

**The Town of Hilton Head Island
Budget Workshop
Tuesday, March 18, 2014
Council Chambers
Immediately Following Regular Town Council
Meeting**

AGENDA

- 1. Call to Order**
- 2. 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.
- 3. Big Picture Issues/Budget Planning**
- 4. Adjournment**

BIG PICTURE

BUDGET WORKSHOP

March 18, 2014

Objectives of Workshop

- ▣ Good News Items
 - Reassessment/ Appeals, Beach Renourishment Sustainability, TIF Extension
- ▣ Operating Budget Impacts
- ▣ Capital Projects Impacts
 - Staffing Issues
 - Cost Issues
 - Funding Source Issues
- ▣ Unknown Impacts
- ▣ Future Revenue Sources

Reassessment, Appeals & Act 388

- ▣ Post-Reassessment Value of Mill: ~\$840,000
- ▣ Current Estimate with Appeals: ~\$831,000
(No info yet on growth and ATI)
- ▣ Current Assumption: No big surprises!
- ▣ Act 388 Impact - FY15 Budget: CY Info not yet avail
(With increasing demands, Staff will likely recommend increase that would be lost in 3 year “use or lose”)

Beach Renourishment

- ▣ 2010 Analysis Presented a Sustainable Program
- ▣ Completed Port Royal Fill Project under Budget
- ▣ Unanticipated Ocean Point Project in FY14
- ▣ Planning Next Total Renourishment
 - Issue Contract in FY15
 - Therefore, must be budgeted in FY15
 - Work will be in FY16
 - Issue bonds in late Summer 2015 (FY16)
- ▣ 2014 Analysis (handout) Still Presents Sustainability

TIF Extension

- ▣ Expectations for 10 year, \$50 million extension are VERY Positive!
- ▣ PSD and School District stated intent to continue
- ▣ County Finance meets on topic next week
- ▣ Staff working on Amended Plan & Resolution for April 1 TC Meeting
 - Approval of Amended Plan
 - Resolution to Distribute on April 1
- ▣ Staff plans for Extension to be Final in Early June
- ▣ Going Forward, Workload and Staffing Concerns due to Compacted Project Completion Schedule

TIF EXTENSION CALENDAR

<u>Date</u>	<u>POC</u>	<u>Action</u>
March 14, 2014	Staff	Staff prepare and finalize amended TIF Plan
March 18, 2014	TM/McNair	TM and McNair review/approve amended TIF Plan; Return for changes if needed
March 20, 2014	Staff	Agenda deadline for April 1, 2014, Town Council meeting
April 1, 2014	Council	Town Council adopts a resolution to distribute the amended plan
April 2, 2014	Staff	Hand Deliver Notice of Public Hearing to Taxing Districts (Beaufort County, Beaufort School District, and Hilton Head Public Service District No. 1) (at least 45 days prior to public hearing)
April 21, 2014	Staff	Submit Notice of Public Hearing to the Island Packet
May 1, 2014	Island Packet	Publish Notice of Public Hearing in The Island Packet (at least 15 days prior to public hearing)
<u>TBD</u> , 2014	BC Council	Beaufort County Council adopts Resolution consenting to the amended Plan and continued participation in the extended TIF
<u>TBD</u> , 2014	BCSD Board	Beaufort County Board of Education adopts Resolution consenting to the amended Plan and continued participating in the extended TIF
<u>TBD</u> , 2014	PSD Board	Hilton Head Public Service District Board of Commissioners adopts Resolution consenting to the amended Plan and continued participating in the extended TIF
May 8, 2014	Staff	Agenda deadline for May 20, 2014, Town Council meeting
May 20, 2014	Council	Public Hearing and Town Council considers first reading of Ordinance amending the TIF Plan
May 22, 2014	Staff	Agenda deadline for June 3, 2014, Town Council meeting
June 3, 2014	Council	Second reading of ordinance amending the TIF Plan
June 4, 2014	Staff	Submit Notice of Adoption published in The Island Packet
On/About June 9, 2014	Island Packet	Public Notice of Adoption in the Island Packet

Increasing Operational Impacts

- ▣ Long-term Repair and Maintenance of Facilities
- ▣ Long-term Impacts of Town-Owned Roads/Dirt Road Program
- ▣ Long-term Replacement of Vehicles/ Apparatus, Technology Systems, and Equipment
- ▣ Increasing Program/Staffing Requests > \$1 million
 - Solicitor's Office Know2
 - Sheriff's Office Economic Development Corp.
 - Rec Center Operating Costs due to Increasing Locations
 - Town Departments due to Staffing Increase Demands
- ▣ RBC Heritage – 2 more years commitment
- ▣ Other Increasing Demands??

Project Management – On Time & Budget - Within Scope

- ▣ Not just a matter of dollars available but also staffing
- ▣ Capacity to manage multiple vertical construction projects
- ▣ Ability to deliver >\$90 million of projects in <5 years
- ▣ Avoiding Scope Creep
- ▣ Revisiting Decisions
- ▣ Recognizing Total Staffing Impacts of Projects on all Town Departments

Staffing Perspectives

- ▣ Increasing Building & Development Permits
- ▣ Increasing Applications to Design Review Board
- ▣ Staffing Ward One Plan
- ▣ Updating Comprehensive & Beach Management Plans
- ▣ Staffing Crossover on Multiple Projects/Issues
- ▣ Stormwater Utility PUDs & Mandates (NPDES)
- ▣ Waste/Recycling
- ▣ LMO Rewrite
- ▣ Economic Development Corporation
- ▣ MPO operations
- ▣ Other Entity's Responsibilities Assumed by Town
- ▣ List goes on and on

Huge Capital Projects Program

- ▣ TIF is Extended for 10 Years but Projects Scheduled for 3 – 5 years
 - USCB
 - Coligny Area
 - Chaplin Linear Park
 - Rowing and Sailing Center/Community Park
 - Mathews/Chaplin and Stoney Smaller Projects
- ▣ Beach Renourishment Scheduled for FY15 – 16
- ▣ Shelter Cove Community Park FY14 – 15
- ▣ Island Rec Scheduled for FY15 – 17
- ▣ Fire Rescue Stations: Complete 6, Construct 2
- ▣ Other Planned Projects in 5 Year Plan

CIP Schedule – Unrealistic Expectations?

Project	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	
Shelter Cove Community Park								\$ 2,250,000.00
Fire Station 2 Replacement								\$ 2,750,000.00
Rowing & Sailing Center								\$ 1,200,000.00
Chaplin Linear Park - Phase 1								\$ 2,500,000.00
Chaplin Linear Park - Phase 2								\$ 6,500,000.00
Spanish Wells Mast Arm								\$ 150,000.00
Mathews Connectivity								\$ 900,000.00
Mathews /Marshland Roundabout								\$ 1,000,000.00
Beach Renourishment								\$ 18,000,000.00
Island Rec Center Expansion								\$ 8,500,000.00
Heritage Road								\$ 4,000,000.00
USCB - Office Park Road								\$ 30,000,000.00
Coligny Area Improvements								\$ 15,000,000.00
	\$80.25M +/- \$27M/year							\$ 92,750,000.00

Notes:

Typical CIP \$10M/year

Exclusive of Any Additional CIP Projects

Limited Capacity to Resource Non-CIP Initiatives

Upcoming GO Bond Issues – Capacity Exists to Issue!

- ▣ Beach Renourishment Bonds
 - Project Estimate \$18.5 million
 - Planning/Permitting Now
 - Contracting (Budgeted FY15) Spring 2015 (Budgeted FY15)
 - Bonds Issued Late Summer
 - Construction Fall 2015 – Early CY2016
- ▣ General Obligation (GO) Bonds
 - Shelter Cove Community Park \$ 2.25m
 - Island Rec Center Expansion \$ 8.50m
 - Sewer Projects \$ 1.00m
 - Noise Abatement Walls \$ 0.50m
 - Issuance Costs \$ 0.25m
 - Other Projects ?
 - Total Issue \$12.50m+

Funding Limitations

- ▣ Hospitality Tax/Bonds
 - Two Outstanding Bond Issues (through FY36)
 - Large Transfer to General Fund for Public Safety
 - Little Funding Remains for Projects
 - Prior 10 Year CIP Budget Plans Over Budgeted Projects
- ▣ Traffic Impact Fees
 - Generates \$100k last several FYs
 - Projects Budgeted as much as \$1 million per year
 - Deliberately Avoided Increase in Fees
 - Generated Revenues Less due to Public Land Program
- ▣ Park Impact Fees
 - Similar to Traffic Impact Fees re Projects Budgeted & Revenues Generated
 - Generates approximately \$65,000 annually

Funding Limit Impact on Projects

▣ Pathways

- Currently funded 50/50 Hospitality and Traffic Impact
- Consider significant deferrals of new pathways
- Determine alternate funding source

▣ Parks

- Funded by Park Impact Fees and Sunday Liquor Fees
- Staff will propose significant deferral of Yacht Cove & Ford Shell Ring Parks, unless alternate funding source identified

Funding Limit Impact on Projects (Continued)

▣ Roadways

- Most often funded from Hospitality & Traffic Impact Fees
- \$1.1m set aside in FY13 for Town-owned Roads Program
- FY14 budgeted for \$170k of reserve
- FY15 Budget will be larger amount; reserve will be depleted in 3-5 years
- \$1m still reserved for Flyover Beautification
- Review Policy re Accepting Paved Roads as Town-owned
- Review Policy re Acquiring Dirt Roads (Consider delaying unless County approves to accept prior to Town Acquiring)
- Projects from these limited funding sources should be deferred unless alternate funding identified

Funding Limit Impact on Projects (Continued)

- ▣ Vehicles/ Apparatus , Equipment, and Fire Stations
 - Generally Fire Rescue funded with Hospitality often 100%
 - Some General Funds Exist for Equipment
 - Bond Funds Reserved to Complete Station 6 & Build Station 2
 - Fire Rescue Reviewing 10 Year Plan for Savings/Deferrals, along with Other Departments
 - Staff Developing New 10 Year Funding Plan for Long-Term Repair and Replacements and Reviewing Related Funding Sources; Partially Available for FY15 Budget

Unknown Impacts – Costs and Staffing

- ▣ Community Art Study
 - Potential CIP Implications
 - Potential Operating Budget Increases
- ▣ Economic Development Corporation
 - Operating Budget Increases – Need Dedicated Funding Source?
 - Potential Programmatic Costs
- ▣ Future Dredging Projects
- ▣ Airport Noise Wall
- ▣ Mitchelville/Gullah Heritage Corridor Projects
- ▣ Other Community Projects????

Future Revenue Sources

- ▣ Millage (Act 388): Small Impact,
Already Discussed
- ▣ GO Bonding: Larger Impact,
Already Discussed
- ▣ Electric Utility Franchise Fee
 - Current Commitment: Underground Utilities Expires 2019
 - Currently generates \$2.5 – 2.75 million annually
 - Present agreement provides annual \$100,000 payment from 2019 – 2024
- ▣ Capital Sales Tax/LOST??
- ▣ Other Funding Opportunities?? – Challenge will be to identify new funding as Town's demands increase

Budget Workshop Schedule

March 18, 2014 - Tuesday	Immediately After 4:00 TC	Budget Workshop Big Picture Budget Workshop
May 6, 2014 - Tuesday	4:00 p.m.	Regular Town Council Meeting – 1st Reading of Budget by Title Only
May 13, 2014 - Tuesday	4:00 p.m.	Budget Workshop Operating Budget CIP/SWU – Overview Debt Service
May 21, 2014 - Wednesday	5:00 p.m.	Budget Workshop CIP/SWU - Review
May 29, 2014 - Thursday	4:00 p.m.	Budget Workshop Affiliated Agencies
June 3, 2014 - Tuesday	4:00 p.m.	Regular Town Council Meeting Hopefully Budget Wrap-up
June 10, 2014 - Tuesday	6:00 p.m.	Public Hearing (Definite) Budget Wrap Up or Revised 1st Reading of Budget
June 17, 2014 - Tuesday	4:00 p.m.	Regular Town Council Meeting – Revised 1st or 2nd and Final Reading
June 24, 2014 – Tuesday	4:00 p.m.	Special Meeting <u>if needed</u> for 2nd & Final Reading

**We may need to use June 24 as a Special Meeting Date if the budget process gets delayed.
All meetings will take place in the Benjamin M. Racusin Council Chambers at Town Hall.**

Beach Preservation Fee Fund Analysis - September 2010

	<u>Revenues</u>	<u>Expenditures and Transfers</u>				<u>Fund</u>
	Total	Trans to GF	Trans to CP	Trans to DS	Total	Balance
2003	3,501,705	670,000	418,541	-	1,088,541	6,890,895
2004	3,809,734	703,500	857,783	-	1,561,283	9,139,346
2005	4,158,325	738,680	1,550,128	-	2,288,808	11,008,863
2006	4,907,284	775,610	807,011	-	1,582,621	14,333,526
2007	5,172,396	855,360	1,823,113	363,142	3,041,615	16,464,307
2008	5,184,741	855,113	908,643	2,851,107	4,614,863	17,034,185
2009	4,504,496	1,355,946	1,492,156	2,676,584	5,524,686	16,013,995
2010	3,996,569	1,315,746	1,202,029	2,812,310	5,330,085	14,680,479
Update	4,153,770	1,315,746	1,541,701	2,812,310	5,669,757	14,497,979
2011	4,179,749	1,232,061	615,696	2,828,150	4,675,907	14,184,321
Update Prelim, Unaudited	4,852,570	1,120,985	509,299	2,785,750	4,416,034	14,934,515
2012	4,215,117	1,256,702	628,010	3,387,521	5,272,233	13,127,205
Update	4,467,277	969,390	476,000	2,788,550	4,233,940	15,167,852

With costs of the Port Royal Fill project now expected to be significantly less and transfers to General Fund reduced ~\$500,000 per year, the beach renourishment program is still clearly sustainable. Over twenty years, the savings would be ~\$10 million for the transfers and approximately \$2 million for the current project. Total revenue projections have improved with an increase in the tax despite a projected decrease in interest.

The analysis for the remaining years will not be prepared as the sustainability was shown in the updates above. Revised project costs will result in new debt service projections that have not yet been determined.

2013	4,298,231	1,281,836	640,570	3,340,017	5,262,423	12,163,012
2014	4,384,429	1,307,473	653,382	3,415,746	5,376,600	11,170,841
2015	4,472,552	1,333,622	666,449	3,465,118	5,465,190	10,178,203
2016	4,562,925	1,360,295	679,778	3,596,742	5,636,815	9,104,313
2017	4,654,792	1,387,501	693,374	3,668,377	5,749,251	8,009,854
2018	4,748,814	1,415,251	707,241	3,248,504	5,370,996	7,387,672
2019	4,849,972	1,443,556	721,386	3,243,500	5,408,442	6,829,202
2020	4,954,238	1,472,427	735,814	3,237,300	5,445,541	6,337,899
2021	5,061,702	1,501,875	750,530	3,236,900	5,489,305	5,910,296
2022	5,172,387	1,531,913	765,541	3,237,000	5,534,453	5,548,229
2023	5,286,372	1,562,551	780,851	3,232,500	5,575,903	5,258,699
2024	5,403,787	1,593,802	796,468	3,228,300	5,618,571	5,043,915
2025	5,524,717	1,625,678	812,398	3,250,000	5,688,076	4,880,556
2026	5,648,992	1,658,192	828,646	3,246,700	5,733,538	4,796,010
2027	5,776,950	1,691,356	845,219	3,244,500	5,781,074	4,791,886
2028	5,908,676	1,725,183	862,123	3,243,200	5,830,506	4,870,056
2029	6,044,255	1,759,686	879,366	3,242,600	5,881,652	5,032,659
2030	6,183,779	1,794,880	896,953	3,242,500	5,934,333	5,282,105
2031	6,327,343	1,830,778	914,892	3,237,800	5,983,470	5,625,978
2032	6,475,095	1,867,393	933,190	3,233,400	6,033,983	6,067,091

Beach Preservation Fee Fund Analysis - March 2014

FY	Revenues	Expenditures and Transfers				Fund Balance
	Total	Trans to GF	Trans to CP	Trans to DS	Total	
2003	3,501,705	670,000	418,541	-	1,088,541	6,890,895
2004	3,809,734	703,500	857,783	-	1,561,283	9,139,346
2005	4,158,325	738,680	1,550,128	-	2,288,808	11,008,863
2006	4,907,284	775,610	807,011	-	1,582,621	14,333,526
2007	5,172,396	855,360	1,823,113	363,142	3,041,615	16,464,307
2008	5,184,741	855,113	908,643	2,851,107	4,614,863	17,034,185
2009	4,504,496	1,355,946	1,492,156	2,676,584	5,524,686	16,013,995
Final 2010	4,153,770	1,315,746	1,541,701	2,812,310	5,669,757	14,497,979
Final 2011	4,859,871	1,120,985	606,266	2,785,750	4,513,001	14,844,849
Final 2012	4,844,036	969,390	608,883	2,853,015	4,431,288	15,257,597

With costs of the Port Royal Fill project now expected to be significantly less and transfers to General Fund reduced ~\$500,000 per year, the beach renourishment program is still clearly sustainable. Over twenty years, the savings would be ~\$10 million for the transfers and approximately \$2 million for the current project. Total revenue projections have improved with an increase in the tax despite a projected decrease in interest.

The analysis for the remaining years will not be prepared as the sustainability was shown in the updates above. Revised project costs will result in new debt service projections that have not yet been determined.

Final 2013	5,001,165	981,705	642,078	3,113,645	4,737,428	15,521,334
2014	5,142,426	1,094,557	1,702,000	3,103,968	5,900,525	14,763,235
2015	4,508,476	1,116,448	650,000	3,465,118	5,231,566	14,040,145
2016	4,601,544	1,138,777	663,000	3,596,742	5,398,519	13,243,170
2017	4,696,181	1,161,553	676,260	3,668,377	5,506,190	12,433,161
2018	4,793,047	1,184,784	689,785	3,248,504	5,123,073	12,103,135
2019	4,897,127	1,208,479	703,581	3,243,500	5,155,560	11,844,701
2020	5,004,393	1,232,649	717,653	3,237,300	5,187,601	11,661,493
2021	5,114,938	1,257,302	732,006	3,236,900	5,226,208	11,550,223
2022	5,228,786	1,282,448	746,646	3,237,000	5,266,094	11,512,915
2023	5,346,019	1,308,097	761,579	3,232,500	5,302,176	11,556,758
2024	5,466,768	1,334,259	776,810	3,228,300	5,339,369	11,684,157
2025	5,591,119	1,360,944	792,346	3,250,000	5,403,290	11,871,986
2026	5,718,906	1,388,163	808,193	3,246,700	5,443,056	12,147,835
2027	5,850,469	1,415,926	824,357	3,244,500	5,484,783	12,513,521
2028	5,985,892	1,444,245	840,844	3,243,200	5,528,289	12,971,124
2029	6,125,266	1,473,130	857,661	3,242,600	5,573,391	13,522,999
2030	6,268,682	1,502,592	874,814	3,242,500	5,619,907	14,171,774
2031	6,416,239	1,532,644	892,311	3,237,800	5,662,755	14,925,259
2032	6,568,088	1,563,297	910,157	3,233,400	5,706,854	15,786,493