

MEMORANDUM

TO: Town Council

FROM: Stephen G. Riley, Town Manager

DATE: May 13, 2015

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

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.

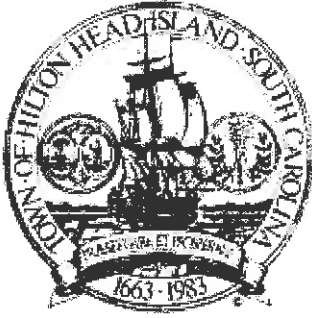
In an effort to facilitate conversation, a set of talking points has been drafted.

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

MEMORANDUM

TO: Town Council

FROM: Stephen G. Riley, Town Manager 

DATE: March 17, 2015

RE: Sewer and Water Service Overview

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)

Direct Investment	Amount	Source
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
Subtotal: Direct Investments	\$4,961,002	
Indirect Investment		
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
Subtotal: Indirect Investment	\$1,197,000	
Total Town Investment	\$6,158,002	
CDBG Funds Secured by Town		
Muddy Creek Sewer Project	\$706,194	Federal Grant
Grand Total all Sources	\$6,864,196	

2005-25

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;

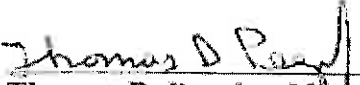
WHEREAS, in 2004, the Town of Hilton Head Island adopted the Comprehensive Plan which specifically identifies the need to provide sewer service to all areas at an affordable cost to the user, to extend the service in a cost-effective manner to unserved portions of the Island, and to protect water quality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

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, assessments, 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	Arancio site		\$121,000		\$121,000	Tie to Old School House Site Service
3	Green Shell Park - Square Pope Road		\$121,000	\$310,000	\$431,000	Merada Point Pump Station Upgrade
4	SCDD 1 Parcel - Shoshone Wells	Future		\$343,750	\$343,750	Possible location for pump station on Town property... would eliminate need for nearby
5	Banker Field / Beach Parking		\$24,750	\$362,300	\$407,050	Tie to new Fish Haul / Aszyggal Pump Station
6	Fish Haul Park - Beach City Road		\$0	\$0	\$0	Project is listed as an assessment project - Not part of sewer master plan "backbone"
7	Indigo Hotel Site - Marshland / Chisolm		\$0	\$0	\$0	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	Tie to #1 above. Sewer for west side of US278 only. East side is served. Will
9	Marshland Rd (Broad Creek Headwaters)	Future	\$15,000	\$324,950	\$339,950	Possible location for pump station on Town property
			\$805,350	\$1,929,300	\$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	\$500,000	\$0	\$500,000	Project is listed as an assessment project. Not part of sewer master plan "backbone"
D	Jarvis Creek		\$75,000	\$0	\$75,000	Jarvis Creek Park is currently on septic. Gravity is available near Windy's. Site
E	Wardens Beach		\$33,000	\$0	\$33,000	Tie to new line on Polly Field Rd
			\$469,000	\$0	\$469,000	

Sites in TIF DISTRICT