

SECTION 9. Security for the Bonds. The full faith, credit, taxing power and resources of the Town are hereby irrevocably pledged for the payment of the principal and interest of the Bonds as they respectively mature and for the creation of such sinking fund as may be necessary to provide for the prompt payment thereof. There shall be levied and collected annually upon all taxable property of the Town an ad valorem tax, without limitation as to rate or amount, sufficient for such purposes. The Town at its option may also utilize any other funds available therefor for the payment of the principal of and interest on the Bonds.

SECTION 10. Defeasance. The obligations of the Town herein made or provided for, shall be fully discharged and satisfied as to any portion of the Bonds, and such Bond or Bonds shall no longer be deemed to be outstanding hereunder when:

(a) such Bond or Bonds shall have been purchased by the Town and surrendered to the Town for cancellation or otherwise surrendered to the Town or the Paying Agent and is canceled or subject to cancellation by the Town or the Paying Agent; or

(b) payment of the principal of and interest on such Bonds either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Paying Agent in trust and irrevocably set aside exclusively for such payment (1) moneys sufficient to make such payment or (2) Government Obligations (hereinafter defined) maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of the Paying Agent. At such time as the Bonds shall no longer be deemed to be outstanding hereunder, such Bonds shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Government Obligations, shall no longer be secured by or entitled to the benefits of this Ordinance.

"Government Obligations" shall mean any of the following:

(i) direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America;

(ii) non-callable, U. S. Treasury Securities - State and Local Government Series ("SLGS");

(iii) general obligation bonds of the State, its institutions, agencies, Towns and political subdivisions which, at the time of purchase, carry a AAA rating from Standard & Poor's or a Aaa rating from Moody's Investors Service; and

(iv) a defeasance obligation as defined in Section 6-5-10 of the S.C. Code as such as may be amended from time to time.

(c) Such Bond of Bonds shall be defeased as provided in Section 11-14-110 of the S.C. Code as such may be amended from time to time.

The Town has reserved the right to modify this definition to conform to amendments in State law regarding legal investments of public funds.

SECTION 11. Exemption from State Taxes. Both the principal of and interest on the Bonds shall be exempt, in accordance with the provisions of Section 12-2-50 of the Code of Laws of South Carolina, 1976, as amended, from all State, county, municipal, town and all other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

SECTION 12. Eligible Securities. The Bonds initially issued (the "Initial Bonds") will be eligible securities for the purposes of the book-entry system of transfer maintained by The Depository Trust Company, New York, New York ("DTC"), and transfers of beneficial ownership of the Initial Bonds shall be made only through DTC and its participants in accordance with rules specified by DTC. Such beneficial ownership must be of $5,000 principal amount of bonds of the same maturity or any integral multiple of $5,000.

The Initial Bonds shall be issued in fully-registered form, one Bond for each of the maturities of the Bonds, in the name of Cede & Co., as the nominee of DTC. When any principal of or interest on the Initial Bonds becomes due, the Paying Agent, on behalf of the Town, shall transmit to DTC an amount equal to such installment of principal and interest. DTC shall remit such payments to the beneficial owners of the Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Bonds or any portion thereof shall be sent to DTC in accordance with the provisions of the Ordinance.

If (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Town has advised DTC of its determination that DTC is incapable of discharging its duties, the Town shall attempt to retain another qualified securities depository to replace DTC. Upon receipt by the Town of the Initial Bonds together with an assignment duly executed by DTC, the Town

shall execute and deliver to the successor securities depository bonds of the same principal amount, interest rate and maturity registered in the name of such successor.

If the Town is unable to retain a qualified successor to DTC or the Town has determined that it is in its best interest not to continue the book-entry system of transfer or that interests of the beneficial owners of the Bonds might be adversely affected if the book-entry system of transfer is continued (the Town undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify beneficial owners of the Bonds by mailing an appropriate notice to DTC, upon receipt by the Town of the Initial Bonds together with an assignment duly executed by DTC, the Town shall execute, authenticate and deliver to the DTC participants bonds in fully-registered form in the denomination of $5,000 or any integral multiple thereof.

SECTION 13. Sale of Bonds, Form of Notice of Sale. The Bonds shall be sold at public sale. A Notice of Sale shall be distributed to prospective bidders and a summary of such Notice shall be published in a newspaper having general circulation in the State or in a financial publication published in the City of New York, State of New York, or both, not less than seven (7) days prior to the date set for such sale in substantially the form attached hereto as Exhibit B and incorporated herein by reference.

SECTION 14. Preliminary and Final Official Statement. The Town Council hereby authorizes and directs the Town Manager or his lawfully authorized designee to prepare, or cause to be prepared, a Preliminary Official Statement to be distributed to prospective purchasers of the Bonds together with the Notice of Sale. The Town Council authorizes the Town Manager or his lawfully authorized designee to designate the Preliminary Official Statement as “near final” for purposes of Rule 15c2-12 of the Securities Exchange Commission (the “Rule”). The Town Manager or his lawfully authorized designee is further authorized to see to the completion of the final form of the Official Statement upon the sale of the Bonds so that it may be provided to the purchasers of the Bonds.

SECTION 15. Filings with Central Repository. In compliance with Section 11-1-85 of the SC Code, as amended, the Town covenants that it will file or cause to be filed with a central repository for availability in the secondary bond market when requested: (a) a copy of an annual independent audit of the Town within thirty (30) days of the Town's receipt thereof; and (b) within thirty (30) days of the occurrence thereof, event specific information of an event which adversely affects more than five (5%) percent of the tax revenues of the Town or the Town's tax base.

SECTION 16. Continuing Disclosure. In compliance with the Rule, the Town covenants and agrees for the benefit of the holders from time to time of the Bonds to execute and deliver prior to closing, and to thereafter comply with the terms of a Continuing Disclosure Certificate in substantially the form attached hereto and incorporated herein by reference as Exhibit C. In the event of a failure of the Town to comply with any of the provisions of the Continuing Disclosure Certificate, an event of default under this Ordinance shall not be deemed to have occurred. In such

event, the sole remedy of any bondholder or beneficial owner shall be an action to compel performance by the Town.

The Town Council hereby adopts the following procedures relating to continuing disclosure for the Bonds and all future publicly-traded debt:

(a) The Director of Finance or the equivalent thereto (the "DF") of the Town shall be responsible for compliance with these written procedures and for compliance with any continuing disclosure obligations undertaken by the Town or imposed upon the Town by state or federal law or regulations. The DF is permitted to obtain the assistance of his or her staff and authorized to obtain professional assistance to cause this information to be compiled and provided, but the ultimate responsibility for the dissemination of the information will remain with the DF.

(b) The DF shall acquire a clear understanding regarding the Town's continuing disclosure obligations. Through participation in professional groups such as the South Carolina Financial Concepts and Strategies Institute and the South Carolina Government Finance Officers Association, the DF shall participate in continuing education programs regarding continuing disclosure.

(c) For each issuance of bonds that involves a continuing disclosure obligation, the DF shall review such continuing disclosure undertaking and discuss with the Town's bond counsel, financial advisor and underwriter, if any, prior to the execution of such continuing disclosure undertaking.

SECTION 17. Deposit and Use of Proceeds. The proceeds derived from the sale of the Bonds shall be deposited with the Town in a special fund and shall be applied solely to the purposes for which the Bonds have been issued, including payment of costs of issuance of the Bonds, except that the premium, if any, shall be placed in a sinking fund for the Bonds.

SECTION 18. Tax Covenants. The Town hereby covenants and agrees with the holders of the Bonds that it will not take any action which will, or fail to take any action which failure will, cause interest on the Bonds to become includable in the gross income of the holders of the Bonds for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the "Code") in effect on the date of original issuance of the Bonds. The Town further covenants and agrees with the holders of the Bonds that no use of the proceeds of the Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Bonds would have caused the Bonds to be "arbitrage bonds," as defined in Section 148 of the Code, and to that end the Town hereby shall:

(i) comply with the applicable provisions of Sections 103 and 141 through 150 of the Code and any regulations promulgated thereunder so long as the Bonds are outstanding;

(ii) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebates of certain amounts to the United States; and

(iii) make such reports of such information at the time and places required by the Code.

SECTION 19. Declaration of Intent to Reimburse Certain Expenditures. This Ordinance shall constitute the Town's declaration of official intent pursuant to Regulation §1.150-2 of the Code to reimburse the Town from a portion of the proceeds of the Bonds for expenditures it anticipates incurring (the "Expenditures") with respect to the Referendum Projects set forth in Section 2(f) hereof prior to the issuance of the Bond. The Expenditures which are reimbursed are limited to Expenditures which are: (a) properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Regulation §1.150-2 of the Code) under general federal income tax principals; or (2) certain de minimis or preliminary Expenditures satisfying the requirements of Regulation §1.150-2(f) of the Code. The source of funds for the Expenditures with respect to these projects will be the Town's reserve funds. To be eligible for reimbursement of the Expenditures, the reimbursement allocation must be made not later than 18 months after the later of (a) the date on which the Expenditures were paid; or (b) the date such projects were placed in service, but in no event more than three (3) years after the original Expenditures.

SECTION 20. Miscellaneous. The Town Council hereby authorizes the Mayor and the Town Clerk, the Town Manager, the Director of Finance and any lawfully authorized designee to execute such documents and instruments as may be necessary to effect the issuance of the Bonds or make modifications in any documents including but not limited to the form of the Bond or Notice of Sale, if necessary. The Town Council hereby retains the law firm of McNair Law Firm, P.A. as bond counsel and Stifel – Merchant Capital Division, as financial advisor in connection with the issuance of the Bonds. The Town Manager is authorized to execute such contracts, documents or engagement letters as may be necessary and appropriate to effectuate these engagements.

SECTION 21. 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 22. Codification. This Ordinance shall be forthwith codified in the Code of Town Ordinances in the manner required by law.

SECTION 23. Effective Date. This Ordinance shall be effective upon its enactment by the Town Council of the Town of Hilton Head Island, South Carolina.

[Signature Page follows]

ORDINANCE NO. _____ **PROPOSED ORDINANCE NO. 2016-14**

PASSED, APPROVED, AND ADOPTED BY THE TOWN COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA ON THIS ____DAY OF _____, 2016.

_____
David Bennett, Mayor

ATTEST:

_____
Victoria L. Pfannenschmidt
Town Clerk

APPROVED AS TO FORM:

_____
Gregory M. Alford, Town Attorney

First Reading:_____
Second Reading:_____

Introduced by Council Member:

_____

Exhibit A

FORM OF BOND

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
THE TOWN OF HILTON HEAD ISLAND
$_____ GENERAL OBLIGATION BOND
SERIES _____

No. R-

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
%			

REGISTERED HOLDER:

PRINCIPAL AMOUNT: DOLLARS

KNOW ALL MEN BY THESE PRESENTS, that the Town of Hilton Head Island, South Carolina (the "Town"), is justly indebted and, for value received, hereby promises to pay to the registered holder named above, or registered assigns, the principal amount shown above on the maturity date shown above, upon presentation and surrender of this Bond at the principal office of _____ in _____ (the "Paying Agent"), and to pay interest on such principal sum from the date hereof at the interest rate per annum shown above until this Bond matures. Interest on this Bond is payable semiannually on _____ 1 and _____ 1 of each year commencing _____ 1, 20__, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Town maintained by the registrar, presently _____ in _____ (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month next preceding each semiannual interest payment date. The principal and interest on this Bond are payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance of the Town authorizing the Bonds, nor become valid or obligatory for any purpose, until the Certificate of Authentication hereon shall have been duly executed by the Registrar.

For the payment of the principal and interest of this Bond as they respectively mature and for the creation of such sinking fund as may be necessary to provide for the prompt

payment hereof, the full faith, credit, taxing power and resources of the Town are hereby irrevocably pledged, and there shall be levied and collected annually upon all taxable property of the Town an ad valorem tax, without limitation as to rate or amount, sufficient for such purposes.

The Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Ordinance. One bond certificate with respect to each date on which the Bonds are stated to mature, registered in the name of the securities depository nominee, is being issued and required to be deposited with the securities depository and immobilized in its custody. The book-entry system will evidence positions held in the Bonds by the securities depository's participants, beneficial ownership of the Bonds in the principal amount of $5,000 or any multiple thereof being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the securities depository and its participants pursuant to rules and procedures established by the securities depository and its participants. The Town and the Registrar/Paying Agent will recognize the securities depository nominee, while the registered owner of this bond, as the owner of this bond for all purposes, including payments of principal of and redemption premium, if any, and interest on this bond, notices and voting. Transfer of principal and interest payments to participants of the securities depository will be the responsibility of the securities depository, and transfer of principal, redemption premium, if any, and interest payments to beneficial owners of the Bonds by participants of the securities depository will be the responsibility of such participants and other nominees of such beneficial owners. The Town will not be responsible or liable for such transfers of payments or for maintaining, supervision or reviewing the records maintained by the securities depository, the securities depository nominee, its participants or persons acting through such participants. While the securities depository nominee is the owner of this bond, notwithstanding, the provision hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Bond shall be made in accordance with existing arrangements between the Registrar/Paying Agent or its successors under the Ordinance and the securities depository.

This Bond is one of a series of Bonds of like date of original issue, tenor and effect, except as to number, date of maturity, denomination, [redemption provisions] and rate of interest, aggregating _____ Dollars issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina, including Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 11, Chapter 27, Code of Laws of South Carolina 1976, as amended, and Ordinance No. _____ duly enacted by the Town Council of the Town.

[Redemption Provisions]

This Bond is transferable as provided in the Ordinance, only upon the books of the Town kept for that purpose at the principal office of the Registrar by the registered holder in person or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered holder or his duly authorized attorney. Thereupon a new fully-registered Bond or Bonds of the same aggregate principal amount, interest rate, and maturity shall be issued to the transferee in exchange therefor as provided in the

Ordinance. The Town, the Registrar and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes.

Under the laws of the State of South Carolina (the "State"), this Bond and the interest hereon are exempt from all State, county, municipal, Town and other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State to exist, to happen and to be performed precedent to or in the issuance of this Bond exist, have happened and have been performed in regular and due time, form and manner as required by law; that the amount of this Bond, together with all other indebtedness of the Town does not exceed the applicable limitation of indebtedness under the laws of the State; and, that provision has been made for the levy and collection of a tax, without limit, on all taxable property in the Town sufficient to pay the principal and interest of this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

IN WITNESS WHEREOF, THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, has caused this Bond to be signed with the manual or facsimile signature of the Mayor of the Town, attested by the manual or facsimile signature of the Town Clerk and the seal of the Town impressed, imprinted or reproduced hereon.

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

_____
Mayor

(SEAL)

ATTEST:

_____
Town Clerk

[FORM OF REGISTRAR'S CERTIFICATE OF AUTHENTICATION]

Date of Authentication:

This Bond is one of the bonds described in the within mentioned Ordinance of the Town of Hilton Head Island, South Carolina.

_____,
as Registrar

By:_____
Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT -

_____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to
Minors Act _____
(state)

Additional abbreviations may also be used though not in above list.

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____
(Name and Address of Transferee)
_____
the within Bond and does hereby irrevocably constitute and appoint _____ _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:_____

_____
Signature Guaranteed

_____
Notice: Signature(s) must be guaranteed by an institution which is a a participant in the registered Securities Transfer Agents Medallion Program ("STAMP") or similar program.

_____
(Authorized Officer)

_____
Notice: The signature to the assignment must correspond with the name of the holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

A copy of the final approving legal opinion to be rendered shall accompany each Bond and preceding the same a certificate shall appear, which shall be signed on behalf of the Town with a manual or facsimile signature of the Town Clerk in the following form:

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the final legal opinion (except for date and letterhead) of McNair Law Firm, P.A., Columbia, South Carolina, approving the issue of Bonds of which the within Bond is one, the original of which opinion was manually executed, dated and issued as of the date of delivery of and payment for the Bonds, and a copy of which is on file with the Town of Hilton Head Island, South Carolina.

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By_____
Town Clerk

FORM OF NOTICE OF SALE

$_____ GENERAL OBLIGATION BONDS, SERIES _____
TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

Time and Place of Sale: NOTICE IS HEREBY GIVEN that proposals addressed to the undersigned will be received on behalf of the Town Council of the Town of Hilton Head Island, South Carolina (the "Town"), in Council Chambers, One Town Center Court, Hilton Head Island, South Carolina, until 11:00 a.m., South Carolina time, on _____, 20__, at which time said proposals will be publicly opened for the purchase of _____ ($_____) General Obligation Bonds, Series _____ of the Town (the "Bonds").

Sealed Bids: Each hand delivered proposal shall be enclosed in a sealed envelope marked "Proposal for $_____ General Obligation Bonds, Series 20___, Town of Hilton Head Island, South Carolina" and should be directed to the Director of Finance at the address in the first paragraph hereof.

Electronic Bids: Electronic proposals must be submitted through i-Deal's Parity Electronic Bid Submission System ("Parity"). No electronic bids from any other providers of electronic bidding services will be accepted. Information about the electronic bidding services of Parity may be obtained from i-Deal, 40 W. 23rd Street, 5th floor, New York, New York 10010, Customer Support, telephone (212) 404-8102.

PROPOSALS MAY BE DELIVERED BY HAND OR BY ELECTRONIC BID, BUT NO PROPOSAL SHALL BE CONSIDERED WHICH IS NOT ACTUALLY RECEIVED BY THE TOWN AT THE PLACE, DATE AND TIME APPOINTED, AND THE TOWN SHALL NOT BE RESPONSIBLE FOR ANY FAILURE, MISDIRECTION, DELAY OR ERROR RESULTING FROM THE SELECTION BY ANY BIDDER OF ANY PARTICULAR MEANS OF DELIVERY OF BIDS.

Book-Entry-Only Bonds: The Bonds will be issued in fully-registered form. One Bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds and each such Bond will be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry-only form in the principal amount of $5,000 or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year; Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates representing each maturity with DTC. The Bonds will be dated _____ 1, 20__ and will mature serially in successive annual installments on _____ 1 in each of the years and in the principal amounts as follows:

_____1	Principal Amount*	_____1	Principal Amount*

*Preliminary, subject to adjustment.

Adjustment of Maturity Schedule. If, after final computation of the proposals, the Town determines in its sole discretion that the funds necessary to accomplish the purposes for which the Bonds are being issued are either more or less than the proceeds of the sale of the amount of the Bonds as shown in this Notice of Sale, it reserves the right either to decrease or increase the principal amount of the Bonds (all calculations to be rounded to the near $5,000), provided that any such decrease or increase shall not exceed 10% of the par amount. Such adjustment(s), if any, shall be made within twenty-four (24) hours of the award of the Bonds. In order to calculate the yield on the Bonds for federal tax law purposes and as a condition precedent to the award of the Bonds, bidders must disclose to the Town in connection with their respective bids the price (or yield to maturity) at which each maturity of the Bonds will be reoffered to the public.

In the event of any adjustment of the maturity schedule for the Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. Nevertheless, the award of the Bonds will be made to the bidder whose proposal produces the lowest true interest cost solely on the basis of the Bonds offered, without taking into account any adjustment in the amount of the Bonds pursuant to this paragraph.

The Bonds will bear interest from the date thereof payable semiannually on _____ 1 and _____ 1 of each year, commencing _____ 1, 20__.

[Redemption Provisions]

Registrar/Paying Agent: Within twenty-four (24) hours of the sale of the Bonds, the Town will designate a registrar and paying agent ("Registrar/Paying Agent") for the Bonds. The Registrar/Paying Agent shall be a bank, trust company, depository or transfer agent located either within or without the State of South Carolina.

Bid Requirements: Bidders shall specify the rate or rates of interest per annum which the Bonds are to bear, to be expressed in multiples of 1/20 or 1/8 of 1% with no greater difference than two percent (2%) between the highest and lowest rates of interest named by a bidder. Bidders are not limited as to the number of rates of interest named, but the rate of interest on each separate maturity must be the same single rate for all Bonds of that maturity from their date to such maturity date. A bid for less than all the Bonds, a bid at a price less than par or a bid which includes a premium of more than 1% will not be considered. In addition to the bid price, the successful bidder must pay accrued interest from the date of the Bonds to the date of full payment of the purchase price.

Good Faith Deposit: A good faith deposit is not required.

Bid Form: It is requested but not required that you submit your bid on the Proposal for Purchase of Bonds supplied with the Official Statement.

Official Statement: Upon the award of the Bonds, the Town will prepare an official statement (the "Official Statement") in substantially the same form as the preliminary official statement subject to minor additions, deletions and revisions as required to complete the Official Statement. Within seven (7) business days after the award of the Bonds, the Town will deliver the Official Statement to the successful bidder in sufficient quantity to comply with Rule G-32 of the Municipal Securities Rulemaking Board. The successful bidder agrees to supply to the Town within 24 hours after the award of the Bonds all necessary pricing information and any Underwriter identification necessary to complete the Official Statement.

Security: The Bonds shall constitute binding general obligations of the Town, and the full faith, credit, resources and taxing power of the Town are irrevocably pledged for the payment of the principal and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor. There shall be levied and collected annually upon all taxable property of the Town a tax, without limitation as to rate or amount, sufficient for such purposes.

Continuing Disclosure: In order to assist the bidders in complying with S.E.C. Rule 15c2-12(b)(5), the Town will undertake, pursuant to an ordinance and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Legal Opinion: The Town shall furnish upon delivery of the Bonds the final approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, which opinion shall accompany each Bond, together with the usual closing documents, including a certificate that no litigation is pending affecting the Bonds.

Certificate as to Issue Price: The successful bidder must provide a certificate to the Town by the date of delivery of the Bonds, stating the initial reoffering price of the Bonds to the public (excluding bond houses and brokers) and the price at which a substantial amount of the Bonds were sold to the public, in form satisfactory to Bond Counsel. A sample copy of such a certificate may be obtained from Bond Counsel.

Delivery: The Bonds will be delivered on or about _____, 20____, in New York, New York, at the expense of the Town or at such other place as may be agreed upon with the purchaser at the expense of the purchaser. The balance of the purchase price then due (including the amount of accrued interest) must be paid in federal funds or other immediately available funds.

CUSIP Numbers: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect

thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of its proposal. All expenses in relation to the printing of CUSIP identification numbers on the Bonds shall be paid for by the Town; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the successful bidder.

Award of Bid. The Bonds will be awarded to the bidder or bidders offering to purchase the Bonds at the lowest true interest cost (TIC) to the Town. The TIC will be the nominal interest rate which, when compounded semiannually and used to discount all debt service payments on the Bonds (computed at the interest rates specified in the bid and on the basis of a 360-day year of twelve 30-day months) to the dated date of the Bonds, results in an amount equal to the price bid for the Bonds. In the case of a tie bid, the winning bid will be awarded by lot. The Town reserves the right to reject any and all bids or to waive irregularities in any bid. Bids will be accepted or rejected no later than 3:00 p.m., South Carolina time, on the date of the sale.

Additional Information: The Preliminary Official Statement and the Official Notice of Sale of the Town with respect to the Bonds are available via the internet at http://www.idealprospectus.com and will be furnished to any person interested in bidding on the Bonds upon request to McNair Law Firm, P. A., Post Office Box 11390, Columbia, South Carolina 29211, attention: Francenia B. Heizer, Esquire, telephone (803) 799-9800, e-mail: fheizer@mcnair.net. The Preliminary Official Statement shall be reviewed by bidders prior to submitting a bid. Bidders may not rely on this Official Notice of Sale as to the complete information concerning the Bonds. For additional information, please contact the Town's Bond Counsel, Francenia B. Heizer, Esquire, McNair Law Firm, P. A., Post Office Box 11390, Columbia, South Carolina 29211, telephone (803) 799-9800, e-mail: fheizer@mcnair.net or the Town's Financial Advisor, Brenton J. Robertson, Managing Director, Stifel – Merchant Capital Division, 515 Gervais Street, Columbia, South Carolina 20201, telephone (803) /331-3848, e-mail: robertsonb@stifel.com.

Town of Hilton Head Island, South Carolina

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Town of Hilton Head Island, South Carolina (the "Town") in connection with the issuance of $_____ General Obligation Bonds, Series _____ (the "Bonds"). The Bonds are being issued pursuant to an Ordinance adopted by the Town Council of the Town (the "Council"). The Town covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the beneficial owners and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Bonds" shall mean the $_____ General Obligation Bonds, Series _____, of the Town of Hilton Head Island, South Carolina, dated _____.

"Dissemination Agent" shall mean the Town or any successor Dissemination Agent designated in writing by the Town and which has filed with the Town a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean for purposes of the Rule, the Electronic Municipal Market Access (EMMA) system created by the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean _____ and any other original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Depository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Depository" shall mean any public or private repository or entity designated by the State of South Carolina as a state depository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports.

(a) The Town shall, or shall cause the Dissemination Agent to provide, not later than February 1 of each year, commencing in 20___, to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to such date the Town shall provide the Annual Report to the Dissemination Agent, if other than the Town; provided, that if the audited financial statements required pursuant to Section 4 hereof to be included in the Annual Report are not available for inclusion in the Annual Report as of such date, unaudited financial statements of the Town may be included in such Annual Report in lieu thereof, and the Town shall replace such unaudited financial statements with audited financial statements within fifteen (15) days after such audited financial statements become available for distribution. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted separately from the balance of the Annual Report.

(b) If the Town is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Town shall send a notice to the Municipal Securities Rulemaking Board and State Depository, if any, in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Depository, if any; and

(2) if the Dissemination Agent is other than the Town, file a report with the Town and (if the Dissemination Agent is not the Registrar) the Registrar certifying whether the Annual Report has been provided pursuant to this Disclosure Certificate, and, if provided, stating the date it was provided, and listing the Repository to which it was provided.

SECTION 4. Content of Annual Reports.

(a) The Town's Annual Report shall contain or incorporate by reference the most recent audited financial statements, which shall be prepared in conformity with generally accepted accounting principles (or, if not in such conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information) applicable to governmental entities such as the Town, and shall, in addition, contain or incorporate by reference the following, for the immediately preceding fiscal year:

(1) Town population;
(2) Total anticipated state appropriations subject to withholding under Article X, Sec. 14, South Carolina Constitution;
(3) Outstanding indebtedness of the Town;
(4) Market value/assessment summary of taxable property in Town;
(5) Tax levy for Town;
(6) Tax collections for Town; and
(7) Five largest taxpayers (including fee-in-lieu-of-tax) for Town.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Town is an "obligated person" (as defined by the Rule), which have been previously filed with the National Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Town will clearly identify each such document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Town shall give, or cause to be given, notice of the occurrence of any of the following events (the "Listed Events"):

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with

respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) Modifications to rights of security holders;

(8) Bond calls;

(9) Tender offers;

(10) Defeasances;

(11) Release, substitution, or sale of property securing repayment of the securities;

(12) Rating changes;

(13) Bankruptcy, insolvency, receivership or similar event of the Town;

(14) The consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(15) Appointment of a successor or additional trustee or the change of name of a trustee.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event described in subsections (a)(2), (7), (8), (11), (14), or (15) above, the Town shall as soon as possible determine if such event would be material under applicable federal securities laws. If the Town determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the Town shall promptly, and no later than 10 days after the occurrence of the event, file a notice of such occurrence with the Repository.

(c) Whenever the Town obtains knowledge of the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (9), (10), (12), or (13) above, the Town shall promptly, and no later than 10 days after the occurrence of the event, file a notice of such occurrence with the Repository.

(d) Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8), (9), and (10) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds. For the purposes of the event identified in (a)(13) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

SECTION 6. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Town.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Town, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Town chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Town shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Town, or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any beneficial owner may take such actions as may be necessary and appropriate, including seeking injunctive relief or specific performance by court order, to cause the Town, or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town, or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The provisions of this Section 11 shall apply if the Issuer is not the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and to the extent permitted by applicable law and other public policy considerations, the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but

excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Town, the Dissemination Agent, the Participating Underwriters, and Holders from time to time of the Bonds and shall create no rights in any other person or entity.

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By:_____
Town Manager

Dated: _____, 20__

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Town: Town of Hilton Head Island, South Carolina

Name of Bond Issue: $_____ General Obligation Bonds, Series ____,
Town of Hilton Head Island, South Carolina

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that The Town of Hilton Head Island, South Carolina (the "Town") has not provided an Annual Report with respect to the above-named Bonds as required by Sections 3 and 4 of the Continuing Disclosure Certificate executed and delivered by the Town as Dissemination Agent. The Town has notified us in writing that the Annual Report will be filed by _____.

Dated:_____

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

MEMORANDUM

TO: Town Council

FROM: Susan M. Simmons, CPA, Director of Finance

VIA: Stephen G. Riley, ICMA-CM, Town Manager

DATE: May 18, 2016

RE: **Second Reading of Proposed Ordinance No. 2016-15**

Recommendation:
Staff recommends that Town Council approve the second reading of Proposed Ordinance No. 2016-15.

There have been no changes to this ordinance from First Reading.

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND

ORDINANCE NO. _____ PROPOSED ORDINANCE NO. 2016-15

SECOND SUPPLEMENTAL ORDINANCE

PROVIDING FOR THE ISSUANCE AND SALE OF TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, SPECIAL OBLIGATION BONDS (BEACH PRESERVATION FEE PLEDGE), IN ONE OR MORE SERIES, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING $25,200,000; DELEGATING THE AUTHORITY TO THE TOWN MANAGER TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE BONDS; PRESCRIBING THE FORM AND DETAILS OF SUCH BONDS; OTHER MATTERS RELATING THERETO; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town Council (the "Council") of the Town of Hilton Head Island, South Carolina (the "Town"), enacted an Ordinance (the "General Bond Ordinance") on the date hereof to authorize generally the issuance of Bonds (as defined in the General Bond Ordinance); and

WHEREAS, pursuant to the General Bond Ordinance, the Bonds are payable from and secured by a pledge of Beach Preservation Fees (as defined in the General Bond Ordinance); and

WHEREAS, the Town is presently contemplating the undertaking of the New Projects (as defined herein); and

WHEREAS, the Town desires to issue not exceeding $25,200,000 principal amount of its Special Obligation Bonds (Beach Preservation Fee Pledge), in one or more series (the "New Bonds") to finance, among other things, the Costs of Acquisition and Construction of the New Projects; and

WHEREAS, the Council has been advised that in order to finance the New Projects, the Council must enact an appropriate ordinance supplemental to the General Bond Ordinance authorizing the issuance of the New Bonds.

BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, IN COUNCIL ASSEMBLED:

Section 1. Definitions. The terms in this Section 1 and all words and terms defined in the General Bond Ordinance (such General Bond Ordinance as from time to time amended or supplemented by Supplemental Ordinances being defined in the Ordinance as the "Ordinance") (except as herein otherwise expressly provided or unless the context otherwise requires), shall for all purposes of this Second Supplemental Ordinance have the respective meanings given to them in the Ordinance and in Section 1 hereof.

"Beneficial Owner" shall mean any purchaser who acquires beneficial ownership interest in any Initial Bond held by the Depository. In determining any Beneficial Owner the Town, the Trustee, the Registrar and the Paying Agent may rely exclusively upon written representations made and information given to the Town, the Trustee, the Registrar and the Paying Agent, as the case may be, by the Depository or its Participants with respect to any New Bond held by the Depository or its Participants in which a beneficial ownership interest is claimed.

"Bond Purchase Agreement" shall mean one or more Bond Purchase Agreements relating to the sale of the New Bonds, to be dated the date of execution and delivery thereof between the Underwriter and the City, as amended or supplemented thereto.

"Bonds of 2011" shall mean the Town's $11,000,000 principal amount Special Obligation Bonds (Beach Preservation Fee Pledge), Series 2011, dated November 18, 2011, and outstanding as of the date of this Second Supplemental Ordinance in the principal amount of $7,380,000.

"Book-Entry Form" or "Book-Entry System" shall mean with respect to the New Bonds, a form or system, as applicable, under which (a) the ownership of beneficial interests in the New Bonds may be transferred only through a book-entry and (b) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical bond certificates "immobilized" in the custody of the Depository. The book-entry maintained by the Depository is the record that identifies the owners of participatory interests in the New Bonds, when subject to the Book-Entry System.

"Business Day" shall mean, with respect to the New Bonds issued pursuant to this Second Supplemental Ordinance, any day other than a Saturday, a Sunday or a day which shall be in the State or the state in which the respective office of the Trustee, the Paying Agent and the Registrar is located a legal holiday or a day on which banking institutions are authorized by law or executive order to close.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Certificate" shall have the meaning given that term in Section 15 hereof.

"Depository" shall mean any securities depository that is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in the New Bonds, and to effect transfers of the New Bonds, in Book-Entry Form, and includes and means initially The Depository Trust Company (a limited-purpose trust company), New York, New York.

"First Supplemental Ordinance" shall mean Ordinance No. 2011-21 enacted by the Town Council on September 20, 2011, authorizing the Bonds of 2011.

"General Bond Ordinance" shall mean Ordinance No. 2011-18 enacted by the Town Council on September 6, 2011, authorizing the issuance from time to time of Bonds.

"Initial Bonds" shall mean the New Bonds initially issued in Book-Entry Form as provided in Section 4 hereof.

"Interest Payment Date" shall mean any February 1 and August 1 of each year, commencing August 1, 2016, or such other date as the Town Manager may determine pursuant to Section 11 hereof.

"New Bonds" shall mean the Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Beach Preservation Fee Pledge), issuable in one or more series, in the aggregate principal amount of not exceeding $25,200,000 authorized to be issued hereunder.

"New Projects" shall mean, collectively, the Projects to be financed with the proceeds of the New Bonds and such other projects as may be approved by the Town Manager and permitted by the Beach Preservation Fee Ordinance.

"Paying Agent" shall mean Wells Fargo Bank, N.A., as Paying Agent for the New Bonds.

"Principal Payment Date" shall have the meaning given to such term in Section 3(a).

"Registrar" shall mean Wells Fargo Bank, N.A., as Registrar for the New Bonds.

"Second Supplemental Ordinance" shall mean shall mean this Ordinance enacted by the Town Council authorizing the New Bonds.

"Series Construction Fund" shall mean one or more Funds established pursuant to Section 9 hereof into which a portion of the proceeds of a Series of the New Bonds will be deposited and from which such proceeds will be disbursed to pay the Costs of Acquisition and Construction of the New Projects (including the Costs of Issuance). Pursuant to Section 9, each Series Construction Fund

shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

"Series Debt Service Fund" shall mean one or more Funds established pursuant to Section 7 hereof to provide for the payment of the principal of and interest on the Series of the New Bonds related thereto. Pursuant to Section 7, each Series Debt Service Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

"Series Debt Service Reserve Fund" shall mean one or more Funds, if any, established pursuant to Section 8 hereof (a) to insure the timely payment of the principal and interest on the New Bonds related thereto; and (b) to provide for the redemption of the Series of the New Bonds related thereto. Pursuant to Section 8, each Series Debt Service Reserve Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

"Series Reserve Fund Requirement" shall mean the amount, if any, established pursuant to Section 8 hereof.

"Trustee" shall mean Wells Fargo Bank, N.A., as Trustee for the Bonds.

"Underwriter" shall mean such bank or financial institution selected by the Town Manager pursuant to Section 11 hereof.

Section 2. Certain Findings and Determinations.

The Town hereby finds and determines:

(a) The Ordinance, the Bond Act and the Accommodations Fee Act authorize the Town to issue Bonds in order to finance Projects (as defined in the General Bond Ordinance). This Second Supplemental Ordinance supplements the Ordinance, constitutes and is a "Supplemental Ordinance" within the meaning of such quoted term as defined and used in the Ordinance, and is enacted under and pursuant to the Ordinance.

(b) The New Bonds constitute and are "Bonds" within the meaning of the quoted word as defined and used in the Ordinance.

(c) The Beach Preservation Fees pledged under the Ordinance are or will not be encumbered by any lien and charge thereon or pledge thereof, other than: (i) the pledge thereof created under the General Bond Ordinance and the First Supplemental Ordinance for payment and security of the Bonds of 2011; and (ii) the pledge thereof created by the General Bond Ordinance and this Second Supplemental Ordinance for the payment and security of the New Bonds.

(d) There does not exist an Event of Default (as defined in the General Bond Ordinance), nor does there exist any condition which, after the passage of time or the giving of

notice, or both, would constitute such Event of Default.

(e) The estimated Costs of Acquisition and Construction (as defined in the General Bond Ordinance) of the New Projects are $25,200,000.

(f) The Town proposes to issue the New Bonds, in one or more Series (as defined in the General Bond Ordinance), for one or more of the principal purposes: (1) financing all or a portion of the Costs of Acquisition and Construction of the New Projects (or retiring at maturity or redeeming prior to maturity a portion of the bond anticipation note issued by the Town therefor), (2) financing the Series Reserve Fund Requirement (if any) through a deposit into the Series Debt Service Reserve Fund (if any) established with respect to each Series of New Bonds, and (3) paying the Costs of Issuance of the New Bonds.

(g) The period of usefulness of the New Projects will be in excess of seven (7) years from the date of the acquisition thereof.

(h) It is necessary and in the best interest of the Town to authorize the issuance of the New Bonds in the principal amount of not exceeding $25,200,000 in accordance with the Bond Act, the Accommodations Fee Act, the Ordinance and this Second Supplemental Ordinance for the purposes set forth above.

Section 3. Authorization of New Bonds.

(a) There is hereby authorized to be issued one or more Series of Bonds designated "Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Beach Preservation Fee Pledge), Series (year)" (the "New Bonds"), including such further words, numbers or letters as may be necessary or desirable to identify individual series thereof, the purposes thereof, or the taxable status thereof, in the aggregate principal amount of not exceeding $25,200,000. The proceeds of the New Bonds shall be used for the purposes set forth in Section 2(f) hereof.

Unless otherwise determined by the Town Manager pursuant to Section 11 hereof, the New Bonds shall mature on August 1 in each of the years (the "Principal Payment Dates") and in the principal amounts, and bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months), as determined by the Town Manager, pursuant to Section 11 hereof.

(b) Such of the New Bonds as the Town Manager shall determine pursuant to Section 11 hereof shall be subject to mandatory redemption at a redemption price equal to the principal amount of the New Bonds to be redeemed, together with interest accrued from the date of redemption, in the years and in the amounts determined by the Town Manager, pursuant to Section 11 hereof.

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the Town may (i) deliver to the Trustee for cancellation New Bonds which are

subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such New Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Town and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each New Bond so delivered or previously purchased or redeemed shall be credited by the Trustee, at one hundred percent (100%) of the principal amount thereof, to the obligation of the Town on those respective mandatory redemption obligations in chronological order or such other manner as directed in writing by the Town to the Trustee, and the principal amount of the New Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

(c) The Trustee, without further authorization or direction from the Town, shall give notice of all mandatory redemptions within the time periods and in the manner specified in Article V of the General Bond Ordinance.

(d) The New Bonds shall originally be dated the date of delivery of the New Bonds, or such other date as the Town Manager shall determine pursuant to Section 11 hereof, and shall be issued as fully registered Bonds in the denominations of $5,000 and integral multiples of $5,000. The New Bonds shall be numbered and lettered in such a fashion as to maintain a proper record thereof.

(e) Principal of and redemption premium, if any, on the New Bonds shall be payable at the designated corporate trust office of the Paying Agent. Interest on the New Bonds shall be payable on each Interest Payment Date, in each case to the Holders as of the immediately preceding Record Date, such interest to be paid by the Paying Agent by check or draft mailed to each Holder at the address as it appears on the Books of Registry maintained at the designated corporate trust office of the Paying Agent, and in the case of a Holder of $1,000,000 or more in principal amount of New Bonds, by wire transfer to an account within the continental United States upon the timely receipt of a written request of such Holder. Payment of the principal of and interest on such New Bonds may be payable to the Holder thereof without presentation and surrender of such New Bonds.

(f) The New Bonds shall be in substantially the form set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as are incidental to the series, numbers, denominations, maturities, dates, interest rate or rates, redemption provisions, the purpose of issuance and other details thereof or as are otherwise permitted or required by law or by the Ordinance, including this Second Supplemental Ordinance. The New Bonds shall be executed in the name and on behalf of the Town by the manual or facsimile signatures of the Mayor and Town Clerk.

(g) A copy of the approving opinion to be rendered on the New Bonds shall be printed on the back of such New Bonds, preceding the same a certificate shall appear, which shall be signed on behalf of the Town by a facsimile signature of the Town Clerk. Such certificate shall be in the form substantially as follows:

> IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the Town.
>
> THE TOWN OF HILTON HEAD, SOUTH CAROLINA
>
> By:_____
> Town Clerk

Section 4. Book-Entry System; Recording and Transfer of Ownership of the New Bonds.

The Initial Bonds will be eligible securities for the purposes of the Book-Entry System of transfer maintained by the Depository, and transfers of beneficial ownership of the Initial Bonds shall be made only through the Depository and its participants in accordance with rules specified by the Depository. Such beneficial ownership must be of $5,000 principal amount of Initial Bonds of the same Series and maturity or any integral multiple of $5,000.

The Initial Bonds will be issued in fully-registered form, as a single bond representing the entire principal amount of each Series of the New Bonds or one New Bond for each of the maturities of each Series of the New Bonds, in the name of Cede & Co., as the nominee of the Depository. When any principal of, premium, if any, or interest on the Initial Bonds becomes due, the Town shall transmit or cause the Paying Agent to transmit to the Depository an amount equal to such installment of principal, premium, if any, and interest. Such payments will be made to Cede & Co. or other nominee of the Depository as long as it is owner of record on the applicable Record Date. Cede & Co. or other nominee of the Depository shall be considered to be the owner of the Initial Bonds so registered for all purposes of this Second Supplemental Ordinance, including, without limitation, payments as aforesaid and receipt of notices. The Depository shall remit such payments to the Beneficial Owners of the New Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Bonds or any portion thereof shall be sent to the Depository in accordance with the provisions of the General Bond Ordinance.

The Depository is expected to maintain records of the positions of Participants in the Initial Bonds, and the Participants and persons acting through Participants are expected to maintain records of the Beneficial Owners in the Initial Bonds. The Town, the Trustee, the Registrar and the Paying Agent make no assurances that the Depository and its Participants will act in accordance with such rules or expectations on a timely basis, and the Town, the Trustee, the Registrar and the Paying Agent shall have no responsibility for any such maintenance of records or transfer of payments by the Depository to its Participants, or by the Participants or persons acting through Participants to the Beneficial Owners.

The Town, the Trustee, the Paying Agent and the Registrar may treat the Depository (or its nominee) as the sole and exclusive owner of the New Bonds registered in its name for the purpose of payment of the principal of, interest or premium, if any, on the New Bonds, giving any notice permitted or required to be given to Bondholders under the General Bond Ordinance or this Second Supplemental Ordinance, registering the transfer of the New Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The Town, the Trustee, the Paying Agent and the Registrar shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the New Bonds under or through the Depository or any Participant, or any other person which is not shown on the Books of Registry of the Town maintained by the Registrar as being a Bondholder, with respect to: the accuracy of any records maintained by the Depository or any Participant or the maintenance of any records; the payment by the Depository or any Participant of any amount in respect of the principal of, interest or premium, if any, on the New Bonds; the sending of any transaction statements; the delivery or timeliness of delivery by the Depository or any Participant of any notice which is permitted or required to be given to Bondholders thereunder; the selection of Bondholders to receive payments upon any partial redemption of the New Bonds; or any consent given or other actions taken by the Depository as a Bondholder.

If (a) the Depository determines not to continue to act as securities depository for the New Bonds, and gives reasonable notice to the Registrar or the Town, or (b) the Town has advised the Depository of the Town's determination that the Depository is incapable of discharging its duties, then the Town shall attempt to retain another qualified securities depository to replace the Depository. Upon receipt by the Town or the Registrar of the Initial Bonds together with an assignment duly executed by the Depository, the Town shall execute and deliver to the successor depository, the New Bonds of the same principal amount, interest rate and maturity. If the Town is unable to retain a qualified successor to the Depository, or the Town has determined that it is in its best interest not to continue the Book-Entry System of transfer or that interests of the Beneficial Owners of the New Bonds might be adversely affected if the Book-Entry System of transfer is continued (the Town undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify Beneficial Owners of the New Bonds by mailing an appropriate notice to the Depository, upon receipt by the Town of the Initial Bonds together with an assignment duly executed by the Depository, the Town shall execute, authenticate and deliver to the Depository Participants the New Bonds in fully-registered form, in authorized denomination; provided,

however, that the discontinuation of the Book-Entry System of registration and transfer with respect to the New Bonds or the replacement of the Depository or any successor depository shall be subject to the applicable rules and procedures of the Depository or such successor depository on file or otherwise approved by the Securities and Exchange Commission.

Section 5. Optional Redemption of New Bonds. Such of the New Bonds as may be determined by the Town Manager pursuant to Section 11 hereof shall be subject to redemption prior to maturity, at the option of the Town, in whole or in part at any time in such order of their maturities as the Town shall determine and by lot within a maturity, at the respective redemption prices with respect to each New Bond, expressed as a percentage of principal amount of the New Bonds to be redeemed, as shall be determined by the Town Manager pursuant to Section 11 hereof, together, in each such case, with the interest accrued on such principal amount to the date fixed for redemption. The Trustee shall give notice of redemption of the New Bonds by first-class mail, postage prepaid, to the Holders thereof as shown on the Books of Registry of the Town not less than five (5) Business Days prior to the date fixed for the redemption thereof.

Section 6. Payment of the New Bonds. The New Bonds, together with the interest thereon, shall be payable, in such coin or currency of the United States of America which at the time of such payment is legal tender for public and private debts, solely from the Beach Preservation Fees of the Town in accordance with the provisions of the Ordinance and this Second Supplemental Ordinance. The New Bonds shall be secured by a pledge of Beach Preservation Fees on a parity with the pledge of Beach Preservation Fees securing the payment of the Bonds of 2011 and any other Bonds hereafter issued in compliance with the provisions of the General Bond Ordinance.

The New Bonds do not constitute an indebtedness of the Town within any State constitutional provisions (other than Article X, Section 14, Paragraph 10 of the South Carolina Constitution authorizing obligations payable solely from special sources not involving revenues from any tax or license) or statutory limitation. The New Bonds shall not be a debt of the Town, nor a charge, lien or encumbrance, legal or equitable, upon any property of the Town or upon any income, receipts or revenues thereof, other than the aforesaid Beach Preservation Fees of the Town. No recourse shall be had for the payment of the New Bonds or the interest thereon against the general fund of the Town, nor shall the credit or taxing power of the Town be deemed to be pledged thereto. The full faith, credit and taxing powers of the Town are not pledged to the payment of the principal of or interest on the New Bonds.

Section 7. Establishment of Series Debt Service Fund. In accordance with Section 6.6 of the General Bond Ordinance, the Series Debt Service Fund is hereby directed to be established by the Trustee on the date of the original delivery of the New Bonds for the benefit of the Holders of the New Bonds; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for the payment of debt service on such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the "Series Debt Service Fund" with respect to the related Series of New Bonds.

Section 8. Establishment of the Series Reserve Fund Requirement and Series Debt Service Reserve Fund.

In accordance with Section 6.7 of the Ordinance, the Town Manager may determine whether it is necessary or desirable to establish a Series Debt Service Reserve Fund for the benefit of the Holders of one or more Series of New Bonds (if any) and the amount of the applicable Series Reserve Fund Requirement, and, if so, such Series Debt Service Reserve Fund shall be established on the date of the original delivery of such Series of New Bonds and held by the Trustee, all as provided in the Ordinance; provided, however, that (1) upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established (if at all) for each Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the "Series Debt Service Reserve Fund" with respect to the related Series of New Bonds; and (2) in the event of any full or partial defeasance of a Series of New Bonds under Article X of the Ordinance, then the Series Reserve Fund Requirement established for such Series of New Bonds shall be recalculated based on the then Outstanding principal amount of such Series. If the Series Debt Service Reserve Fund is established, the Series Reserve Fund Requirement initially will be satisfied by the City by the deposit of cash into the Series Debt Service Reserve Fund for the benefit of the Holders of the New Bonds.

Section 9. Series Construction Fund.

There is hereby created and established the Series Construction Fund, which fund shall be held by the Town or by a Custodian; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the "Series Construction Fund" with respect to the related Series of New Bonds. If the Series Construction Fund is held by a Custodian, the Town Manager is authorized and directed to negotiate, execute and deliver such construction fund agreements or other agreements with such bank or other financial institution as may be necessary or desirable in connection therewith. The Series Construction Fund established for a particular Series of New Bonds shall be accounted for as a single fund, however the moneys on deposit therein may be held by one or more Custodians. The moneys on deposit in the Series Construction Fund shall be used and applied to pay all or a portion of the Costs of Acquisition and Construction of the New Projects (or retiring at maturity or redeeming prior to maturity a portion of the bond anticipation note issued by the Town therefor), including all Costs of Issuance related to the New Bonds.

Moneys held for the credit of the Series Construction Fund shall be invested to the fullest extent practicable and reasonable, in Permitted Investments, maturing at such times and in such amounts as shall be required to provide moneys to make the payments required to be made from such Fund.

Withdrawals from the Series Construction Fund shall be made in the manner withdrawals from other funds of the Town are made.

If after the payment in full of all costs of the New Projects (or retiring at maturity or redeeming prior to maturity a portion of the bond anticipation note issued by the Town therefor) and Costs of Issuance or after adequate provision has been made for such payment any moneys remain in the Series Construction Fund, such excess shall be paid into the related Series Debt Service Fund and shall be used only for the payment of the principal of and interest on the related Series of New Bonds or, in the alternative, to acquire Outstanding New Bonds at a price (exclusive of accrued interest) not exceeding the face amount thereof.

Section 10. Designation of Trustee, Registrar and Paying Agent. Pursuant to the Ordinance, the Trustee is Wells Fargo Bank, N.A. The Town Council hereby designates Wells Fargo Bank, N.A. as Registrar and Paying Agent for the New Bonds. The Registrar and Paying Agent shall signify their acceptances of their respective duties upon delivery of the New Bonds.

Section 11. Sale and Issuance of New Bonds.

(a) The Town Manager is hereby authorized and empowered to undertake any one or more of the following actions: (a) determine the original issue dates of each Series of the New Bonds; (b) determine the aggregate principal amount of the New Bonds, if less than authorized by this Second Supplemental Ordinance, and each Series thereof (including the portions thereof to be issued on a taxable or tax-exempt basis); (c) determine the principal amount of each maturity of each Series of the New Bonds; (d) determine the Interest Payment Dates, including the initial Interest Payment Dates, and the Principal Payment Dates for each Series of the New Bonds; (e) determine the optional redemption dates and terms of redemption of each Series of the New Bonds; (f) determine the interest rates for each Series of the New Bonds; (g) determine the New Bonds to be subject to mandatory and optional redemption; (h) determine the redemption prices of the New Bonds subject to optional redemption; (i) determine whether the Series Debt Service Reserve Fund will be established and funded with regard to each Series of New Bonds and, if so, the amount of the applicable Series Reserve Fund Requirement; (j) designate the Underwriter; (k) determine any original issue discount or original issue premium at which each Series of the New Bonds will be sold, or whether any Underwriter's discount or other fee will be paid to the purchasers of the New Bonds; and (l) agree to any other terms, provisions and matters necessary or advisable to effect the issuance of each Series of the New Bonds.

(b) Each Series of the New Bonds shall either be sold publicly, following a private sale to the Underwriter, or directly to one or more purchasers in a private offering or private placement transaction. In connection with a public offering, the Town hereby finds and determines that the Bond Purchase Agreement to be dated the date of its execution, submitted by the Underwriter for the purchase of all or a portion (if any) of each Series of the New Bonds is fair and reasonable and in the best interest of the Town; that, if executed, the New Bonds contemplated by the Bond Purchase Agreement shall be sold to the Underwriter upon the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations therein set forth, and that all conditions precedent to or concurrent with the acceptance of the Bond Purchase Agreement by the Town will be met prior to the Town's execution thereof. The Town Manager is hereby authorized

and directed to approve the form of Bond Purchase Agreement, together with such amendments and modifications to the form thereof as the Town Manager shall negotiate and approve, and to execute the Bond Purchase Agreement, as so modified and amended, and deliver the same to the Underwriter, the Town Manager's execution and delivery of the Bond Purchase Agreement constituting conclusive evidence of approval of the matters therein contained. Notwithstanding the foregoing, the Town Manager is hereby authorized to take all actions, including the preparation and dissemination of requests for proposals and the preparation, publication and/or distribution of information, offering documents or private placement memoranda (which may be in the respective forms of the Bond Purchase Agreement and/or hereinafter defined Preliminary Official Statement, as applicable, together with such amendments and modifications as may be approved by the Town Manager), all relating to the Town, each Series of the New Bonds and the Beach Preservation Fees, to solicit interest and receive offers from financial institutions to purchase one or more Series of the New Bonds in a private offering, and to accept such offer which is in the best interest of the Town and execute such documents as may be necessary in connection therewith.

(c) The Town Manager is hereby authorized and directed to prepare a Preliminary Official Statement, relating to a public offering of each Series of the New Bonds (the "Preliminary Official Statement"), and to take such actions necessary to "deem final" the Preliminary Official Statement for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(d) The Town hereby authorizes the Final Official Statement of the Town to be dated on or about the date of the execution and delivery of the Bond Purchase Agreement, relating to each Series of the Bonds substantially in the form of the Preliminary Official Statement, with such modifications as the Town Manager approves; the Town Manager of the Town is hereby authorized and directed to execute copies of the Final Official Statement and deliver the same to the Underwriter, which execution and delivery shall be conclusive evidence of the approval of any such modifications; and the Town hereby authorizes the use of the Preliminary Official Statement and Final official Statement and the information contained therein in connection with the public offering and sale of each Series of the New Bonds by the Underwriter.

(e) A copy of this Second Supplemental Ordinance shall be filed with the minutes of the meeting at which this Second Supplemental Ordinance was enacted.

(f) The Town Council hereby authorizes and directs all of the officers and employees of the Town to carry out or cause to be carried out all obligations of the Town hereunder and to perform such other actions as they shall consider necessary or advisable in connection with the issuance, sale and delivery of the New Bonds.

(g) The Council hereby authorizes the Town Manager or his designee to negotiate the terms of, and execute, in the name and on behalf of the Town, and deliver investment agreements, forward delivery agreements, repurchase agreements and other agreements in connection with the New Bonds, to prepare and solicit bids for providers of such agreements and to execute, in the name

and on behalf of the Town, written confirmations of any such agreements and other documents as may be necessary in connection therewith. Further, the Town Manager or his designee is hereby authorized to take any and all actions and execute any and all documents, upon the advice of its Bond Counsel, necessary to cause the termination of any forward delivery, repurchase or other investment agreement related to the Bonds of 2011.

Section 12. Disposition of Proceeds of New Bonds and Certain Other Moneys. The proceeds derived from the sale of the New Bonds, net of any original issue discount or premium (or both), any Underwriter's discount or fees payable to the purchaser thereof, shall be deposited with (or at the order of) the Town, the Trustee or the Custodian, as applicable, and used for the following purposes:

(a) If the Town Manager determines that a Series Debt Service Reserve Fund shall be established for a Series of New Bonds and the Series Reserve Fund Requirement shall be funded with a portion of the proceeds of a Series of the New Bonds, there shall be deposited with the Trustee for deposit into such Series Debt Service Reserve Fund an amount equal to the applicable Series Reserve Fund Requirement.

(b) The remainder of the proceeds of any Series of the New Bonds shall be deposited into the Series Construction Fund established in Section 9 hereof to pay all or a portion of the Costs of Acquisition and Construction for the New Projects (or retiring at maturity or redeeming prior to maturity a portion of the bond anticipation note issued by the Town therefor), including Costs of Issuance, for such Series of New Bonds.

The respective amounts specified in this Section 12 shall be determined by the Town upon delivery of any Series of the New Bonds.

Section 13. Federal Tax Covenant. The Town hereby covenants and agrees with the Holders of the New Bonds issued as tax-exempt obligations (the "Tax-Exempt Bonds") that it will not take any action which will, or fail to take any action which failure will, cause interest on the Tax-Exempt Bonds to become includable in the gross income of the Bondholders thereof for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder in effect on the date of original issuance of the Tax-Exempt Bonds and that no use of the proceeds of the Tax-Exempt Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Tax-Exempt Bonds would have caused the Tax-Exempt Bonds to be "arbitrage bonds," as defined in the Code; and to that end the Town hereby shall:

(a) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as the Tax-Exempt Bonds are Outstanding;

(b) establish such funds, make such calculations and pay such amounts, if necessary, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebate of certain amounts to the United States; and

(c) make such reports of such information at the times and places required by the Code.

The Town Manager shall be authorized and directed to prepare and adopt written procedures with respect to tax-exempt debt, including but not limited to the New Bonds.

Section 14. Continuing Disclosure. So long as and to the extent required pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended ("Section 11-1-85"), the Town covenants that it will file with a central repository for availability in the secondary bond market when requested:

(i) An annual independent audit, within 30 days of the Town's receipt of the audit; and

(ii) Event-specific information within 30 days of an event adversely affecting more than 5% percent of Beach Preservation Fees or the Town's tax base.

The only remedy for failure by the Town to comply with the covenant of this Section 14 shall be an action for specific performance of this covenant; and failure to comply shall not constitute a default or an "Event of Default" under the Ordinance or this Second Supplemental Ordinance. The Trustee shall have no responsibility to monitor the Town's compliance with this covenant. The Town specifically reserves the right to amend or delete this covenant in order to reflect any change in Section 11-1-85, without the consent of the Trustee or any Holder of any New Bonds.

In addition, the Town Manager is hereby authorized and directed to approve the form of, and execute and deliver, a Continuing Disclosure Certificate of the Town, related to one or more Series of the New Bonds as required by applicable law, and the Town hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate. Notwithstanding any other provisions of this Second Supplemental Ordinance, failure of the Town to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default, and no liability for damages shall attach therefor. The sole remedy for such failure to comply shall be that any New Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town to comply with their obligations under this paragraph.

Section 15. Further Actions. The Mayor, the Town Manager, the Finance Director of the Town, and the Town Clerk are hereby authorized and directed to take any and all such further actions as shall be deemed necessary or desirable in order to effectuate issuance of the New Bonds and the refunding of the Certificates to be Refunded.

Section 16. Headings. The headings and titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Second Supplemental Ordinance.

Section 17. Notices. All notices, certificates or other communications hereunder or under the Ordinance shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows:

If to the Town:

Hilton Head Island, South Carolina
Attn: Town Manager
One Town Center Court
Hilton Head Island, South Carolina 29928

If to the Paying Agent, the Registrar or the Trustee:

Wells Fargo Bank, N.A.
Attention: Corporate Trust Department
9062 Old Annapolis Road
R1204-010
Columbia, Maryland 21045

The Town, the Paying Agent, the Registrar and the Trustee may, by notice given to the other parties, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 18. Repeal of Inconsistent Ordinances and Resolutions. All ordinances and resolutions of the Town, and any part of any ordinance or resolution, inconsistent with this First Supplemental Ordinance are hereby repealed to the extent of such inconsistency.

Section 20. Severability. If any sections, phrase, sentence or portion of this Second Supplemental 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 attest the validity of the remaining portions thereof.

Section 21. Effective Date. This Second Supplemental Ordinance shall be effective upon its adoption by the Town Council for the Town of Hilton Head Island, South Carolina.

ORDINANCE NO. _____ **PROPOSED ORDINANCE NO. 2016-15**

PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND ON THIS _____ DAY OF _____ 2016.

_____
David Bennett, Mayor

ATTEST:

_____
Vicki L. Pfannenschmidt, Town Clerk

First Reading: _____
Second Reading: _____

APPROVED AS TO FORM:

_____
Gregory M. Alford, Town Attorney

Introduced by Council Member: _____

EXHIBIT A

FORM OF NEW BOND

[DTC Legend]

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA
SPECIAL OBLIGATION BONDS (BEACH PRESERVATION FEE PLEDGE),
SERIES _____

No. R-___

Interest Rate	Maturity Date	Issue Date	CUSIP

Registered Holder:

Principal Amount:

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA (the "Town") a public body corporate and politic and a political subdivision of the State of South Carolina (the "State"), created and existing by virtue of the laws of the State, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above or registered assigns, the Principal Amount set forth above on the Maturity Date stated above, unless this Bond be subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender hereof at the corporate trust office of Wells Fargo Bank, N.A. in Columbia, Maryland, as trustee (the "Trustee"), and to pay interest on such Principal Amount at the annual Interest Rate stated above (calculated on the basis of a 360-day year of twelve (12) 30-day months), until the obligation of the Town with respect to the payment of such Principal Amount shall be discharged. Interest on this Bond shall be payable in semiannual installments on _____ 1 and _____1 of each year beginning _____, 2016 (each, an "Interest Payment Date"), until maturity or earlier redemption. All payments shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day of the calendar month (each, a "Record Date") preceding each Interest Payment Date or Principal Payment Date (as defined in the hereinafter defined Ordinances). The payments shall be payable by check or draft mailed at the times provided herein to the person in whose name this Bond is registered at the address shown on the registration books of the Town held by Wells Fargo Bank, N.A., as registrar (the "Registrar"), or, in the case of a Registered Holder of $1,000,000 or more in principal amount of this Bond, by wire transfer to on account within the continental United States upon the timely receipt of a written request of such Registered Holder. The payments are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

THIS BOND HAS BEEN ISSUED UNDER THE PROVISIONS OF TITLE 6, CHAPTER 21 AND CHAPTER 1, ARTICLE 5, AND SECTION 6-1-760, CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED (COLLECTIVELY, THE "ACT"); THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE TOWN WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (EXCEPT ARTICLE X, SECTION 14(10) OF THE STATE CONSTITUTION AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A SOURCE OF REVENUE DERIVED OTHER THAN A TAX OR LICENSE) OR STATUTORY LIMITATION. THE TOWN IS NOT OBLIGATED TO PAY ANY OF THE BONDS OR THE INTEREST THEREON EXCEPT FROM BEACH PRESERVATION FEES (AS DEFINED IN THE ORDINANCES). THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE TOWN, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL CREDIT NOR TAXING POWERS OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

This Bond is one of an issue of bonds of the Town in the aggregate principal amount of _____ Million Dollars ($_____) (the "Bonds") of like tenor, except as to number, rate of interest, date of maturity and redemption provides, issued pursuant to and in accordance with the Constitution and statutes of the State, including particularly the Act, Ordinance No. 2011-18 duly enacted by the Town Council of the Town (the "Council") on September 6, 2011 (the "General Bond Ordinance"), and Ordinance No. _____ duly enacted by the Council on _____, 2016 (the "Second Supplemental Ordinance") (the General Bond Ordinance and the Second Supplemental Ordinance are herein collectively referred to as the "Ordinances") for the purpose of providing moneys, to (i) finance a portion of all or a portion of the New Projects (or retiring at maturity or redeeming prior to maturity a portion of the bond anticipation note issued by the Town therefor), (ii) satisfy the Series Reserve Fund Requirement (if any) with respect to the Bonds, and (iii) pay all costs of issuing the Bonds.

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Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Ordinances. Certified copies of the Ordinances are on file in the office of the Trustee and in the office of the Clerk of Court for Beaufort County, South Carolina.

The Ordinances contain provisions defining terms, set forth the revenues pledged for the payment of the principal of and interest on this Bond and the Bonds of other series herewith which may hereafter be issued on a parity herewith under the Ordinances; set forth the nature, extent and manner of enforcement of the security of this Bond and of such pledge, and the rights and remedies of the Holder hereof with respect thereto; set forth the terms and conditions upon which and the extent to which the Ordinances may be altered, modified and amended; set forth the terms and conditions upon which this Bond is issued upon which other bonds may be hereinafter issued payable as to principal, premium, if any, and interest on a parity with this Bond and equally and ratably secured herewith; sets forth the rights, duties and obligations of the Town thereunder; and

set forth the terms and conditions upon which the pledge made in the Ordinances for the security of this Bond and upon which the covenants, agreements and other obligations of the Town made therein may be discharged at or prior to the maturity or redemption of this Bond with provisions for the payment thereof in the manner set forth in the Ordinances. Reference is hereby made to the Ordinances to all of the provisions of which any holder of this Bond by the acceptance hereof thereby assents. The provisions of the Act and the Ordinances shall be a contract with the holder of this Bond.

This Bond and the series of Bonds of which it is one and the interest thereon are special obligations of the Town and are secured by and payable solely from, and secured equally and ratably by a pledge of and lien upon, the Beach Preservation Fees imposed and collected by the Town, which pledge is on a parity with the pledge thereof securing the Bonds of 2011 (as defined in the Second Supplemental Ordinance) and any other Bonds (as defined in the General Bond Ordinance) issued from time to time.

The General Bond Ordinance authorizes the issuance of additional bonds on a parity with the Bonds of this issue which, when issued in accordance with the provisions of the General Bond Ordinance, will rank equally and be on a parity herewith.

This Bond and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer and certain franchise taxes.

This Bond is transferable, as provided in the Ordinances, only upon the registration books of the Town kept for that purpose and maintained by the Registrar, by the Holder hereof in person or by his duly authorized attorney, upon (a) surrender of this Bond and an assignment with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder hereof or his duly authorized attorney and (b) payment of the charges, if any, prescribed in the Ordinances. Thereupon a new Bond of the same aggregate principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Ordinances. The Town, the Trustee and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of this Bond, the Town or the Trustee or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

[Redemption Provisions]

If less than all the Bonds of any maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected at random by the Trustee. In the event any of the

Bonds or portions thereof are called for redemption, the Trustee shall give notice, in the name of the Town, of redemption of Bonds by first-class mail, postage prepaid, to the Holder thereof as shown on the Books of Registry of the Town not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for the redemption thereof. If this Bond be redeemable and shall have been duly called for redemption and notice of the redemption hereof mailed as aforesaid, and if on or before the date fixed for such redemption, payment thereof shall be duly made or provided for, interest hereon shall cease or accrue from and after the redemption date hereof.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of this Bond, exist, have been performed and have happened, that the amount of this Bond, together with all other indebtedness of the Town, does not exceed any limit prescribed by such Constitution or statutes.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA has caused this Bond to be signed by the manual or facsimile signature of its Mayor, its corporate seal to be reproduced hereon and the same to be attested by the manual or facsimile signature of its Town Clerk.

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By:_____
Mayor

(SEAL)

ATTEST:

By:_____
Town Clerk

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within mentioned Ordinance.

Wells Fargo Bank, N.A., as Trustee

By:_____
Its:_____

Date:_____

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the Town.

THE TOWN OF HILTON HEAD, SOUTH CAROLINA

By:_____
Town Clerk

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

_____

(please print or type name and address of Transferee and Social Security or other identifying number of Transferee)

the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date:_____ _____

STAMP Language

Signature Guaranteed: _____

NOTICE: Signature(s) must be guaranteed By an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The signature to this assignment must correspond with name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

MEMORANDUM

TO: Town Council

FROM: Stephen G. Riley, ICMA-CM, Town Manager

RE: Proposed Ordinance Number 2016-18 Amendment to no longer name the selected DMO for the allocation of State Accommodations Tax by ordinance

DATE: May 19, 2016

CC: Gregory D. DeLoach, Esq., Assistant Town Manager
Susan Simmons, Director Finance Department
Brian Hulbert, Esq., Staff Attorney

Recommendation: Staff has no recommendation for this ordinance.

Summary: At its May 17 meeting, Town Council directed that a Proposed Ordinance be brought forth which would remove the Visitor and Convention Bureau of the Hilton Head Island Chamber of Commerce from the Town ordinance as the designated non-profit marketing organization (DMO). This Ordinance amends Section 4-12-20 of the Municipal Code.

Background: Currently the Visitor and Convention Bureau of the Hilton Head Island Chamber of Commerce is the non-profit organization which has been selected to manage and direct the expenditures of the 30% special fund for advertising and promotion of tourism of the State Accommodations Tax Revenues. This amendment will not change their current status as the Town's DMO, it will merely remove the designation as the DMO from being a statutory designation to a contractual designation.

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND

ORDINANCE NO. 2016- **PROPOSED ORDINANCE NO. 2016-18**

AN ORDINANCE TO AMEND TITLE 4 FINANCE AND TAXATION OF THE MUNICIPAL CODE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA BY AMENDING CHAPTER 12 (ALLOCATION OF SOUTH CAROLINA ACCOMMODATIONS TAX REVENUES), SECTION 4-12-20 MANAGEMENT OF THE SPECIAL FUND FOR TOURISM PROMOTION; AND PROVIDE FOR SEVERABILITY AND AN EFECTIVE DATE.

WHEREAS, the Town Council of the Town of Hilton Head Island, South Carolina previously adopted Ordinance 98-03, Chapter 12 of Title 4 entitled "Allocation of South Carolina Accommodations Tax Revenues" on February 3, 1998 to allocate 30% of South Carolina Accommodations Tax Revenues to a special fund for advertising and promotion of tourism and to select the Visitor and Convention Bureau of the Hilton Head Island Chamber of Commerce as the non-profit organization to manage and direct the expenditures of the 30% special fund; and

WHEREAS, the Town Council of the Town of Hilton Head Island, South Carolina now desires to amend Section 4-12-20 of Chapter 12 of Title 4 for the purpose of not naming any particular organization to be the designated marketing organization (DMO) by ordinance.

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; AND IT IS HEREBY ORDERED ORDAINED BY AND UNDER THE AUTHORITY OF THE SAID TOWN COUNCIL, AS FOLLOWS:

NOTE: **Underlined and bold-face typed** portions indicate additions to the Municipal Code. ~~Stricken~~ portions indicate deletions to the Municipal Code.

Section 1. **Amendment.**

That Chapter 12 (Allocation of South Carolina Accommodations Tax Revenues) is hereby amended as follows:

Section 4-12-20. Management of the special fund for tourism promotion.

(a) The ~~visitor and convention bureau of the Hilton Head Island chamber of commerce~~ **Town's selected designated marketing organization (DMO)** shall ~~be the designated non-profit organization to~~ manage and direct the expenditures of the thirty (30) percent special fund as designated by S.C. Code Ann. section 6-4-10(3) (Supp. 1997) for tourism promotion.

(b) Immediately upon receipt to the special fund, the town shall distribute the tourism promotion funds to the **DMO** ~~visitor and convention bureau of the Hilton Head Island chamber of commerce~~.

(c) On or by April 1 of each calendar year, the **DMO** ~~visitor and convention bureau~~ shall submit to the town's accommodations tax advisory committee for review its proposed budget. At the end of each fiscal year, the **DMO** ~~visitor and convention bureau~~ shall submit to the town an accounting of the expenditures.

(d) On or by May 15 of each calendar year, the town's accommodations tax advisory committee shall submit a formal recommendation for the **DMO's** ~~visitor and convention bureau~~ proposed budget to the town council for approval.

(Ord. No. 98-03, § 1, 2-3-98; Ord. No. 99-07, § 1, 3-16-99)

Section 2 **Severability.** If any section, phrase, sentence or portion of this Ordinance is for any reason held to be 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 3. **Effective Date.** This Ordinance shall be effective upon adoption by the Town Council of the Town of Hilton Head Island, South Carolina.

PASSED, APPROVED, AND ADOPTED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA ON THIS ____DAY OF _____, 2016.

_____
David Bennett, Mayor

ATTEST:

By:_____
Victoria L. Pfannenschmidt, Town Clerk

First Reading: _____
Second Reading: _____

APPROVED AS TO FORM:

_____
Gregory M. Alford, Town Attorney

Introduced by Council Member:_____

TOWN OF HILTON HEAD ISLAND

Community Development Department

TO: Stephen G. Riley, ICMA~CM, *Town Manager*
VIA: Teri B. Lewis, AICP, *LMO Official*
CC: Charles Cousins, AICP, *Director of Community Development*
FROM: Nicole Dixon, CFM, *Senior Planner*
DATE: May 25, 2016
SUBJECT: ZA-000745-2016 – Beaufort County School Campus Rezoning

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Recommendation: The Planning Commission met on May 18, 2016 to review the proposed zoning map amendment application. The Commission voted 5-0-0 to recommend forwarding the amendments to Town Council with a recommendation for approval. The Planning Commission recommended approval due to time constraints with the construction of the Island Recreation Center expansion project, but due to concerns with all of the available uses in the MS (Main Street) Zoning District, further recommended that Town Council require the Beaufort County School District work with Hilton Head Plantation to put forth an application to rezone into the PD-1 zoning district with uses on the property limited to educational, recreational, and minor utility.

Staff recommends that Town Council approve the zoning map amendment as described in the attached letter of support from the Beaufort County School District and the staff report.

Summary: On behalf of the Beaufort County School District, the Town is proposing to amend the Official Zoning Map by amending eight properties that comprise the Hilton Head Island school campus from RM-8 (Moderate Density Residential) to the MS Zoning District. This rezoning will allow the school campus to be more in line with design parameters that fit the use of a school campus. The subject properties include the two elementary schools, the middle school, the high school, the Island Recreation Center, playing fields and associated parking.

Background: While staff was reviewing the Development Plan Review application for the Recreation Center expansion, we realized the school campus was zoned RM-8 (Moderate Density Residential). A review of the school campus parcels, including density, use and impervious surface coverage led staff to suggest that the school campus parcels would be more appropriately located in the MS (Main Street) zoning district. It would be more appropriate for the school campus to be zoned MS as it is directly contiguous with this district, is more in line with the design standards for this district and the nearby Hilton Head Early Childhood Center is also zoned MS. The proposed rezoning will make the use of the property conforming to the use standards in the LMO and help facilitate any future improvements or expansions that may be needed on the school campus.

Please contact me at (843) 341-4686 or at nicoled@hiltonheadislandsc.gov if you have any questions.

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND

ORDINANCE NO. 2016-# **PROPOSED ORDINANCE NO. 2016-16**

AN ORDINANCE TO AMEND TITLE 16, "THE LAND MANAGEMENT ORDINANCE," OF THE MUNICIPAL CODE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, BY AMENDING SECTION 16-1-107, THE OFFICIAL ZONING MAP WITH RESPECT TO THOSE CERTAIN PARCELS IDENTIFIED AS PARCELS 118, 227, 30, 4D, 149E, 149B, 149D AND 149 ON BEAUFORT COUNTY TAX MAP 7, TO REZONE THE PARCELS FROM RM-8 (MODERATE DENSITY RESIDENTIAL) ZONING DISTRICT TO THE MS (MAIN STREET) ZONING DISTRICT; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, on October 7, 2014, the Town Council did adopt a new Land Management Ordinance (LMO); and

WHEREAS, the Planning Commission held a public hearing on May 18, 2016 at which time a presentation was made by staff and an opportunity was given for the public to comment on the proposed zoning map amendment application; and

WHEREAS, the Planning Commission, after consideration of the staff presentation, public comments and the criteria set forth in Section 16-2-103, voted 5-0-0 to recommend that Town Council approve the proposed zoning map amendment application. The Planning Commission recommended approval due to time constraints with the construction of the Island Recreation Center expansion project, but due to concerns with all of the available uses in the MS (Main Street) Zoning District, further recommended that Town Council require the Beaufort County School District work with Hilton Head Plantation to put forth an application to rezone into the PD-1 zoning district with uses on the property limited to educational, recreational, and minor utility; and

WHEREAS, after due consideration of said zoning map amendment application and the recommendation of the Planning Commission, the Town Council, upon further review, finds it is in the public interest to approve the proposed zoning map amendment application.

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AND IT IS ORDAINED BY THE AUTHORITY OF THE SAID COUNCIL:

Section 1. Amendment. That the Official Zoning Map of the Town of Hilton Head Island, as referred to in Section 16-1-107 of the LMO, be hereby amended to modify the zoning designation of those certain parcels identified as parcels 118, 227, 30, 4D, 149E, 149B, 149D and 149 on Beaufort County Tax Map 7, to rezone the parcels from RM-8 (Moderate Density Residential) Zoning District to the MS (Main Street) Zoning District. The attached Vicinity Map shows the location of the subject properties.

Section 2. 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 3. 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 _____, 2016.

THE TOWN OF HILTON HEAD
ISLAND, SOUTH CAROLINA

_____
David Bennett, Mayor

ATTEST:

_____
Victoria L. Pfannenschmidt, Town Clerk

Public Hearing: May 18, 2016
First Reading:
Second Reading:

APPROVED AS TO FORM:

_____
Gregory M. Alford, Town Attorney

Introduced by Council Member: _____

WHERE LEARNING LEADS THE WAY

BEAUFORT
COUNTY SCHOOL DISTRICT

May 25, 2016

Town of Hilton Head Island
Town Council
One Town Center Court
Hilton Head Island, SC 29928

Re: Planning Commission ZA-000745-2016 Rezoning

Dear Town Council,

On Wednesday, May 18, 2016 the Town of Hilton Head Island Planning Commission meet to review the application ZA-000745-2016, which was a request of the Town of Hilton Head Island, on behalf of the Beaufort County School District (BCSD), to amend the Official Zoning Map for eight properties owned by the BCSD from RM-8 (Moderate Density Residential) to the MS (Main Street) Zoning District The Town of Hilton Head was working on the behalf of the BCSD and had the support of the BCSD. On April 19, 2016 the Beaufort County School Board voted to support the rezoning of the Hilton Head campus from RM-8 to MS.

It is my understanding that the Planning Commission is now recommending a change in the proposed rezoning from RM-8 to PD-1. This would place the Hilton Head Campus within the Hilton Head Plantation PUD. I do not support the rezoning of these properties from RM-8 to PD-1. The Beaufort County School Board did not approve a rezoning form RM-8 to PD-1. Please use this letter as notification that the Beaufort County School Board does not accept this rezoning action and that the application for rezoning from RM-8 to PD-1 shall be rescinded. Support remains in place if the action is taken to rezone from RM-8 to MS.

Sincerely,

Jeffrey Moss, Ed. D.
Superintendent
Beaufort County School District

cc: Town Planning Staff
Phyllis White, BCSD
Robert Oetting, BCSD

Post Office Drawer 309
Beaufort, South Carolina 29901-0309

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 or Development:	Public Hearing Date:
ZA-000745-2016	Beaufort County School District Campus	May 18, 2016

Parcel Data:	Property Owner	Applicant
Parcels Numbers: R510 007 000 0118 0000 R510 007 000 0227 0000 R510 007 000 0030 0000 R510 007 00D 0004 0000 R510 007 000 149E 0000 R510 007 000 149B 0000 R510 007 000 149D 0000 R510 007 000 0149 0000 Size: 127.12 Estimated Total Acres Addresses: 18, 20, 21, 25, 36, 40, 49, 50, 55, 70, 80 and 82 Wilborn Road, 30 School Road and 10 Bus Drive	Beaufort County School District PO Drawer 309 Beaufort, SC 29901	Derrick Coaxum Assistant Facilities Manager Town of Hilton Head Island One Town Center Court Hilton Head Island, SC 29928
Existing Zoning District: RM-8 (Moderate Density Residential) Existing Overlay District: COR (Corridor Overlay)	Proposed Zoning District: MS (Main Street) Proposed Overlay District: COR (Corridor Overlay)	
Existing Zoning Design Standards: 6,000 square feet/acre - non-residential 8 units/acre – residential 35% max. impervious coverage 45 foot maximum height	Proposed Zoning Design Standards: 9,000 square feet/acre – non-residential 12 units/acre – residential 35 hotel rooms/acre 60% max. impervious coverage 45 foot maximum height	

Application Summary:

Derrick Coaxum with the Town of Hilton Head Island, on behalf of the Beaufort County School District, is proposing to amend the Official Zoning Map by amending eight properties that comprise the Hilton Head Island school campus from RM-8 (Moderate Density Residential) to the MS (Main Street) Zoning District. This rezoning will allow the school campus to be more in line with design parameters that fit the use of a school campus. The subject properties include the two elementary schools, the middle school, the high school, the Island Recreation Center, playing fields and associated parking.

Staff Recommendation:

Staff recommends that the Planning Commission find this application to be consistent with the Town's Comprehensive Plan and serves to carry out the purposes of the LMO, based on those Findings of Facts and Conclusions of Law as determined by the LMO Official and enclosed herein.

Background:

The school campus is comprised of eight parcels. The campus is surrounded by vacant town-owned land and a church to the south, residential property to the west and north, and residential and church uses to the east.

The Island Recreation Center, located on the Hilton Head Island School campus, currently is housed in a building constructed in 1988. The facility includes a gymnasium with bleachers, two classrooms, miscellaneous offices, an indoor/outdoor pool, three outdoor basketball courts, a playground and play fields. The center runs a pre-school day program and afterschool and summer programs for school age children along with sports programs for all ages, adults and children alike. The center also operates the only public pool facility on the island which provides swimming and water exercise opportunities for all ages as well as a place for local private swim teams and the HHI High School swim team to practice and hold competitions.

Expanding and renovating the Island Recreation Center has been a topic of discussion for many years. The topic has been on several of the past Town Council Policy Agenda's: 2013 had Recreation Center Expansion: Direction on Future Phases listed as a high priority, 2012 had Aquatics Center: Direction, Location and Funding listed as a high priority, 2011 had Evaluating the Feasibility Study for the Recreation Center Expansion listed as a top priority, 2010 had Recreational Center & Aquatics Facilities Direction listed as a high priority and 2009 had Recreational Center & Aquatics Facilities Direction listed as a moderate priority. As the need for additional swimming pools and enhancing the existing recreation center had been evident, a recreational needs survey was conducted in 2008 and a site plan was developed to address needs identified in the survey. At several meetings in 2008 and 2009, the Parks and Recreation Commission, the Public Facilities Committee and Town Council accepted the findings of the survey results and identified elements such as a second gymnasium, multi-purpose meeting space, and support elements such as locker rooms and storage be included as part of the enhancements to the recreation center.

The Town is currently working with the FWA Group on plans to upgrade and expand the facility and site which includes a gymnasium, office areas, classrooms, and toilets. New site features will include additional parking on School Road; relocated tennis courts and ROTC drill pad; a new pool deck and pool dome; and additional field lighting for an existing field on the school property. The proposed

new building construction will be approximately 31,000 square feet on two stories with 15,000 in renovated existing space.

While staff was reviewing the Development Plan Review application for the Recreation Center expansion, we realized the school campus was zoned RM-8 (Moderate Density Residential). As part of the LMO Rewrite project completed in 2014, several areas around and including the school campus were rezoned from RM-4 to RM-8. While Education uses are permitted in RM-4, primarily because that is the district that the school campus was previously located in, it was an oversight not to add Education as a permitted use in the RM-8 zoning district. A review of the school campus parcels, including density, use and impervious surface coverage led staff to suggest that the school campus parcels would be more appropriately located in the MS (Main Street) zoning district. It would be more appropriate for the school campus to be zoned MS as it is directly contiguous with this district, is more in line with the design standards for this district and the nearby Hilton Head Early Childhood Center is also zoned MS. The proposed rezoning will make the use of the property conforming to the use standards in the LMO and help facilitate any future improvements or expansions that may be needed on the school campus.

Applicant's Grounds for ZMA:

The applicant's narrative states the proposed rezoning is consistent with the goals of the Comprehensive Plan, meets the needs of the community and the school district and is appropriate for the uses that currently exist and that are in the vicinity.

Summary of Facts and Conclusions:

Findings of Fact:

1. The application was submitted on April 18, 2016 as set forth in LMO 16-2-103.C and Appendix D-1.
2. Per LMO 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.
3. The LMO Official scheduled the public hearing on the application for the May 18, 2016 Planning Commission meeting, which is a regularly scheduled meeting of the Planning Commission.
4. Per LMO 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.
5. Notice of the May 18, 2016 public hearing was published in the Island Packet on May 1, 2016.
6. Per LMO 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.
7. The applicant mailed notices of the May 18, 2016 public hearing by first-class mail to the owners of record of properties within 350 feet of the subject land on April 28, 2016.
8. Per LMO 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.
9. The LMO Official posted on April 27, 2016 conspicuous notice of the public hearing on the land subject to the application.

Conclusions:

1. The application was submitted in compliance with LMO 16-2-103.C and Appendix D-1.
2. The LMO Official scheduled the public hearing on the application for the May 18, 2016 Planning Commission meeting, in compliance with LMO 16-2-102.E.1.
3. Notice of the public hearing was published 17 calendar days before the meeting date, in compliance with LMO 16-2-102.E.2.
4. The applicant mailed notices of the public hearing to owners of record of properties within 350 feet of the subject land 20 calendar days before the hearing date, in compliance with LMO 16-2-102.E.2.
5. The LMO Official posted conspicuous notice of the public hearing on the land subject to the application 21 calendar days before the hearing date, in compliance with LMO 16-2-102.E.2.

As set forth in LMO 16-2-103.C.2.e, Zoning Map Amendment (Rezoning) Advisory Body Review and Recommendation, the Commission shall consider and make findings on the following matters regarding the proposed amendment.

Summary of Facts and Conclusions:

Criteria 1: Whether and the extent to which the proposed zoning is in accordance with the Comprehensive Plan (LMO 16-2-103.C.3.a.i):

The Comprehensive Plan addresses this application in the following areas:

<u>Population Element</u>

Implication of the Comprehensive Plan – 4.7 Education

- The current enrollment and projected enrollment in the Hilton Head Island schools indicate that there are no immediate needs for additional school sites or expansion of existing facilities. There is an indication that with the projected growth of enrollment that the Hilton Head Island High School will be over capacity by the 2017-2018 school year.

Goal 4.3 – Community Building

B. The goal is to develop and support programs and activities to meet the needs of its diverse population and age groups.

<u>Community Facilities Element</u>

Goal 6.1 – Build-out

A. The goal is to provide innovative and visionary initiatives that mitigate challenges of growth and redevelopment while making available higher levels of service for community facilities in a fiscally responsible manner.

Goal 6.9 – Educational Facilities

B. The goal is to coordinate with educational agencies in the community to meet the educational needs of the Island's population.

Implementation Strategy 6.1 – Build-out

A. Continue an ongoing assessment of community facility needs in the Town as growth and redevelopment continue.

Recreation Element

Implication of the Comprehensive Plan – 10.4 Park Development Guidelines

- As the population of the Island changes, so does the need for recreational opportunities.

Implication of the Comprehensive Plan – 10.8 Recreation Programs

- It is recommended the Town continue to participate with local recreation organizations to develop recreation programs that will meet the needs of the residents and visitors of the Island, including: baseball, football, tennis, soccer, running, sailing, and martial arts.

Goal 10.1 – Recreation Needs

A. Continue to expand the public recreation system by providing adequate facilities to meet the needs of a broad spectrum of the Island population (including visitors) while maintaining sensitivity to the specific needs of the Island.
B. Participate with local recreation organizations in the development of programs and facilities to meet the needs of the resident and visitor populations of the Island.

Implementation Strategies 10.1 – Recreation Needs

B. Continue participation with local recreation organizations in the development of programs and facilities to meet the needs of the diverse populations of the Island.

Priority Investment Element

Goal 11.2 – 10-Year Capital Improvements Plan

A. The goal is to provide the community with necessary services and facilities and maintain sufficient flexibility to meet the challenges associated with growth.

Conclusions:

1. This application is consistent with the Comprehensive Plan, as described in Population, Community Facilities, Recreation, and Priority Investment Elements as set forth in LMO Section 16-2-103.C.3.a.i.
2. In accordance with the Population, Community Facilities, Recreation, and Priority Investment Element, the proposed rezoning will provide flexibility for future expansions to the public school campus as well as the recreational facilities and programs offered through the Island Recreation Association.
3. In accordance with the Community Facilities Element, the proposed rezoning will make it easier to provide higher levels of service for community facilities.
4. As the Island grows the needs of the population for education and community facilities will increase. The proposed rezoning will allow the Town to meet the needs of the population in accordance with the Community Facilities and Recreation Elements.

Summary of Facts and Conclusions:

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 16-2-103.C.3.a.ii):

Findings of Fact:

1. The use of the school campus will not change as a result of the proposed rezoning. The property has been developed as a school campus and recreation center for many years and there are no plans to change that.

2. The range of uses that would be allowed on the subject parcels would be compatible with the uses in the vicinity as the MS district is directly contiguous with the school campus.
3. The institutional use is compatible with the adjacent institutional uses to the east and south.

Conclusions:

1. This application would allow a range of uses that are compatible with the uses allowed on other property in the immediate vicinity in accordance with LMO 16-2-103.C.3.a.ii.
2. The proposed zoning will not change the use of the property as it currently functions but will allow uses that are compatible with the uses allowed on other properties in the vicinity as the school property is contiguous to MS zoned property.

Summary of Facts and Conclusions:

Criteria 3: Whether and the extent to which the proposed zoning is appropriate for the land (LMO 16-2-103.C.2.a.iii):

Findings of Fact:

1. The property has been developed as a school campus and recreation center for many years and there are no plans to change that.
2. The purpose of the RM-8 Zoning District is to allow the development of residential uses at densities up to eight dwelling units per net acre. The district allows a variety of residential uses, along with uses that support neighborhoods. Educational uses are not listed as a permitted use in this district, therefore the school campus is considered non-conforming to the use standards of the LMO. Per LMO Section 16-7-102, a non-conforming use may not be enlarged or expanded.
3. The purpose of the Main Street (MS) District is to provide lands for shopping center, other commercial and mixed-use development at moderate to relatively high intensities in the Main Street area and the portion of Indigo Run between U.S. Highway 278 and Pembroke Drive. Generally, the district places an emphasis on moderate-scale buildings, quality design, and pedestrian orientation (balanced with some accommodation of auto-oriented development). Educational uses are listed as a permitted use in this district.

Conclusions:

1. The proposed zoning is appropriate for the land in accordance with LMO 16-2-103.C.3.a.iii.
2. The proposed rezoning will allow the use of the school campus property to be conforming to the use standards in the LMO.
3. Should the school district find there is a need to expand the existing school facilities, it would now be able to do so if rezoned.

Summary of Facts and Conclusions:

Criteria 4: Whether and the extent to which the proposed zoning addresses a demonstrated community need (LMO 16-2-103.C.3.a.iv):

Findings of Fact:

1. As described in the background section of this report, the expansion of the recreation center has been a top priority of Town Council for many years.
2. The RM-8 Zoning District has a 35% maximum impervious coverage requirement.
3. According to the architects working with staff on the Island Recreation Center expansion project, the school campus already exceeds the maximum impervious coverage allowed on site, therefore an expansion would not be permitted.

4. The proposed MS Zoning District allows 60% impervious coverage, which is more in line for this type of use.

Conclusions:

1. The proposed zoning addresses a demonstrated community need in accordance with LMO 16-2-103.C.3.a.iv.
2. The proposed rezoning will allow the Island Recreation Center to be improved and expanded which was identified as a community need by Town Council several years ago.

Summary of Facts and Conclusion:

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 16-2-103.C.3.a.v):

Finding of Fact:

1. As described in the background section of this report, the expansion of the recreation center has been a top priority and included as being a future plan for the Island by Town Council for many years.

Conclusion:

1. The proposed zoning is consistent with the overall zoning program as expressed in future plans for the Town in accordance with LMO 16-2-103.C.3.a.v.

Summary of Facts and Conclusions:

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 16-2-103.C.3.a.vi):

Finding of Fact:

1. There are several parcels directly contiguous to the school campus that are zoned MS.

Conclusions:

1. The proposed zoning would avoid creating an inappropriately isolated zoning district unrelated to adjacent and surrounding zoning districts in accordance with LMO 16-2-103.C.3.a.vi.
2. The proposed rezoning doesn't create an isolated zoning district as the school campus is directly contiguous to property that is already zoned MS.

Summary of Facts and Conclusions:

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 16-2-103.C.3.a.vii):

Findings of Fact:

1. The property has been developed as a school campus and recreation center for many years and there are no plans to change that.
2. As described in the background section of this report, the expansion of the recreation center has been a top priority and included as being a future plan for the Island by Town Council for many years.
3. Several years ago the Town had feasibility studies done to determine the most feasible location for a recreation center expansion. It was determined by Town Council that it was

most feasible to expand the recreation center at its current location.

Conclusions:

1. The proposed zoning would allow the subject property to be put to a reasonably viable economic use in accordance with LMO 16-2-103.C.3.a.vii.
2. As the school campus and recreation center exist on site now, it is more efficient and economical to expand on current property than to relocate elsewhere.

Summary of Facts and Conclusion:

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 16-2-103.C.3.a.viii):

Findings of Fact:

1. The property has been developed as a school campus and recreation center for many years.
2. The subject parcels are already developed with access to streets, potable water, sewer, and stormwater management facilities.

Conclusion:

1. The proposed zoning would result in development that can be served by available, adequate, and suitable public facilities in accordance with LMO 16-2-103.C.3.a.viii. as it is already developed with such facilities serving the property.

Summary of Facts and Conclusion:

Criteria 9: Is appropriate due to any changed or changing conditions in the affected area (LMO 16-2-103.C.3.a.ix):

Findings of Fact:

1. As described in the background section of this report, the expansion of the recreation center has been a top priority and included as being a future plan for the Island by Town Council for many years.
2. The proposed rezoning will allow the use of the school campus property to be conforming to the use standards in the LMO.
3. Should the school district find there is a need to expand the existing school facilities, it would now be able to do so if rezoned.

Conclusion:

1. The proposed zoning is appropriate due to the improvements that have been planned for the Island Recreation Center in accordance with LMO 16-3-103.C.a.ix.

LMO Official Determination:

Staff recommends that the Planning Commission find this application to be **consistent with the Town's Comprehensive Plan** and **serves to carry out the purposes of the LMO**, based on those Findings of Facts and Conclusions of Law as determined by the LMO Official and enclosed herein.

Staff recommends that the Planning Commission recommend ***APPROVAL*** to Town Council of this application, which includes amending the Official Zoning Map.

Note: If the proposed amendment is approved by Town Council, such action shall be by <u>ordinance</u> to amend the Official Zoning Map. If it is denied by Town Council, such action shall be by <u>resolution</u>.

<u>PREPARED BY</u>:

ND	May 5, 2016
Nicole Dixon, CFM *Senior Planner*	DATE

<u>REVIEWED BY</u>:

TL	May 5, 2016
Teri B. Lewis, AICP *LMO Official*	DATE

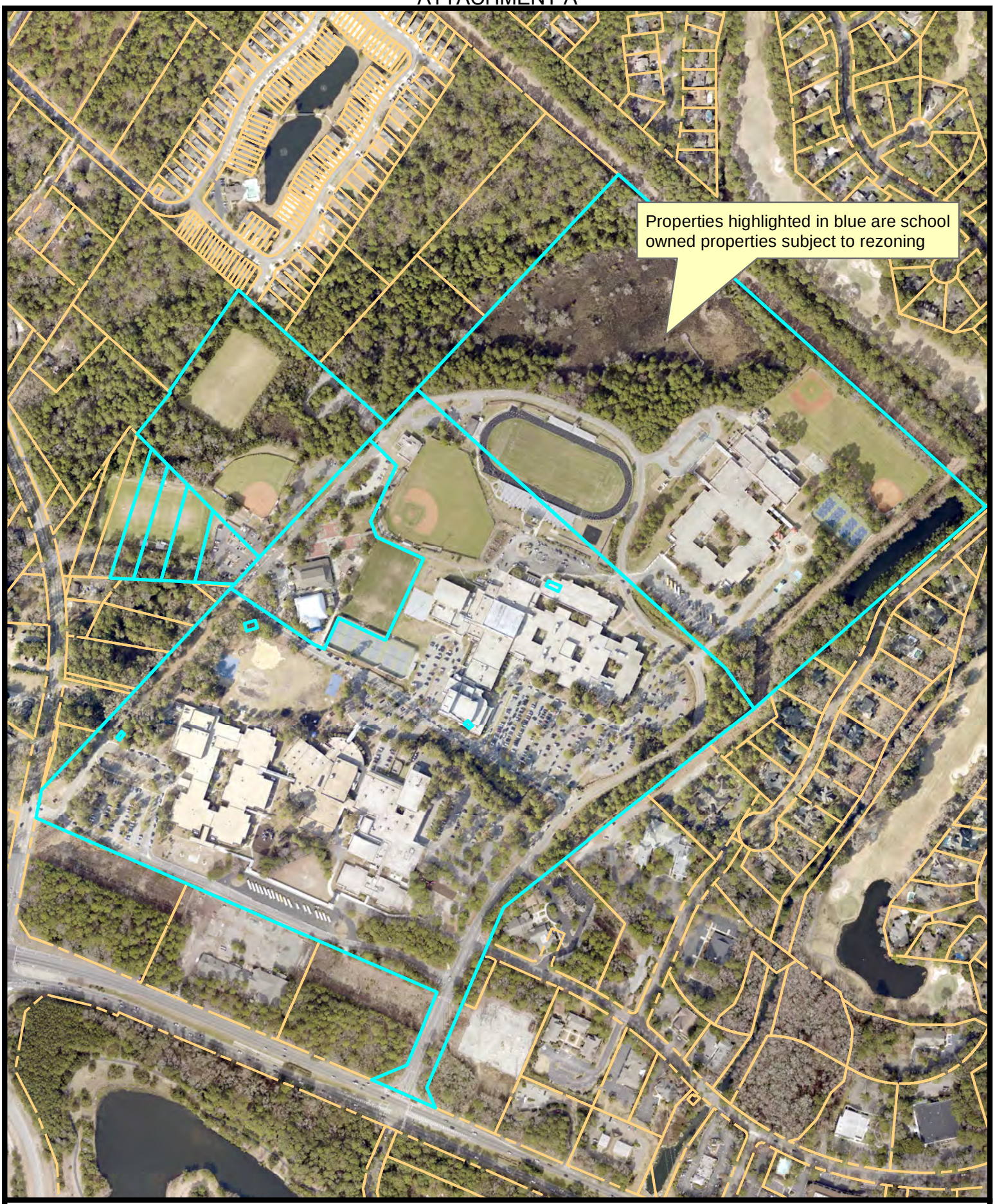
<u>REVIEWED BY</u>:

JL	May 5, 2016
Jayme Lopko, AICP *Senior Planner & Planning Commission Board Coordinator*	DATE

<u>ATTACHMENTS</u>:

A) Vicinity Map
B) Zoning Map
C) Applicant's Narrative
D) Site Survey

ATTACHMENT A



TOWN OF HILTON HEAD ISLAND
ONE TOWN CENTER COURT
HILTON HEAD ISLAND, S.C. 29928
PHONE (843) 341- 4600

Date Created: May 3, 2016

Project - map.mxd

Town of Hilton Head Island

ZA-000745-2016

Vicinity Map

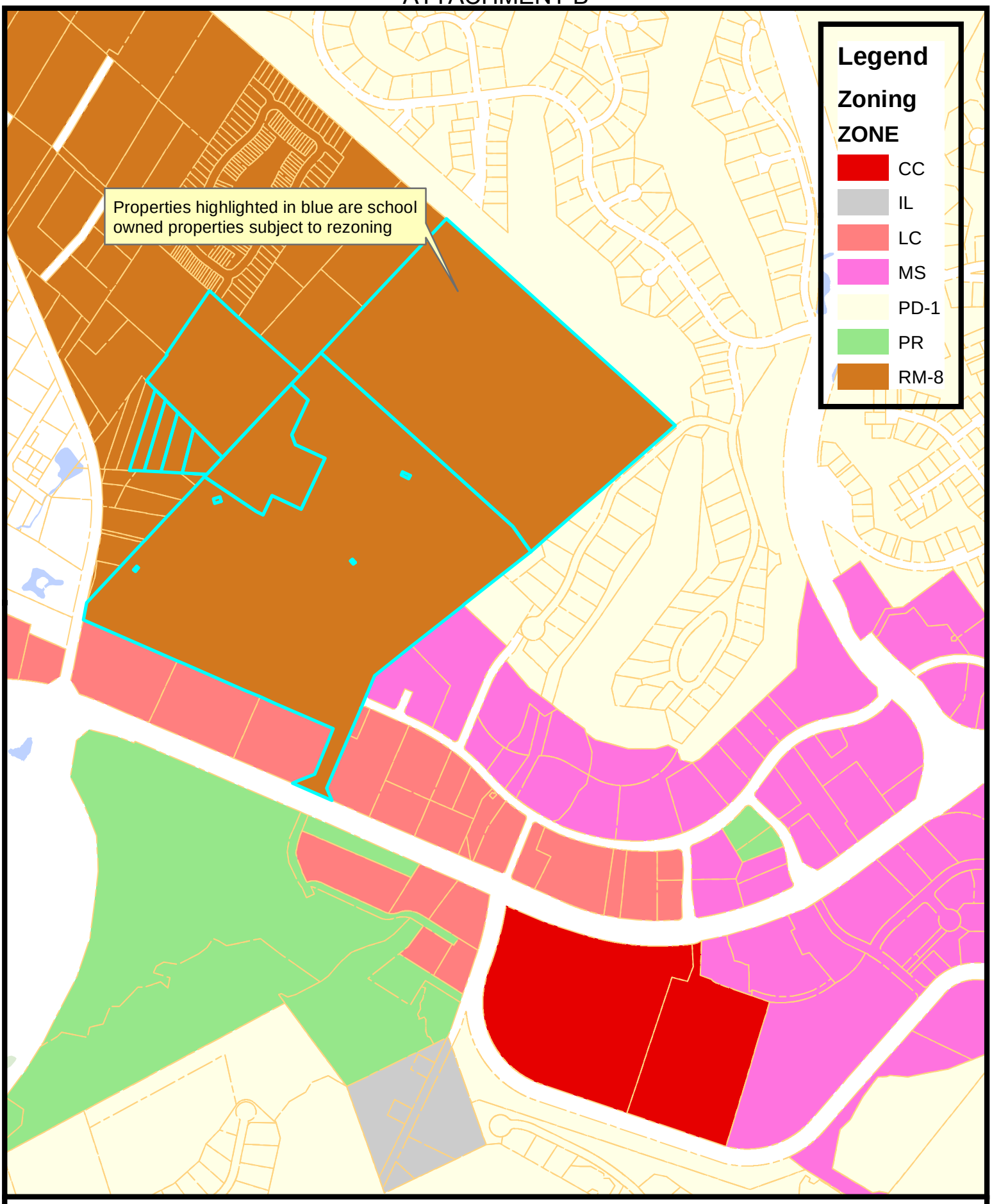
230 115 0 230 460 690 Feet

1 inch = 453 feet

N W E S

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.

ATTACHMENT B



TOWN OF HILTON HEAD ISLAND
ONE TOWN CENTER COURT
HILTON HEAD ISLAND, S.C. 29928
PHONE (843) 341- 4600

Date Created: May 3, 2016

Project - map.mxd

Town of Hilton Head Island

ZA-000745-2016

Zoning Map

360 180 0 360 720 1,080 Feet

1 inch = 725 feet

N W E S

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.

ATTACHMENT C

Narrative

The Island Recreation Center, located at 20 Wilborn Road on the Hilton Head Island School campus currently is housed in a building constructed in 1988. The facility includes a gymnasium with bleachers, two classrooms, miscellaneous offices, an indoor/outdoor pool, three outdoor basketball courts, a playground and play fields. The center runs a pre-school day program and afterschool and summer programs for school age children along with sports programs for all ages, adults and children alike. The center also operates the only public pool facility on the island. It provides swimming and water exercise opportunities for all ages as well as a place for local private swim teams and the HHI High School swim teams to practice and hold competitions. The pool operates year round by incorporating the use of an air supported dome enclosure to enclose the pool area during the winter season.

The FWA Group is currently working with the Center staff under the direction of the Town of Hilton Head Island to upgrade their current outdated facilities. The Town is currently working on plans to upgrade and expand the facility and site which includes gymnasium, office areas, classrooms, and toilets. New site features will include additional parking on School Road; relocated tennis courts and ROTC drill pad; a new pool deck and pool dome; and additional field lighting for an existing field on the school property. The proposed new building construction will be approximately 31,000 square feet on two stories with 15,000 in renovated existing space.

While staff was reviewing the Development Plan Review application for the Recreation Center expansion, we realized the school campus was zoned RM-8 (Moderate Density Residential). It doesn't make sense for an entire school campus to be zoned for residential use, as a school use doesn't typically meet the design parameters for a residential use. In reviewing the potential zoning districts, staff decided it would be more appropriate for the school campus to be zoned MS (Main Street District) as it is directly contiguous with this district, is more in line with the design standards for this district and the nearby Hilton Head Early Childhood Center is also zoned MS.

The school campus consists of the following parcels:

R510 007 000 0118 0000
R510 007 000 0227 0000
R510 007 000 0030 0000
R510 007 00D 0004 0000
R510 007 000 149E 0000
R510 007 000 149B 0000
R510 007 000 149D 0000
R510 007 000 0149 0000

The rezoning request meets the criteria as required by LMO Section 16-2-103.C.3.a as follows:

1. As required for rezoning the expansion of the Island Recreation Center will be in accordance with the comprehensive plan with providing educational and recreational facilities.
2. The rezoning will allow the uses that are allowed and currently exist in the vicinity.
3. Educational institutions are allowed in the proposed district and appropriate for the property as they currently exist there today.

ATTACHMENT C

4. Both the Island Recreational and the Beaufort County School have demonstrated they had to expand and by allowing the rezoning to meet design standards is a community need.
5. The project is consistent with zoning program and future plans for the Town.
6. It doesn't create an inappropriate isolated zoning district as the school campus is directly contiguous to same MS zoned property.
7. The school exists there now, so more efficient and economical to expand on current property.
8. School campus currently exists so there are already adequate facilities severing the property.
9. Rezoning is appropriate as the recreation center expansion has been a top priority of the Town Council for years.

ATTACHMENT D

MEMORANDUM

TO: Town Council

FROM: Susan M. Simmons, CPA, Director of Finance

VIA: Stephen G. Riley, ICMA-CM, Town Manager

DATE: May 27, 2016

RE: **First Reading of Proposed Ordinance No. 2016-19 - Road Usage Fee**

Recommendation: Staff recommends Town Council approve the first reading of Proposed Ordinance No. 2016-19 to enact a Road Usage Fee.

Summary: At the May 10, 2016 budget workshop, staff presented the proposed road usage fee included as a funding source in the fiscal year 2017 budget (based on collections for three fourths of the fiscal year). Council directed staff to recommend the road usage fee ordinance for consideration at the same time as revised first and second readings of the budget ordinance. The road usage fee is proposed at $25 per year to be adjusted for the one year change in the Consumer Price Index which will be charged to all registered motor vehicles within the Town limits. The revenues collected will be dedicated to current and future Town-owned roads and roadway improvements.

Background: Council directed the Town Manager to undertake a study of alternative revenue sources during fiscal year 2016 which, in part, was intended to address existing needs of the Town for which there was inadequate or no available funding sources. One of the primary recognized needs was for roads and roadway improvements.

Historically, the Town used hospitality taxes and traffic impact fees (and Tax Increment Financing funds for in-area needs) for roads and roadway improvement projects and property taxes for maintenance. Since the second hospitality bond issue in 2011 increased hospitality tax-funded debt service and due to the declining impact fees collected as the Town approaches build-out, the Town has only minimal amounts of these funds available to address roads.

Through work with MASC and its attorneys as well as Beaufort County officials and through research of other municipalities' revenue sources, staff determined a road usage fee was the best approach to address the Town's road and roadway improvement needs. This type of fee is used by many counties and several municipalities. The fee when adopted would be added to the motor vehicle tax bills issued by Beaufort County which would collect and disburse the funds to the Town.

ORDINANCE NO. **PROPOSED ORDINANCE NO. 2016-19**

AN ORDINANCE TO AMEND TITLE 4 (FINANCE AND TAXATION) OF THE MUNICIPAL CODE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA BY RENAMING TITLE 4; CREATING WITHIN TITLE 4 A NEW CHAPTER 11 (ROAD USAGE FEE) WHICH ESTABLISHES A ROAD USAGE FEE; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town of Hilton Head Island owns and maintains approximately 18 miles of roads and related roadway improvements for the safety and welfare of its residents and for access and egress to residential and business activities and for emergency evacuation; and

WHEREAS, the Town desires to adequately maintain its roads and roadway improvements; acquire and stabilize certain private roads currently totaling over 8 miles; and prioritize newly acquired roads in order to pave these roads as feasible based on available funding and staff resources; and

WHEREAS, all residents who own and operate motor vehicles principally housed and garaged in the Town of Hilton Head Island enjoy the benefits provided by the Town's ownership and maintenance of such roads and roadway improvements; and

WHEREAS, the ownership and maintenance of Town-owned roads and roadway improvements is an extremely large and escalating expense to the Town of Hilton Head Island and such expense should be borne in large part by the owners and operators of motor vehicles in the Town of Hilton Head Island; and

WHEREAS, the Town has and will continue to fund significant primary road and roadway improvements used to a large extent in the tourism industry with tourism-related and other funds; and

WHEREAS, the Town provides fire rescue services to its residents and visitors whether the calls be to residential, commercial, waterways and beach, or roadway addresses; and

WHEREAS, the Town finds that fire rescue calls to roadway addresses most recently accounted for nine percent (9%) of total fire rescue calls, and

WHEREAS, the Town finds that there is a lack of funding sources to currently maintain its roads and roadway improvements and to provide fire rescue apparatus/vehicles in a manner that adequately provides access and egress, emergency evacuation and fire rescue services for the safety and welfare of its citizens; and

WHEREAS, it is deemed appropriate by Town Council to amend the Town Code to create a road usage fee and establish the rate at twenty-five dollars ($25) and provide for subsequent annual increases as appropriate based on the Consumer Price Index;

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; AND IT IS ORDAINED BY THE AUTHORITY OF THE SAID TOWN COUNCIL:

ORDINANCE NO. **PROPOSED ORDINANCE NO. 2016-19**

NOTE: **Underlined and bold-faced typed** portions indicate additions to the Municipal Code. ~~Stricken~~ portions indicate deletions to the Municipal Code.

Section 1 Amendment. That Title 4 is renamed and Section 11 is created as follows:

TITLE 4 FINANCE **–** ~~AND~~ TAXATION **AND FEES**

CHAPTER 11 ROAD USAGE FEE

Sec. 4-11-10. Creation and Authority.

The Road Usage Fee is enacted pursuant to the authority of Section 5-7-30 of the Code of Laws of South Carolina, (1976, as amended 2008) which provides, in relevant part, that municipalities may enact all ordinances which appear necessary and proper for the security, general welfare, and convenience of the municipality or for preserving health, peace, order and good government; and further that municipalities may establish uniform service charges.

Section 4-11-20. Declaration of purpose and intent.

This chapter is enacted to preserve the general health, safety and welfare of the general public within the Town of Hilton Head Island, South Carolina by creating a uniform fee to be collected for the purpose of creating a new fund to pay, in whole or in part, for the current and future acquisition, construction, and maintenance of Town-owned roads and roadway improvements, and also for the acquisition and refurbishment of fire rescue apparatus/vehicles that respond to service calls on these same roads.

Sec. 4-11-30. Definitions.

The following definitions shall apply.

Fire Rescue apparatus/vehicles: **The technical equipment or machinery needed for fighting fires and providing emergency medical services.**

Maintenance: **Road and roadway improvement work performed routinely or periodically to preserve these assets similarly to as-built condition and may include patching, sealing, repairing potholes and ruts, regrading road shoulders, resurfacing, overlaying, repaving, and restriping; and similar road work performed for emergency repairs or replacements.**

Motor vehicles: **Such motorized vehicles (as defined by Beaufort County for its road maintenance fee and) required by the state to be licensed, which are carried on the tax records of Beaufort County and registered to addresses within the Town of Hilton Island, South Carolina.**

Refurbishment: **The act of improving apparatus/vehicles to extend their useful lives with an upgrade of major components or systems with safety as a primary concern.**

Roads and roadway improvements: **Town-owned roads to include existing and newly acquired or constructed roads and bridges; and roadway improvements including but not limited to signage, signalization, crosswalks, safety improvements, medians and curbing.**

Section 4-11-40. Road usage fee.

A uniform service charge is hereby imposed on all motor vehicles with registered addresses within the boundaries of the town. The road usage fee shall be the sum of twenty-five dollars ($25) per vehicle per annum or such adjusted value to reflect the one (1) year percentage increase if any, in the Consumer Price Index.

Section 4-11-50. Payment of road usage fee.

Payment of the fee established herein shall be the liability of any person owning such motor vehicles within the town and shall be subject and paid to, with any other licensing fees and taxes imposed by, Beaufort county.

Section 4-11-60. Collection of road usage fee.

The road usage fee due and payable to the town shall be collected by the county and disbursed to the town through an agreement with the treasurer of the county.

Section 4-11-70. Delinquent road usage fee.

All road usage fees shall be delinquent when not paid as required by the county. Delinquent road usage fees shall bear penalties in accordance with the ordinances of the county.

Section 4-11-80. Road usage fee fund.

(a) A restricted fund to be known as the "Road Usage Fee Fund" is hereby established and all revenues received from the road usage fee shall be reported in this fund which is controlled by the town manager who shall maintain a separate accounting for these funds. The revenues and any accrued interest thereon shall be spent only as provided in section 4-11-90, infra.

(b) Additions to this fund may also include appropriations from the general fund by the town council and voluntary contributions of money and other liquid assets to the road usage fee fund from any source. Once funds are deposited into the "Road Usage Fee Fund", the funds become dedicated funds and may only be used for the purposes set forth in section 4-11-90, infra.

Section 4-11-90. Permitted uses of funds.

(a) The town council is hereby authorized to utilize the funds collected from the road usage fee and any other funds deposited into the "Road Usage Fee Fund" for the following purposes provided that the uses shall not include an allocation for town staff personnel costs:

(1) Maintenance of Town-owned roads and roadway improvements within the territorial limits of the town;

(2) Acquisition and stabilization of private roads within the territorial limits of the town;

(3) Paving of newly acquired private roads within the territorial limits of the town;

(4) Acquisition or construction of future Town-owned roads and roadway improvements within the territorial limits of the town;

(5) Acquisition or refurbishment of fire rescue apparatus/vehicles which may be used to provide services to roadway addresses provided such uses shall be funded in the approximate proportion of services calls to roadway addresses to total service calls;

(6) Principal, interest, redemption premium and any other costs associated with debt incurred for a purpose authorized herein; and

(7) Establishment of replacement reserve accounts associated with a purpose authorized herein.

(b) Authorization to utilize any funds from the "Road Usage Fee Fund", as provided in section 4-11-80, shall be by the annual budget ordinance duly adopted by the town council of the town. Funds not used in any fiscal year shall be carried forward and used in the following year for permitted uses described above.

Section 2 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 3 Effective Date. This Ordinance shall be effective July 1, 2016 or as soon thereafter as feasible to be implemented by Beaufort County on behalf of the Town.

PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA ON THIS ____DAY OF_____, 2016.

_____
David G. Bennett, Mayor

ATTEST:

_____
Victoria L. Pfannenschmidt, Town Clerk

First Reading: _____

Second Reading: _____

APPROVED AS TO FORM:

_____
Gregory M. Alford, Town Attorney

Introduced by Council Member:

_____