

**The Town of Hilton Head Island**  
**Sewer Summit Workshop**  
**Thursday, May 14, 2015**  
**Benjamin M. Racusin Council Chambers**  
**5:00 P.M.**

**AGENDA**

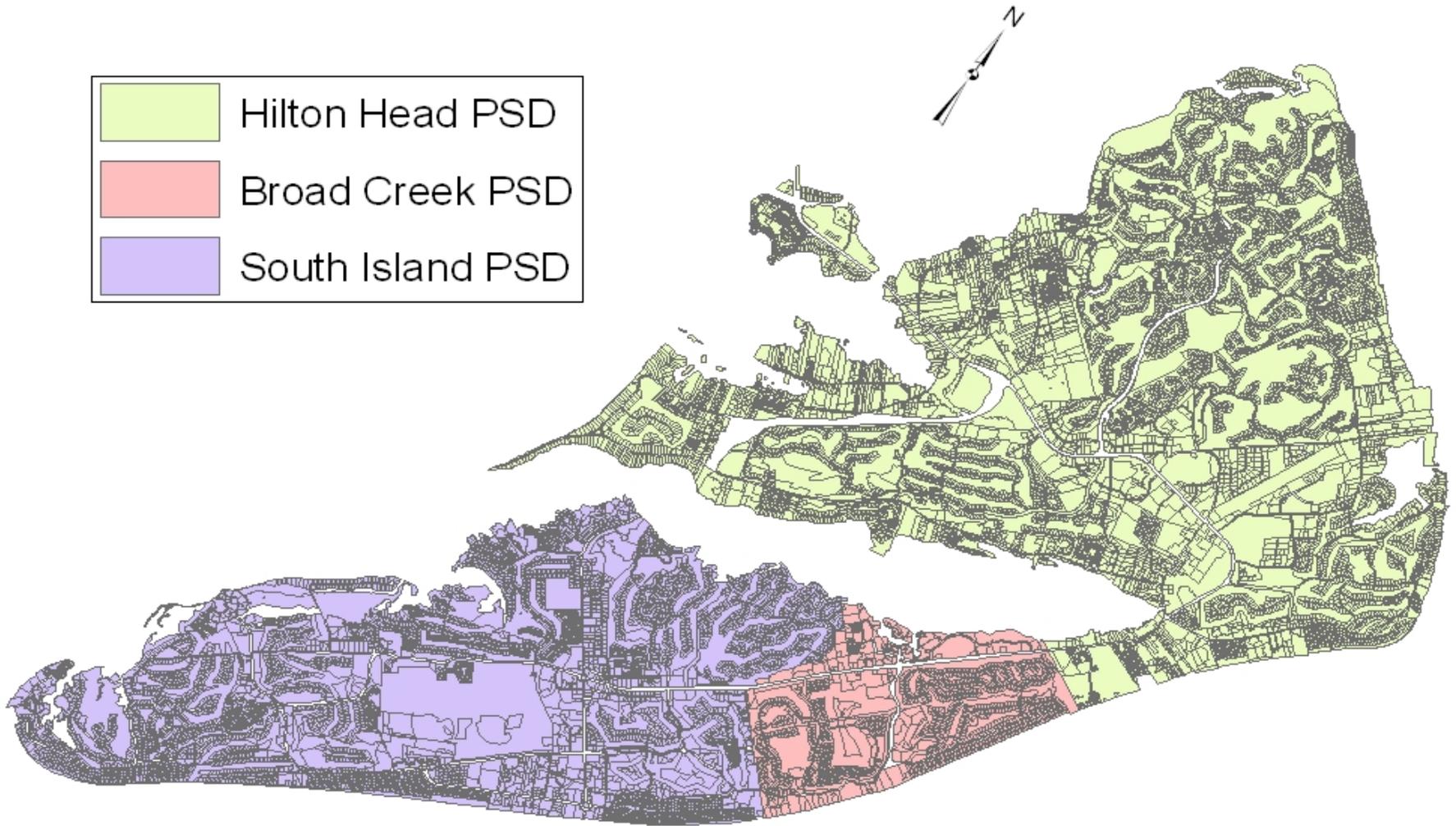
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1. Call to Order
2. FOIA Compliance – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
3. Introductions – Mayor Bennett
4. Overview and Background
  - a. Presentation “Limitations of Septic Systems in the Lowcountry” by Dr. Stephen Borgianini of USCB
  - b. Presentation “Sewer Update 2015” – Pete Nardi, Hilton Head PSD General Manager
5. Proposed PSD Action Plans – Bob Manne, PSD Commission Chair
6. Town Sewer Policy History
7. Open Discussion – Council and Commission
8. Public Comment Period
9. Town Policy Review and Discussion
10. Direction on Next Steps – Council and Commission
11. Adjournment

# Sewer Summit IV

## May 14, 2015





# Hilton Head Public Service District



**Water  
Production  
& Treatment**



**Water  
Distribution**



**Sanitary  
Sewer  
Service**



**Wastewater  
Treatment**



**Recycled  
Water  
Distribution**

# 100% Recycled Water System on Hilton Head

## Sanitary Sewer System

- Wastewater from homes and businesses

## Wastewater Treatment Plant

- Tertiary treatment plant
- 6.4 million gal./day capacity (<3 MGD avg.)
- **Zero discharge to waterways!**

## Recycled Water Distribution

- Golf course irrigation (11 courses)
- Recycled water wetlands (4 habitats)
- More than 1 billion gallons a year recycled

# Sanitary Sewer Service

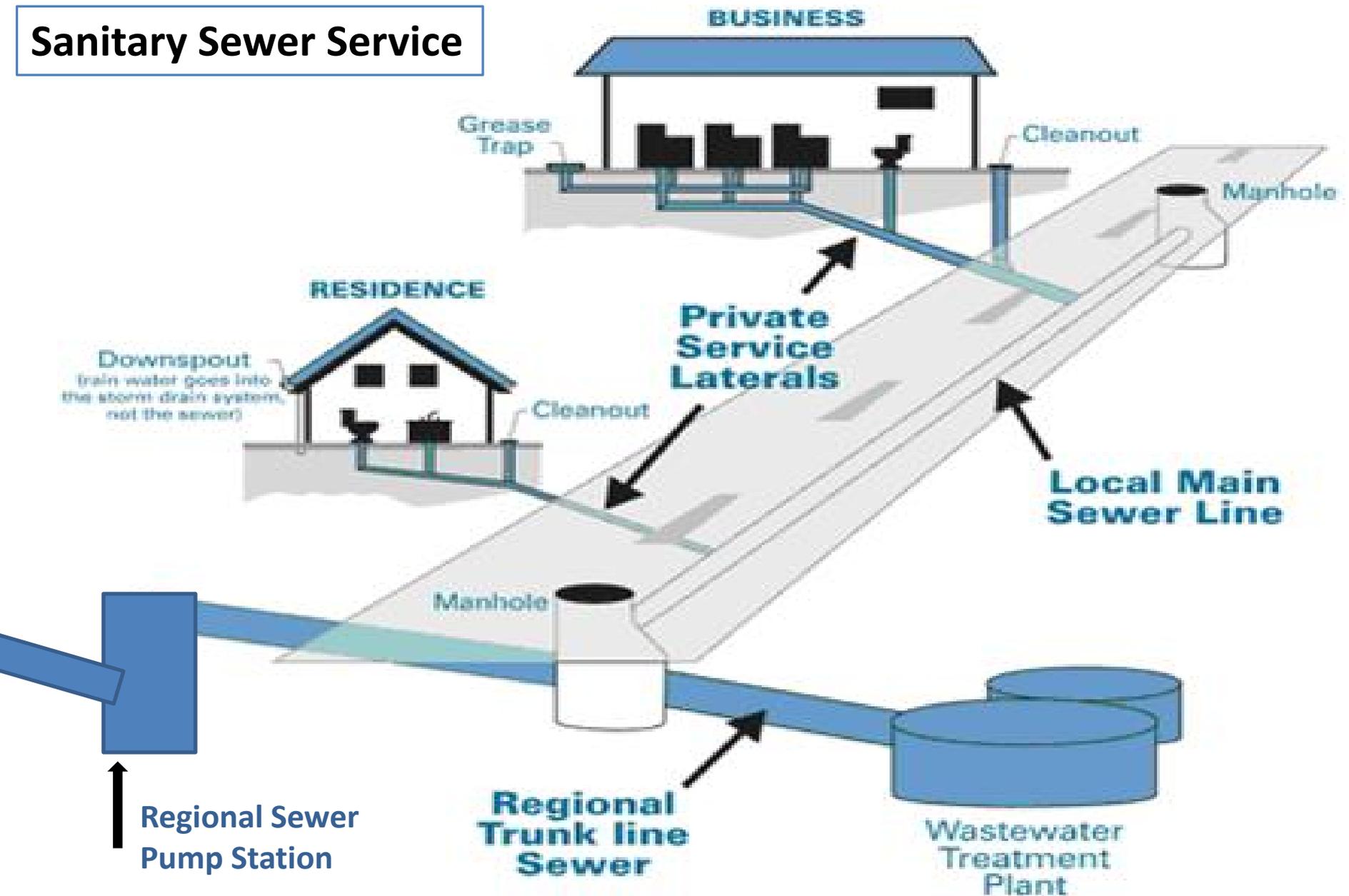


Diagram of a sanitary sewer system

05/13/2015

# Who pays for what?

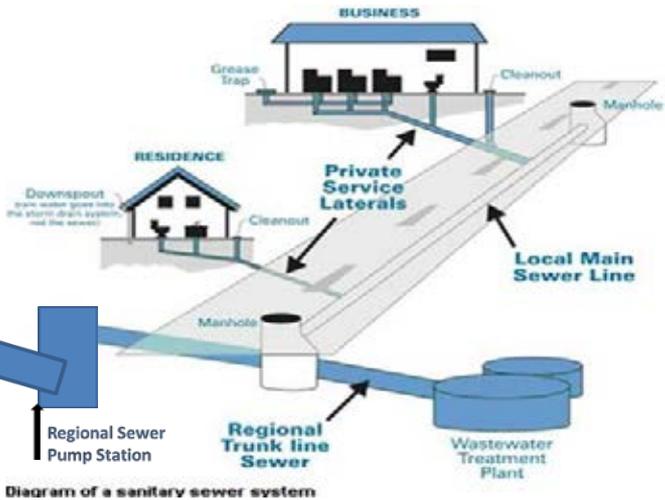


Diagram of a sanitary sewer system

**Private  
Laterals**

- Customers receiving the service

**Local  
Mains**

- Customers receiving the service

**Regional  
Trunk  
Lines**

- Town
- PSD

**Regional  
Pump  
Stations**

- PSD

**Wastewater  
Treatment  
Plant**

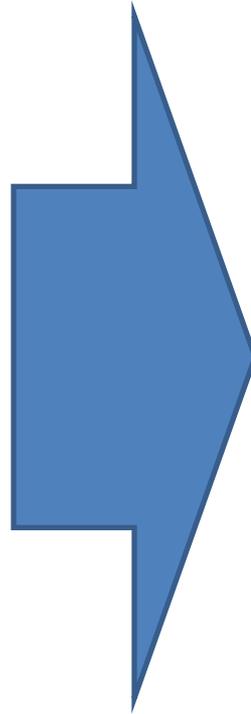
- PSD

# Helping Customers Connect

- **PSD Long-Term/Low-Interest Front-Foot Assessment Loans**
  - Typical interest rate of 3 – 6%
  - 20-year term
  - Collected via Beaufort County property tax bill
  - Assessment may travel with the property
  - Early payoff allowed
- **Project SAFE**
  - A Community Foundation of the Lowcountry fund
  - Full and partial grants awarded based on household income in comparison to Beaufort County Median Family Income (set by U.S. HUD)
  - Grants apply to all connection-related costs
  - PSD assists customers with application
  - Foundation makes all grant award decisions

# Neighborhoods that Used Front-Foot Assessment Method to Receive Sewer

- Port Royal Plantation
- Squiresgate
- Folly Field
- Holiday Homes
- Burkes Beach
- Bradley Beach
- Oak Marsh
- Blue Heron Pointe
- Old House Creek (partial)
- Wiley Road
- Spanish Pointe
- Numerous individual lots



**These projects represented a total of \$8.8 million in PSD front-foot assessment loans. Currently \$2.3 million still being repaid.**

# Town-PSD Sewer Partnership



Baygall Sewer Pump Station

- Started in 2003-04
  - Master Plan
  - “Sewer Summits I, II & III”
- Sewer pump station property
- Town funding
  - Tax Increment Finance (TIF) District
  - Capital Improvement Program (CIP)

# Sewer Progress

- 95% of PSD customers have sewer access
  - 93% are connected to sewer
  - 2% have access but are not connected
- Progress since 2004
  - 80% of PSD customers had sewer access
- Master Sewer Plan
- Town & PSD Partnership
- Project SAFE



Stoney neighborhood sewer project

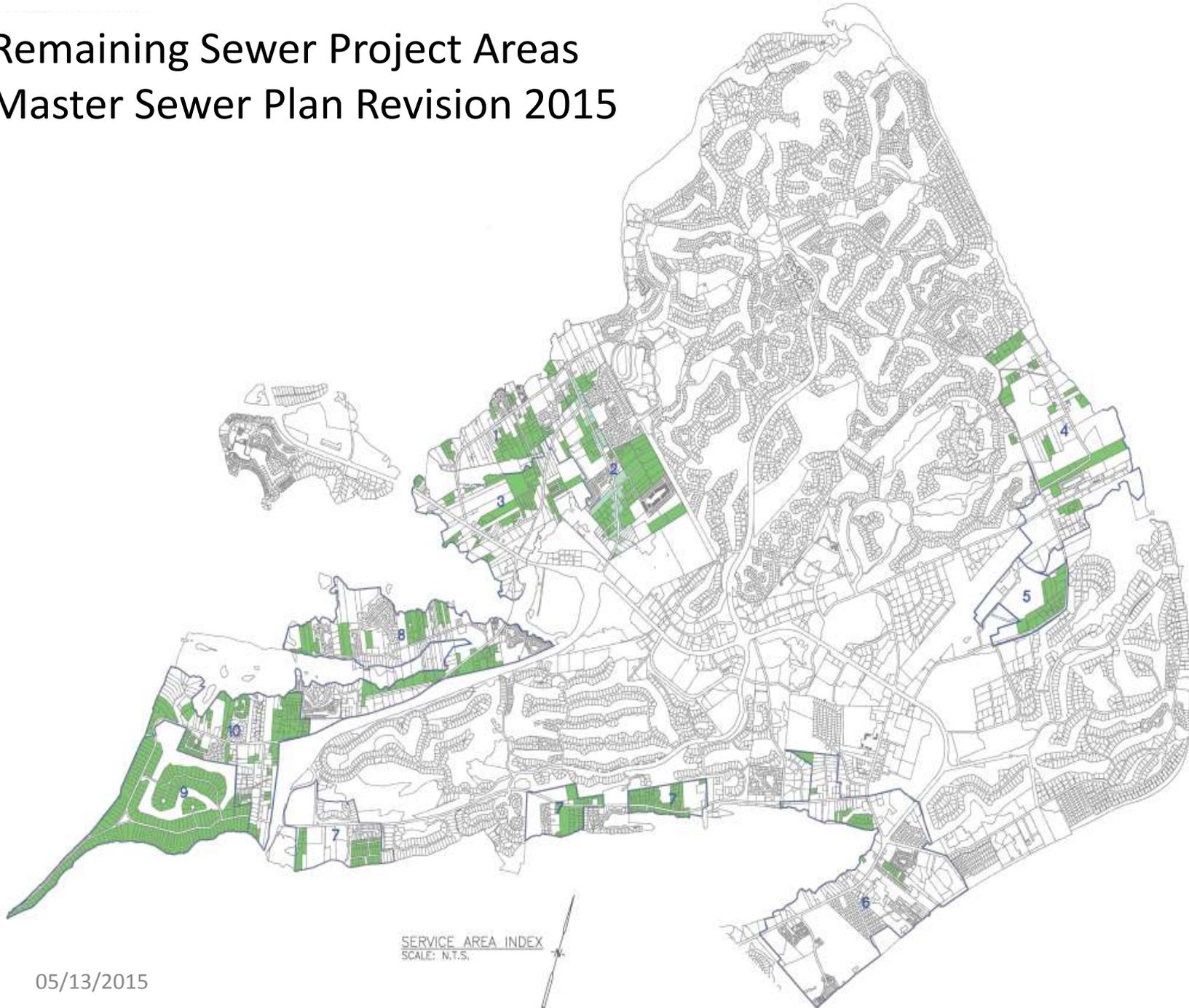
Where do we go from here?

# Master Sewer Plan Revision 2015

- Revised to bring sewer service to every parcel
  - Plan drawings
  - Project estimates
- 920 unsewered parcels
  - Includes all of the Spanish Wells Plantation private subdivision (approx. 200 parcels)
  - Represents 3,547 potential residential equivalent units (REUs) for the PSD, based on current zoning
  - One parcel can represent multiple current water customers as well as potential REUs
- \$6 million needed to provide access to remaining unsewered parcels
  - \$1.2 million to construct pump stations
  - \$4.8 million for sewer trunk lines and local mains
- Customers also pay Sewer Capacity Fee and Plumbing Connection costs
- Funding needed for Project SAFE to assist low-moderate income owners with all customer costs

# Remaining Sewer Project Areas

## Master Sewer Plan Revision 2015



SERVICE AREA INDEX  
SCALE: N.T.S.

05/13/2015



HILTON HEAD PUBLIC SERVICE DISTRICT  
SEWER SERVICE AREA INDEX

HILTON HEAD PUBLIC SERVICE DISTRICT  
SEWER SYSTEM MASTER PLAN

DATE:	OCTOBER 2014
DESIGNED BY:	PHW
DRAWN BY:	PHW
CHECKED BY:	PHW
APP. NO.:	I-1

# Barriers to Providing Sewer Service

- Customer ability to pay
- Owner disinterest
- Privately owned roads/easements
- Interior lots
- SCDOT encroachment requirements
- Rental properties
- Land for future sewer pump stations

# Proposed Action Plan: PSD

1. Complete the remaining sewer pump stations
2. Serve as project manager for Town-funded sewer projects
3. Provide long-term/low-interest financing for customers
4. Assist Community Foundation in acquiring more funding for Project SAFE
5. Expand “moderate income” definition for Project SAFE

# Proposed Action Plan: Town

1. Directly fund sewer line installations in unserved areas
2. Coordinate road/utility easements acquisition on private roads with sewer installation
3. Provide sewer pump station sites on Town-owned property
4. Assist Community Foundation in acquiring more funding for Project SAFE
5. Create a program to eliminate septic tanks by encouraging connection to sewer

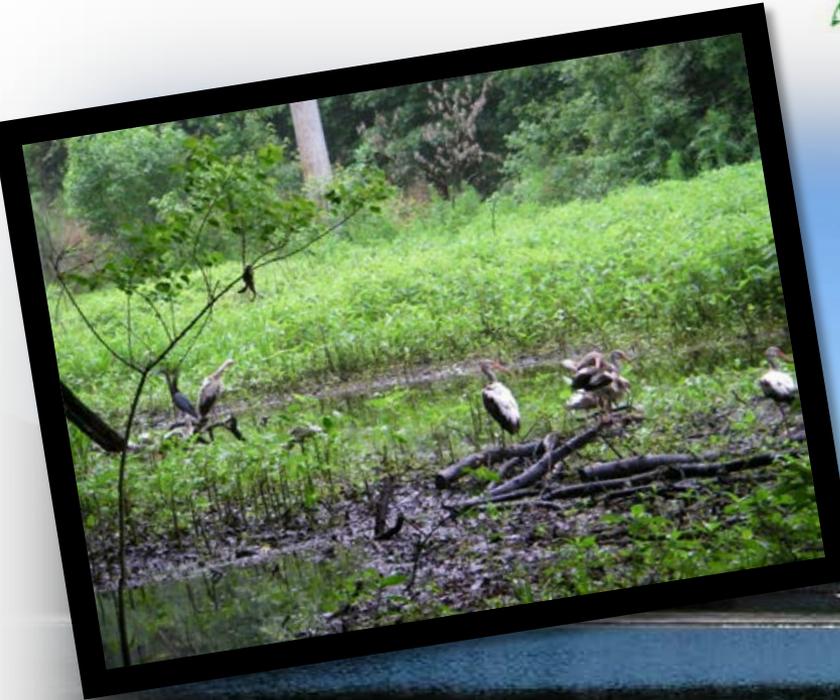
# Next Steps

- Town-PSD Staff Sewer Working Group
  - Recommend prioritization/implementation schedule of projects
  - Recommend funding options for projects
- Town/PSD/Community Foundation
  - Create plan to increase SAFE funding
  - Expand SAFE eligibility





**PROJECT  
SAFE**  
Sewer Access for Everyone





21 Oak Park Drive  
PO Box 21264  
Hilton Head Island, SC 29925  
[www.hhpsd.com](http://www.hhpsd.com)

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## **HILTON HEAD PUBLIC SERVICE DISTRICT MASTER SEWER PLAN**

April, 2015

### **I. Introduction**

Hilton Head No. 1 Public Service District aka Hilton Head PSD, here also referred to as the "District" was formed in 1969 by act of the South Carolina legislature to provide water and sewer service to the north part of Hilton Head Island. Since that time, the District has grown and expanded with the area and now serves 22 square miles of Hilton Head and Jenkins Island. Approximately 95 percent of the District's customers have sewer available, but 5 percent remain without access to sewer service. The same concerns of public health and environmental degradation remain.

Due to significant progress in the last five years, the Hilton Head PSD Commission instructed staff to create a new Master Sewer Plan, with the goal of providing service to every parcel of land in the District. With the assistance of a consulting professional engineer (Lowcountry Engineering), the District has completed a design and cost estimates to serve the entire north end of Hilton Head including the system improvements necessary for the ultimate build-out of the Island.

Currently, the District has water service throughout its entire service and those not connected are served by private wells by their own decision. Total number of residences and businesses served by private water systems is minimal, estimated at no more than fifty (50) including Wells East.

The District currently serves 16,786 water customers (homes and businesses) of that 15,589 or 92.88 percent have sewer service as well. In addition, approximately 300 customers have sewer available but have not connected. Thus, approximately 95 (94.7%) percent have sewer service available.

The District owns and maintains a wastewater recycling (treatment) plant capable of treating 6.4 million gallons per day, which is more than enough to meet the needs of the District customers at the ultimate build-out of the district service area.

## II. Background

Prior to development, Hilton Head Island residents and businesses waste disposal needs were provided by septic tanks or other systems. Hilton Head's soils and notoriously high water table complicated by development at urban levels and the clustering of homes, made a central waste disposal systems necessary. Planned unit developments (PUDs) began constructing their own systems or contracting with a Public Service District (PSD) to provide service on a District-wide basis. With this process some areas were left out or not considered.

In late 2003, the Town of Hilton Head (Town) and Hilton Head PSD jointly determined that a plan was necessary to serve the unserved areas with sanitary sewer. At that time, 80 percent of the District was served, but mostly the planned unit developments (PUDs) of Hilton Head, Port Royal, Indigo Run, Palmetto Hall, Port Royal and Windmill Harbour. The Master Sewer Plan was to develop an overall engineering plan to bring sewer service to all areas of the District. The plan did not develop a process for all individual properties to be served or a funding mechanism.

Starting in 2005, a series of "Sewer Summits", meetings of the elected representatives of the Town and Hilton Head PSD as well as the public and other interested parties have been held on a regular basis (2005, 2008 and 2011) to update the elected officials and the community of the progress in extending sewer service. Since the 2011 Sewer Summit, significant progress has been made with the completion of several major Town funded projects (Baygall, Stoney Area, Chaplin and others).

After the 2005 Sewer Summit, the Town approved a series of policies to assist Hilton Head PSD in extending sewer service, which included:

- The Town committed to bring sewer service to its existing and planned parks and public buildings.
- The Town assistance would be used to lower the cost of connecting for all unserved residents.
- The Town reaffirms its commitment to securing rights-of-way on private dirt roads.
- The Town would work with the PSDs, the County, the State and Palmetto Electric to coordinate paving, drainage improvements, power line burial and extension of water and sewer service to neighborhoods in a cost-effective manner.
- The Town would reaffirm its commitment to work with HHPSD, Project SAFE, and residents.

The District, with a goal of providing sewer service to everyone, has:

- Designed and constructed the Town-funded (TIF and CIP) sewer extension projects.
- Used new minimally evasive construction techniques to serve existing neighborhoods.
- Managed and funded the SAFE (Sewers Access for Everyone) program through customer contributions, to assist low to moderate customers' connection to the

sewer system. Approximately \$800,000 has been spent to assist low to moderate income customers connect to the sewer system over the years.

- Provided long-term, low-cost financing for customers to extend sewer service and connect using the front foot assessment funding method (FFA). The District has funded over \$8.8 million dollars of front foot assessment projects. Some of the areas served by FFA are Port Royal PUD, Squiresgate, Folly Field, Holiday Homes, Burkes Beach, Bradley Beach, Blue Heron Pointe, Spanish Pointe and numerous individual lots.
- Added new lift stations to serve unserved areas.
- Maintains a sewer treatment plant large enough to meet all future needs of the District.

With this partnership of effort, the District has service available to 95 percent of its customers up from 2003 when only 80 percent had sewer available.

### **III. The New Master Sewer Plan - 2015**

Approximately 900 parcels do not have access to sewer service. Parcels can represent one or multiple customers. The new Master Sewer Plan to provide service to currently unserved areas deals with reaching these unserved parcels.

The 2005 Master Sewer Plan was developed to identify system infrastructure needs, thereby having a plan when development or outside funding was available to bring sewer service to the twenty (20) identified areas. The new Master Sewer Plan (2015) concentrates on providing service to all properties and the system improvements necessary to serve the ultimate build-out of the District (according to the Town's recently approved Land Management Ordinance (LMO)). It divides the remaining unserved areas into ten (10) project areas based on main streets. See attached Master Sewer Plan Map.

#### **A. Funding Master Sewer Plan Construction Projects**

##### **1. Customer Projects**

Customer Projects are projects to serve individual customers, neighborhoods and/or new developments and have been funded by:

- Customer or contractor funds – Customers and developers provided their funds to extend sewer service from their own resources.
- Front foot assessment (FFA) – FFA is a process outlined in state law where the District creates a taxing district for the purpose of providing improvements to an area. The individual properties are assessed and pay back the loans through their property taxes. To date, the District has borrowed \$8.8 to bring sewer service into areas at customer request and provided financing assistance to connect to the sewer system.
- Town funded (TIF and/or CIP) – The Town of Hilton Head has funded projects via the Tax Increment Funding (TIF) Program, Town Capital Budget (CIP) and a

Community Development Block Grant (CDBG) Program. To date total \$3,471,000. See Appendix B for a list of Town funded projects.

- District funded – Hilton Head PSD has funded some customer projects, but just incidental to other Capital Budget projects.

## **2. District Projects**

District Projects are projects to accommodate new customers such as new/upgraded sewer lift stations, force mains, upsizing of gravity sewer mains and expansion of waste treatment equipment/facilities. These projects have been funded by:

- Developer contributions – Include on-site and off-site facilities to serve their project. These facilities include lift stations, force mains and gravity sewer.
- Long-term debt – The District has and will in the future borrow to fund capital facilities when current funding is not available.
- System capacity fees – Also known impact fees or system development charges are charges paid by new customers to connect to the sewer service based on the amount of loading they will add to the system. Capacity fees are calculated based on current existing sewer system debt and future improvements necessary to serve future customers.

### **B. Costs to Serve the Remaining Unserved Areas**

The **Customer Projects** to provide access to the remaining unserved areas are:

No. 1	Squire Pope Road	\$264,519
No. 2	Gumtree Road	487,188
No. 3	Stoney Initiative	450,738
No. 4	Fish Haul / Baygall Roads	501,126
No. 5	Dillon Road	597,975
No. 6	Chaplin Initiative	68,875
No. 7	Marshland Road	1,031,250
No. 8	Mid-Spanish Wells Road	445,238
No. 9	Spanish Wells Plantation (Private Subdivision)	617,963
No. 10	South Spanish Wells Road	415,938

Total = **\$4,880,806**

The **District Projects** to provide access to the remaining unserved areas are:

- Three new sewer pump stations (in area Nos. 7 and 10) = **\$1.2 million**

### C. Barriers to Serving the Remaining Unserved Areas

The remaining unserved areas are characterized by significant barriers to providing sewer service. Some of these barriers are:

- **Economics or ability to pay** – Most of the unserved areas are home to low to moderate income families who do not have the resources to extend sewer service or connect even with long-term, low interest loans available.
- **Private/unpaved roads** – Acquiring easements on private roads has proven difficult to the Town as well as the District.
- **Interior lots** – May require service by easement on other person's property which may also prove difficult to acquire even though they may have a right of access agreement.
- **Disinterested customers** – Not all customers, especially those with good operating septic tanks, are interested in sewer service such as our Spanish Wells POA experience.
- **SCDOT encroachment requirements** – Have become extremely burdensome as time has passed.
- **Rental properties** – Many of the low to moderate income areas have a preponderance of rental properties and landlords, especially absentee landlords, may not be interested in taking on any new expenses.

### D. Ultimate Build-Out of the District

To meet the ultimate build-out of the District's service area, the District also will face an additional \$5,968,169 for projects such as:

- Upgrading ten (10) sewer pump stations and associated force mains
- Upsizing trunk lines
- Replacing low pressure sewer (LPS) with gravity sewer mains

These projects will be paid over time as connections occur and demand on the system warrants upgrades and upsizing.

Currently, the District serves 15,589 residential equivalent units (REUs), which are homes and business. An REU is an approximation (300 gallons per day) of how much a residential unit uses the sewer system. This calculation is applied to multi-family and commercial building based on guidelines provided by the South Carolina Department of Health & Environment Control (DHEC).

Another 1,438 REUs have sewer service available but are not connected. All but approximately 300 of the 1,438 available REUs are vacant lots and parcels. In addition, 718 of the 1,438 parcels have previously paid their sewer capacity fees.

Based on the Town's Land Management Ordinance (LMO) adopted earlier this year, the unserved areas of the District have approximately 3,546 potential REUs at build-out.

This assumes each property will be built-out to its highest and best use under the Town's LMO; it does not include the impact of future re-zonings.

Therefore, the ultimate build-out of the District is as follows:

Current REUs	15,589
Unconnected REUs	1,438
Unserved REUs	3,546

Total REUs at District Build-Out = 20,573

#### **IV. Proposed Action Plans**

Town and District action plans can be developed with an aim toward finishing the job of providing sewer access throughout the District's service area. Proposed action plans are:

##### District:

1. Complete the remaining sewer pump stations
2. Serve as project manager for Town-funded sewer projects
3. Provide long-term/low-interest financing for customers
4. Assist the Community Foundation in acquiring more funding for Project SAFE
5. Expand the "moderate income" definition for Project SAFE

##### Town:

1. Directly fund sewer line installations in unserved areas
2. Coordinate road/utility easement acquisition on private roads with sewer installation
3. Provide sewer pump station sites on Town-owned property
4. Assist Community Foundation in acquiring more funding for Project SAFE
5. Create a program to eliminate septic tanks by encouraging connection to sewer

#### **V. Next Steps**

To facilitate the proposed action plans, the following next steps are proposed:

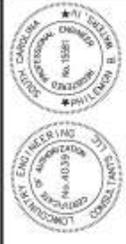
1. **Town-PSD Staff Sewer Working Group.** Staff members from the Town and PSD would be tasked with:
  - Recommend prioritization/implementation schedule of Master Sewer Plan projects
  - Recommend funding options for Master Sewer Plan projects
2. **Town/PSD/Community Foundation.** Staff members from all three agencies would be tasked with:
  - Create a plan to increase Project SAFE funding
  - Expand Project SAFE eligibility for moderate-income applicants

SEWER SYSTEM MASTER PLAN

- NORTH SEWER SERVICE AREAS: 1-5
- SOUTH SEWER SERVICE AREAS: 6-10



SERVICE AREA INDEX  
SCALE: N.T.S.



SEWER SERVICE  
AREA INDEX

HILTON HEAD PUBLIC  
SERVICE DISTRICT  
SEWER SYSTEM  
MASTER PLAN

DATE:	OCTOBER 2014
DESIGNED:	FWB
DRAWN:	FWB
CHECKED:	FWB



## Customer Costs for Sewer Service

May 2015

### Front-Foot Assessment

A Front-Foot Assessment is a pro rata share of the costs associated with bringing sewer service to a particular area. For example, the costs of having to install a sewer main and/or repave a road as a result of putting sewer infrastructure into a neighborhood are divided amongst the properties receiving the sewer service. Following a project to provide sewer service, the Front-Foot Assessment is charged to property owners. If owners connect to the sewer system, they also pay Sewer Capacity Fee and Plumbing Connection costs.

Front-Foot Assessments can vary depending upon the specifics of the project.

The PSD allows the long-term financing of a Front-Foot Assessment by placing it on the property owner's Beaufort County property tax bill over a 20-year period, including interest.

### Sewer Capacity Fee

The Sewer Capacity Fee is a one-time charge to new development or to new customers, where money has not been previously paid, to cover the capital costs spent to provide sewer service. It is an impact fee charged to all new sewer customers to cover that customer's share of the PSD sewer system debt. The fee is charged when a property connects to the sewer system. In the case of new development, however, the fees are due at the time the PSD agrees to provide service. The fee currently is \$3,040 per residential equivalent unit (REU).

### Plumbing Connection

This is the plumbing-related cost of switching a home from its existing septic system to the sewer system. This cost can vary from home to home depending on the septic tank's location, trees, driveways, etc.

### PSD Sewer Bill

Customers with a home or business connected to the PSD sewer system pay a sewer portion of their PSD bill. Residential sewer rates are capped at 10,000 gallons of water used per month. Currently, residential sewer customers cannot pay more than \$36.00 per month for sewer service. There is no cap on commercial sewer rates.

### Availability Fee

The PSD charges a Sewer Availability Fee. This fee is charged to properties that have sewer service available, but are not connected to the system. These fees apply to vacant lots as well as homes and businesses that are not connected to the service. All lots within 100 feet of an available sewer main with the ability to provide immediate service are charged availability fees, with the following exceptions: unbuildable lots; lots without free and easy access to the nearest main.

Unbuildable lots are: Designated Wetlands; Inundated Property; and Designated Open Space. Lots without free and easy access to the nearest main are lots within 100 feet of the main, but where no public road right-of-way nor easement exists, which therefore would require crossing another piece of property to serve the subject property.

The Sewer Availability Fee is \$300 per year. Dividable lots of more than two (2) acres are charged a Sewer Availability Fee of \$600 per year.

Availability Fees are collected through the property owner's Beaufort County property tax bill.



## HELPING CUSTOMERS CONNECT TO SEWER

After sewer access has been created for a property, Hilton Head PSD helps customers cover their sewer connection costs in several ways.

### PSD Long-Term/Low-Interest Loans

All property owners, regardless of income, are eligible to receive a long-term/low-interest loan from the PSD to cover their sewer connection costs. This program is commonly referred to as a “front-foot assessment” program. The property owner pays off the loan in annual assessments, including interest, which appear on their Beaufort County Property tax bill.

- **Typical interest rate of 3 – 6%.** The PSD attaches the interest rate to the sewer connection cost the customer is financing.
- **20-year term.** All loans carry a 20-year term.
- **Collected via Beaufort County property tax bill.** Annual assessment, including interest, appears on the tax bill.
- **Assessment may travel with the property.** Sellers do not have to satisfy outstanding balance of assessment at sale of property. Buyers can assume the assessment if both parties agree at closing.
- **Early payoff allowed.** Customers can pay off the assessment balance at any time.
- **Landlords can connect rental properties.** PSD loans can be used by landlords to pay for the connections of their rental properties.

### Project SAFE

Project SAFE (Sewer Access for Everyone) is a charitable fund of the Community Foundation of the Lowcountry. The fund awards full and partial grants to low-to-moderate income property owners for sewer connection based on household income in comparison to the Beaufort County Median Family Income (set by U.S. HUD).

- **Grants apply to all connection-related costs.** Per-owner share of the local main, Sewer Capacity Fee, and plumbing costs to convert from septic to sewer all can be covered by a SAFE grant.
- **Applies to owner-occupied homes only.** Landlords cannot apply to SAFE to connect rental units. SAFE covers residential sewer connection costs only, not commercial.
- **PSD assists customers with application.** The PSD has a staff member dedicated to assisting owners in completing their SAFE application. We work with owners throughout the application process.
- **Foundation makes all grant award decisions.** The Community Foundation of the Lowcountry awards grants based on the applicant’s household income in comparison to the Median Family Income.
- **PSD makes sewer connections upon grant approval.** Once an applicant has been approved for a grant, the PSD makes the sewer connection. Approved applicants never have to wait for funding to become available at SAFE before the connection can be made.

**MEMORANDUM**

**TO:** Town Council

**FROM:** Stephen G. Riley, Town Manager

**DATE:** May 13, 2015

**RE: Town Sewer Policies – Draft for Discussion Purposes**

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Back in March, you were provided with background information on prior Town efforts in the areas of the provision of water and sewer service to portions of the Island. You were also provided a copy of Resolution 2005-25, the current policies of the Town regarding the provision of sewer service.

In an effort to facilitate conversation, a set of talking points has been drafted.

Attachments:

Draft Talking Points  
March 17, 2015 Memo to Council w/attachments

## **DRAFT: FOR DISCUSSION PURPOSES POTENTIAL POLICY CONSIDERATIONS**

1. The Town shall participate financially with the completion of the “backbone” sewer system in the HHPSD service area. Specifically, the remaining main road portions of: Dillon Road, Marshland Road, Mid-Spanish Wells Road and South-Spanish Wells Road; at an estimated cost in today’s dollars of approximately \$1.186 million.
2. The Town shall work with the HHPSD to locate sewer pump stations and other necessary and appropriate infrastructure on town-owned land.
3. The Town shall continue to work with the HHPSD to assure that, where appropriate, town contributions towards the extension of sewer will be considered in assessing or determining the capacity fees paid by those connecting to the sewer system.
4. The Town shall continue to work with the HHPSD, Project SAFE, and others in the pursuit of grants that would assist income-qualified areas and residents with offsetting the costs of gaining access to and connecting to sewer service.
5. The Town shall work with the HHPSD and the Community Foundation of the Lowcountry to review the Project SAFE program to consider changes in its eligibility criteria and to encourage greater community contributions towards Project SAFE. The Town shall encourage South Island PSD to join the other two PSDs in the Bucks for a Better Island program.
6. The Town hereby reaffirms its commitment to securing rights-of-way on existing private roads of six or more address points, by condemnation if necessary, in order to facilitate the provision of water and sewer service, storm water improvements, improved maintenance, paving of roads and other necessary improvements.
7. The Town shall work with the PSDs, the County, the State, and local utility providers to coordinate service improvements in a cost-effective and efficient manner.
8. The Town will consider a program to eliminate septic systems on the Island once sewer availability has been achieved for the entire HHPSD service area and after the impacts of the above policies has been evaluated.



# TOWN OF HILTON HEAD ISLAND

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## MEMORANDUM

**TO:** Town Council

**FROM:** Stephen G. Riley, Town Manager

**DATE:** March 17, 2015

**RE:** Sewer and Water Service Overview

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In anticipation of a proposed joint meeting of the Town Council and the Board of the Hilton Head Public Service District (HHPSD) the following background information is provided.

### **2005 Town Council Resolution on Sewer Policies**

The attached resolution was developed following the initial joint meeting of the Town and PSD; the so-called "sewer summit" of 2005. This document reflected a substantial change in policy and commitment to assisting the HHPSD in delivering sewer service to the Island. This followed the commitment made as part of the establishment of the TIF District in 1999 to bring sewer service to those areas within the defined boundaries of the TIF District.

Today, the policies contained in the resolution have, for the most part, been achieved. Indeed, the Gumtree Road project we are about to fund is not consistent with these policies and represents a deviation from them. In order to move forward, it will be necessary to review and revise these policies.

### **Previous Focus: The "Backbone System" and Assisting Those in Need**

The 2005 Council resolution and the efforts by the Town both before and since have focused on two main themes: assisting the PSD in getting the "backbone" of the sewer system in place and in finding ways, outside of General Revenues, to assist with the sewer connections for those in need. Likewise, earlier contributions for the water system also focused on the backbone infrastructure.

When the PSD talks about the "backbone" of the sewer system they are referring to the main lines running along the main roads. Not the lines into any particular subdivision or directly into individual homes.

Our one successful CDBG Grant and our donations of capacity rights to Project SAFE have been part of the effort to directly benefit income-qualified households in getting connected to the sewer system.

These past efforts, in both general categories, are described in more detail below.

## **Prior Council Actions Relating to Water and Sewer Service Provision**

### **Water Service**

In 1997 the Town Council committed \$1.4 million in general revenues to assist with completing the extension of water lines, and with them a water tower and fire hydrants, to the unserved areas of the Island. Council cited its new role in the delivery of Fire Protection Services, following the consolidation of the previous Fire Districts, in making this funding commitment. These funds enabled the PSD to complete the water system within their service area, making water available to 100% of properties.

### **Tax Increment Financing (TIF)**

A total of \$1,786,405 in TIF revenues has been spent over the past 15 years on five separate projects to extend sewer service to various neighborhoods within or immediately adjacent to the TIF District Boundaries. These include the Green Shell Park Project; Ford Shell Ring Project; Stoney Project (Wild Horse, William Hilton Parkway, and Spanish Wells Road); Chaplin and Mathews Drive areas.

### **Extending Service to Town Facilities**

The Town has extended service to both previously constructed and planned public parks and facilities, in a manner that benefits adjoining areas. In the Baygall Area (Barker Field) this was accomplished at a cost of \$687,777 in General Fund expenditures. Other locations where we brought service to Town facilities were the projects cited above that were funded with TIF. In the mid-Spanish Wells area we ostensibly brought service to a Town parcel; but not one where we really had any plans to improve the parcel.

### **Donation of Sewer Capacity Rights to Project SAFE**

Project SAFE (Sewer Access for Everyone) is a fund of the Community Foundation of the Lowcountry (CFL) established to assist income-qualified residents with the cost of actually connecting to the sewer lines once the service becomes available. In addition to individual contributions to the fund, the HHPSD's "Bucks for a Better Island" program also helps to fund this effort.

Twice over the years the Town has donated sewer capacity rights obtained as part of our land acquisition program to Project SAFE. In the first instance, in 2003, the Town worked with Broad Creek PSD and the Community Foundation to establish a three-party agreement wherein the Town donated to the CFL a large portion of the sewer capacity rights obtained as part of the acquisition of the Yacht Cove Tract. The PSD then purchased those rights back from the Foundation and the proceeds of that purchase went into the Project SAFE account. The transaction was valued at just over \$45,000.

In 2014, the Town again partnered with the CFL, this time in cooperation with HHPSD, to transfer sewer capacity rights that had been obtained by the Town through several land purchases over many years. Here we transferred 50 Equivalent Residential Units (ERUs) worth \$152,000.

The Town donated an asset - capacity rights (having used and/or reserved some for Town building projects) - that it was unlikely to use. Transferring such an asset, rather than making a direct cash contribution to a private charity, was seen as preferable.

### **Land for Lift Stations**

The Town has granted easements over Town-owned land on four occasions to allow the PSD to build sewer lift stations that would serve nearby neighborhoods. The rough estimated cash value of these donations is \$250,000 each; or \$1 million.

### **Community Development Block Grants (CDBG)**

The Town has worked with the HHPSD on one successful and one unsuccessful federal Community Development Block Grant (CDBG) over the years. The Muddy Creek Sewer Project was implemented in 2000 with \$709,164 in federal funds and a local match of \$50,000 funded by Project SAFE.

An attempt to secure CDBG funds for a sewer extension project in a portion of the Squire Pope area had to be abandoned when a door-to-door survey revealed too few qualifying families residing there. The Town and the PSD completed the project using a combination of PSD and Town funds. The Town's contribution was \$65,000.

### **Expenditures to Date**

The attached table reflects the value of prior Town contributions towards the provision of water and sewer in the service area of HHPSD. It totals \$6.86 million in both direct and indirect Town contributions as well as the Federal grant funds received through the Town's efforts.

### **Sewer Capacity Fees**

In addition to physical connection charges, the PSD charges Sewer Capacity Fees to each property owner that connects to the public sewer system. These charges are intended to recapture the amounts invested by the PSD and its customers in the infrastructure that was built over the years to enable such connections and service. Because the Town's financial commitments reduced the amounts that would otherwise have been expended by the PSD and its customers, the PSD in 2005 reviewed and revised downward its Sewer Capacity charges; which represented a savings to all new customers - not just those who qualified for Project SAFE.

As part of its current update of its Sewer Master Plan, the PSD has again reviewed its Sewer Capacity Fees with an eye toward further reductions based on Developer and Town contributions towards the necessary infrastructure to serve all customers.

Any new commitments of Town funds should be cause for an additional review and downward adjustment of the Sewer Capacity Fees; depending on the investments we make.

### **Other Cooperative Efforts with HHPSD**

The Town has previously entered into long-term leases of Town-owned land to HHPSD to facilitate a well adjacent to Fire Station 7 (Cross Island Parkway) and a Reverse Osmosis Water Treatment Plant on the Jenkins Island Tract.

### **Going Forward**

In anticipation of a joint meeting of the HHPSD Board and the Town Council (Sewer Summit 4) Town Staff will be meeting with the PSD Staff to develop a status report and recommendations for how we might move forward. A number of remaining unserved areas correlate with areas where we have private dirt roads; such that both of these issues will necessarily become intertwined.

### **Attachments**

Table  
2005 Town Council Resolution

**Town Contributions to Water and Sewer Service Efforts (1997 to Present)**

<b>Direct Investment</b>	<b>Amount</b>	<b>Source</b>
Water Service Infrastructure (lines, tank, hydrants)	\$1,400,000	CIP
Funding for Original Master Sewer Plan	\$25,000	General Funds
Green Shell Park (Squire Pope Road)	\$383,000	TIF
Ford Shell Ring	\$307,855	TIF
Stoney (Wild Horse Rd., Wm. Hilton Pkwy.; Spanish Wells Rd.)	\$954,150	TIF
Chaplin (Wm. Hilton Pkwy.; Candy Doll Bluff)	\$116,500	TIF
Mathews Drive	\$24,900	TIF
Baygall (Baygall, Fish Haul, Mitchelville Roads)	\$687,777	CIP
Mid-Spanish Wells	\$496,820	CIP
Gumtree Road (estimate)	\$500,000	CIP
Local Match for Unsuccessful CDBG Project (Sq. Pope)	\$65,000	CIP
<b>Subtotal: Direct Investments</b>	<b>\$4,961,002</b>	
<b>Indirect Investment</b>		
Donated Sewer Capacity Rights - Broad Creek PSD	\$45,000	Town Capacity Rights
Donated Sewer Capacity Rights - Hilton Head PSD	\$152,000	Town Capacity Rights
Donated Land for four (4) sewer pump stations	\$1,000,000	Town Land
Long-term lease of land for well site and RO Plant	N/A	Town Land
<b>Subtotal: Indirect Investment</b>	<b>\$1,197,000</b>	
<b>Total Town Investment</b>	<b>\$6,158,002</b>	
<b>CDBG Funds Secured by Town</b>		
Muddy Creek Sewer Project	\$706,194	Federal Grant
<b>Grand Total all Sources</b>	<b>\$6,864,196</b>	

**A RESOLUTION BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA TO ESTABLISH POLICIES AND ACTION STRATEGIES REGARDING ISLAND-WIDE SEWER SERVICE**

**WHEREAS**, the Town of Hilton Head Island includes a significant number of areas where sewer service is not currently available; and

**WHEREAS**, in 2004, the Hilton Head Public Service District drafted a sewer master plan which identifies infrastructure projects and improvements for sewer service to all areas within their boundaries; and

**WHEREAS**, the Town of Hilton Head Island has expressed support for the Hilton Head Island Public Service District sewer master plan;

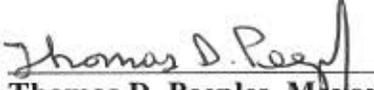
**WHEREAS**, in 2004, the Town of Hilton Head Island adopted the Comprehensive Plan which specifically identifies the need to provide sewer service to all areas at an affordable cost to the user, to extend the service in a cost-effective manner to unserved portions of the Island, and to protect water quality from septic system failures; and

**WHEREAS**, the Town of Hilton Head island desires to determine policies and action strategies with the public service districts to provide a fiscally responsible sewer system, improved public health, and protection of the Island's natural resources; and

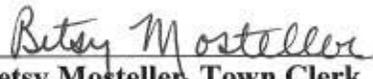
**WHEREAS**, on September 6, 2005, the Public Facilities Committee duly reviewed this Resolution and Attachments, and recommended to Town Council that they adopt the Resolution.

**NOW, THEREFORE BE IT, AND IT HEREBY RESOLVED BY THE TOWN COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, THAT** the Town Council hereby adopts the policies and action strategies as identified in Exhibit "A."

**MOVED, APPROVED, AND ADOPTED ON THIS 20th DAY OF SEPTEMBER, 2005.**

  
Thomas D. Peebles, Mayor

ATTEST:

  
Betsy Mosteller, Town Clerk

## Exhibit "A"

**Sewer Policy 1: The Town would commit to bring sewer service to its existing parks and public buildings currently on septic, as well as future facilities, in a way that benefits all currently unserved residents in adjacent areas.**

Staff recommends the following additional actions by Town Council:

- Approve the list of sewer extension projects shown in Exhibit B, Table 1 and 2. These projects should be included in the Capital Improvement Program (CIP) which is reviewed annually for timing, priority, project cost, and funding source.
- Authorize the Mayor to request that Hilton Head Public Service District (HHPSD) immediately review and revise their capacity fee to reflect the available level of commitment from the Town of Hilton Head Island.

**Sewer Policy 2: The Town would work with the PSDs to locate sewer lift stations and other necessary and appropriate infrastructure on Town-owned land.**

Staff recommends the following additional actions:

- Working with HHPSD, Staff will develop a list of locations of Town-owned property needed for sewer lift stations and associated infrastructure and bring this list to the Town Council for approval.
- Following approval of this list, Town Council should authorize the Mayor to request that Hilton Head Public Service District immediately review and revise their capacity fee to reflect the available level of commitment from the Town of Hilton Head Island.

**Sewer Policy 3: The Town would work with the HHPSD to assure that we are not treated as another developer, but that our contributions are used to lower the costs of connecting for all unserved residents.**

Staff recommends the following action by Town Council:

- Authorize the Town Manager to work in coordination with the three PSDs to review and revise any infrastructure costs that are born by the customer to reflect the contributions of the Town.

**Sewer Policy 4: The Town would reaffirm its commitment to work with HHPSD, Project SAFE, and others to seek grants (such as CDBG) for appropriate areas and income-qualified residents. The highest priority should be given for grants to serve areas where existing residents are experiencing septic system failures or where groundwater or surface water contamination is attributable to septic system usage.**

Staff recommends the following additional actions:

- Town Staff and the above groups collaborate to identify the method and cost to conduct a neighborhood income survey to establish a target area. Town Staff should take the lead to conduct the survey.
- Town Staff and the PSD will work jointly to develop any grant applications.
- Town Council or the PSD should consider contracting a lobbyist for securing federal funds.
- Upon award of a funding source, Town Staff and the PSD will coordinate with each other to ensure smooth and efficient infrastructure construction and grant administration. The funding source usually identifies which agency is the grant recipient vs. the grant administrator.
- Town Staff and the PSD will provide continuous communication with affected property owners during project design and construction.

**Sewer Policy 5: The Town would work with the Community Foundation of the Lowcountry and other agencies to review Project SAFE to ensure that it is appropriately positioned to deal with an increased workload and to assure that all those without means are able to tap in to the sewer system through outright grants. Funding would come from a variety of public and private sources. The Town would encourage South Island PSD to join the other two PSDs in this important charitable effort.**

Staff recommends the following additional actions:

- Town Staff and HHPSD will work with the Community Foundation of the Lowcountry and Project SAFE to develop data to indicate the level of funding necessary to address this need and analyze qualified funding sources. Additional funding opportunities should be encouraged.
- Town Staff will coordinate with all organizations to help educate and inform residents regarding these funding sources available to them to tap into the sewer system.

**Sewer Policy 6: The Town would work with the Community Foundation of the Lowcountry and other agencies to encourage creation of a long-term, interest-free, loan program for those who do not meet the strictest means tests, but whose incomes make it difficult to pay back a loan under the terms imposed upon the PSDs by current state law.**

Staff recommends the following additional action:

- Town Staff and HHPSD will work with the Community Foundation of the Lowcountry and Project SAFE to develop data to indicate the level of funding necessary to address this need and analyze qualified funding sources. Additional funding opportunities should be encouraged.
- Town Staff will develop a program and coordinate with all organizations to help educate and inform residents regarding this funding source available to them to tap into the sewer system.

**Sewer Policy 7: It is the Town's intention to eliminate septic systems on the Island.**

Staff recommends the following additional action:

- The Town should evaluate the successes of its policies on the impact on the health, safety, and welfare of the community and the environment prior to taking additional steps to address this policy.
- If it is determined that a mandatory connection should take place, a specified timeframe and method should be established.

**Sewer Policy 8: The Town would reaffirm its commitment to securing rights-of-way on existing private roads that serve multiple parcels or five or more address points, by condemnation if necessary, to bring them into public ownership in order to facilitate the provision of water and sewer improvements by the appropriate PSD, storm water improvements, paving of the roads, and other necessary improvements.**

Staff recommends the following additional actions:

- The Town will coordinate the acquisition of rights-of-way and ensure that the appropriate entities are responsible for design of the necessary road and infrastructure improvements. We will look to the County to take ownership of the roads and to be responsible for paving to applicable standards. If there are timing issues such that sewer service dictates paving the road ahead of the County's schedule, the Town will seek a reimbursement agreement with the County and "front" the necessary funds for paving.

- Town Staff will prioritize existing dirt roads serving multiple parcels or five or more address points to be considered for public ownership. Prioritization will consider the benefit of public acquisition to the availability of sewer service.
- Town will seek reimbursement from the PSDs should the timing of any Town project occur prior to the schedule for water or sewer installation, so that these improvements may be installed in the most cost-effective and efficient manner. The Town will then look to the PSDs to take ownership and responsibility for new sewer lines.
- These projects will be included in the Capital Improvement Program which is reviewed annually for timing, priority, project cost, and funding source. These priorities should be reviewed in conjunction with the County's road paving schedule and the PSDs schedule for water and sewer improvements to identify opportunities for better coordination.

**Sewer Policy 9: The Town would work with the PSDs, the County, the State and Palmetto Electric and any other utility providers to coordinate paving, drainage improvements, power line burial and extensions of water and sewer service to neighborhoods in a cost-effective and efficient manner. In some cases, it may be necessary for the Town to 'front' the money and seek reimbursement from the appropriate agency whenever the Town learns of plans by any utility provider to make infrastructure improvements.**

Staff recommends the following additional action:

- These projects will be included in the Capital Improvement Program which is reviewed annually for timing, priority, project cost, and funding source. These priorities should be reviewed in conjunction with the County's road paving schedule and the PSDs schedule for water and sewer improvements to identify opportunities for better coordination.

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**Note:** The following was a recommended sewer policy from the Mayor's memo. It was combined in Sewer Policy 4 above.

*The Town would work with the PSDs, and the State and Federal governments to seek grants to address problems with documented septic tank failures.*

**EXHIBIT 'B'**  
**Town-Owned Property Sewer Service Projects**  
**Hilton Head Public Service District**  
8/29/2005

Item	Town-Owned Area	Pump Station Site	COST ESTIMATES (not including road repairs, easements, borings)		Comments
			Town Sewer	Initial Service Area	

Table 1. Town Land with Private  
Parcels Benefits

1	Old Schoolhouse - William Hilton Parkway		\$270,000	\$568,200	\$838,200	New lift station on Town land north of US 278. Bore under US278.
2	Arando Site		\$121,000		\$121,000	Tied to Old School House Site Service
3	Green Shell Park - Squire Pope Road		\$121,000	\$310,000	\$431,000	Beruda Point Pump Station Upgrade
4	SCDOT Parcel Spanish Wells	Future		\$343,750	\$343,750	Possible location for pump station on Town property. <del>would eliminate need for nearby</del>
5	Barker Field /Beach Parking		\$24,750	\$382,300	\$407,050	Tie to new Fish Haul / Baygall Pump Station.
6	Fish Haul Park - Beach City Road		\$93,500	\$0	\$93,500	Project is listed as an assessment project - Not part of sewer master plan "backbone".
7	Indigo Hotel Site - Marshland / Chisolm		\$66,000	\$0	\$66,000	Project is listed as an assessment project - Not part of sewer master plan "backbone".
8	Chaplin South (Board Creek Linear Park)		\$187,000	\$0	\$187,000	Tied to #1 above. Sewer for west side of US278 only. East side is served. Will
9	Marshland Rd (Broad Creek Headwaters)	Future	\$10,000	\$324,950	\$334,950	Possible location for pump station on Town property.
			\$893,250	\$1,929,200	\$2,822,450	

Table 2. Park Service Only

A	Ford Shell Ring		\$11,000	\$0	\$11,000	Sewer is provided by Fuller Property Development immediately adjacent to site.
B	Jenkins Island	Existing/Future Upgrade	\$100,000	\$0	\$100,000	No master plan projects in area. Would be handled as an assessment project. Layout
C	Honey Horn	Future	\$300,000	\$0	\$300,000	Project is listed as an assessment project - Not part of sewer master plan "backbone".
D	Jarvis Creek		\$25,000	\$0	\$25,000	Jarvis Creek Park is currently on septic. Gravity is available near Wendys. Site
E	Islanders Beach		\$33,000	\$0	\$33,000	Tie to new line on Folly Field Rd
			\$469,000	\$0	\$469,000	

Sites in TIF DISTRICT