Town of Hilton Head Island
TOWN COUNCIL WORKSHOP
Tuesday, February 25, 2025, 1:00 PM
Minutes

Call to Order

Mayor Perry called the workshop to order at 1:00 p.m.

Council Members present: Alan Perry, Mayor, Alex Brown, Ward 1, Mayor Pro-Tempore (Mr. Brown had to leave the meeting at 2:48 p.m.); Patsy Brison, Ward 2; Steve DeSimone, Ward 3, Tammy Becker, Ward 4; Steve Alfred, Ward 5; Melinda Tunner Ward 6

Also present: Marc Orlando, Town Manager; Kim Gammon; Town Clerk; Curtis Coltrane, Town Attorney; Frannie Heizer, Burr & Forman Law Firm; Chris Creed, P. E., Foth Olsen

Adoption of the Agenda

moved to approve. seconded. Motion carried 7-0.

Beach Renourishment Project Overview

Shawn Leininger conducted a presentation regarding the project. He stated the presentation would be done in two segments with one being a project update that he will conduct and the other being funding options which Adriana Burnett will conduct.

Mr. Leininger explained this is in follow-up to the October 30, 2024, Town Council Workshop, where Town Council reviewed and discussed the project scope and requested more information related to the funding options for the project.

As shown in the presentation, the following items were discussed.

1. **Beach Renourishment Project Update:**
    a. Project Overview, Scope, Status & Schedule

    Overview:
    The proposed project will include:
    The project is being implemented per the Town's Beach Management Plan with scheduled renourishment every 8 to 10 years.
    Placement of approximately 2.2 million cubic yards of sand, and
    Installation of six rip-rap breakwaters on the Port Royal Sound shoreline at Pine Island
    The sand will be sourced from up to four nearby borrow areas located roughly 3 to 8 miles offshore
    Disruptions at individual properties generally last one week or less as the moving operation progresses

Once the operation is up and running, the project will advance along the beach at a rate of 200 to 300 feet/day
The project schedule was developed to avoid significant impacts to nesting turtles and migratory shorebirds, including piping plovers and red knots.
Construction windows are set by US Fish and Wildlife Service.
Scope:
Permit 1 (Approved February 21, 2025)
South Beach: place 750,000 cubic yards of sand
Central Atlantic: place 700,000 cubic yards of sand
The Heel/Port Royal: place 500,000 cubic yards of sand
Fish Haul: place 50,000 cubic yards of sand
Permit 2 (Pending Approval)
Pine Island: place 200,000 cubic yards of sand
Pine Island: install 6 breakwater structures to mitigate sand erosion
Permit Requirement: Dog Restricted Area
Per a requirement of permit from U.S. Army Corps of Engineers and U.S. Fish and Wildlife Service (USFWS), the Town must amend its municipal code to restrict dog activity adjacent to Fish Haul Creek.
No other beach areas will be affected.
Seeks to protect endangered shorebird species who migrate and nest in an area about the size of three football fields.
Dogs can be disruptive to this habitat.
Restriction will go into effect upon adoption of the amended municipal code.
The area will be marked with signage.
Project Status & Schedule:
US Fish & Wildlife Service (USFWS) Biological Opinion (BO)
  Issued on August 8, 2024
  Included in State Permit Terms and Conditions
Permit is currently being reviewed by the State and USACE

Project Schedule
Preconstruction
  Bid Phase: March – April 2025
  Contract Awards: May 1, 2025
  Amend Beach Park Rules: April – May 2025
Construction (3 Phases)
  Phase 1 (Renourishment): Summer 2025 to Oct 2025
    Sand placement on the Island's north end
  Phase 2 (Renourishment): Sept/Oct 2025 to May 2026
    Sand placement on south beach and central island
  Phase 3 (Breakwater Structures): To Be Determined
    Rock breakwater structures at Pine Island

b. Communication Plan Update
Plan Goals:

Create widespread awareness and engagement related to the project.
Share timely information about the projects prior to and throughout each phase.
Target audiences include:
Island residents and visitors
The Chamber of Commerce and business owners
HOAs and property management firms
Partner groups (Shore Beach Services, Island Rec, and others)
School Groups
Environmental Groups
Media
Outreach will be managed by the Communications Team:
social media,
website updates,
news releases,
and interactive, real-time mapping during implementation.

Mr. Leininger concluded his segment of the presentation and asked for questions from Council.

Council members made comments, asked questions and had discussion regarding: inquiry as to Fiush Haul or Port Royal will be addressed first and confirmation it will be up to the contractor; inquiry as to the $3 million dollar amount predicted for Phase 3 and confirmation it is an order of magnitude for estimates; inquiry as to whether there is a contingency plan and confirmation there could be disruptions that will need reassessed at the time and amendments to the permits will be required; inquiry regarding the timing of the assessment of migrating birds and inquiry as to whether the decision of disallowing dogs in the restricted area can be reassessed; confirmation this is a migrating area for piping plovers and the existence of a deep data base of known activities regarding the piping plovers; confirmation the decision to restrict dogs in that specific area was a long established goal of the U.S. Fish and Wildlife Service but they are very reasonable with their requirements; confirmation that predictions of future requirements is difficult to determine; clarification on the number of permits needed which is two; confirmation of timing on Pine Island and it will be part of Phase 1; confirmation bids can go out before the permit is received; confirmation that the amendment to the Municipal Code needs to come forward to Council in April with approval in May; confirmation this process is standard; inquiry into Phase 2 of construction and confirmation the construction will be complete by January or February of 2026; and clarification that by letting the contractor choose areas to work on should be favorable in the results on the bids.

Ms. Burnett began her segment of the presentation providing the following information:

2. **Finance Current Financial Outlook**:
   a. Current Fund Balances as of 1/31/25
   b. Investment Interest Income Received for Prior Years
   c. Current Debt Balance
3. **Finance Funding Options:**
   Major Topics

- Measures of the Town of Hilton Head Island's Financial Strength
- Fund Balances Available to Fund Beach Renourishment Project
- Interest Income by Year
- Annual Debt Service by Source of Payment (graphic / table representation)
- Town of Hilton Head Island's High Current Bond Ratings Reflect Our Financial Strength
- Beach Preservation Fee Revenue as a Source of Funding
- Town of Hilton Head Island Debt Options: General Obligation Vs. Special Obligation Bonds
- Beach Preservation (Special Obligation) Fee-Backed Debt Service Payments; $10,975,000 in Principal Remaining
- Annual Beach Preservation Fee Collections Far Exceed Annual Debt Payments
- Beach Preservation Fund Cash Balances Have Grown Steadily Since FY2017
- FY2026 Beach Renourishment Project Funding Options
- Items to Consider Since the October 30th Town Council Workshop
- Potential Beach Preservations Fee-Backed Debt Issuance Options to Fund FY2026 Project

- Key Outcomes for Each Option
  a. Cash Option – 100% Cash Funding
  b. Debt Option – 100% Debt Funding
  c. Hybrid Option – Partial Cash with Debt Financing

NEXT STEPS:

The following are the next steps related to the project:

1. Coordinate with the State and the US Army Corps of Engineers to obtain project permits.
2. Successfully bid and award the project for implementation during the summer of 2025.
3. Update the Project Funding Options Model with final cost estimates to provide Town Council with recommendations.
4. Continue implementation of a robust and comprehensive communications plan.

Beach Renourishment Funding Strategy

Items to consider from the October 30th Town Council Workshop:

Overall construction industry costs are expected to continue upward, thus estimated project costs range from $42.5 million to $48.5 million.

During FY2006, Town Council passed a Beach Preservation Fund Reserve Ordinance to maintain a $12 million minimum balance.

1-10 year Tax-exempt borrowing rates have increased 20-30 basis points since 10/30/24.

The Town, as of August 1, 2025, has the option to redeem callable bond principal payments (FY2027: $3.655M; FY2028: $3.84M) with funds from Beach Preservation Fund and/or other sources.

Proposed Carry Forward of approved Beach Renourishment Project costs of $14.5M to the FY2026 Budget

Potential Beach Preservation Fee - Backed Debt Issuance Options to Fund FY2026 Project

	Option 1 All Cash	Option 2 Cash/Debt Mix	Option 3 All Debt
FY2025			
Approximate Cash Balance as of June 30, 2024	$ 39,000,000	$ 39,000,000	$ 39,000,000
Expected Revenues FY25	$ 13,800,000	$ 13,800,000	$ 13,800,000
Budgeted Non-Beach Renourishment CIP & Operating Expense FY25	$ (6,500,000)	$ (6,500,000)	$ (6,500,000)
Estimated Beach Renourishment CIP FY25	$ (2,000,000)	$ (2,000,000)	$ (2,000,000)
Projected Balance as of June 30, 2025	$ 44,300,000	$ 44,300,000	$ 44,300,000
FY2026			
Expected Revenues FY26	$ 13,800,000	$ 13,800,000	$ 13,800,000
FEMA Past Storms Reimbursement Grants (80% of Anticipated Payments)	$ 7,000,000	$ 7,000,000	$ 7,000,000
Budgeted Non-Beach Renourishment CIP & Operating Expense FY25	$ (6,500,000)	$ (6,500,000)	$ (6,500,000)
Remaining FY26 Series 2017 Debt Service Payments (payable 8/1/25 & 2/1/26)	$ (3,941,750)	$ (3,941,750)	$ (3,941,750)
Cash Payment to Call 8/1/27 & 8/1/28 Principal Payments	$ (7,495,000)	$ (7,495,000)	$ (7,495,000)
Proceeds from potential August 2025 Bond Issue to pay for Capital Projects*	$ -	$ 26,000,000*	$ 48,500,000*
Budgeted Beach Renourishment CIP FY26	$ (46,500,000)	$ (46,500,000)	$ (46,500,000)
Projected Balance as of June 30, 2026***	$ 663,250 **	$ 26,663,250	$ 49,163,250

*Potential FY2026 Bond Issuance would be paid back via Level Debt Service Payments for 10 years (with an 8-year call) with principal payback beginning approximately Aug, 2026 (FY 2027); Option 2: $3,100,000 per Year; Option 3: $5,800,000 per Year.

**Would require town ordinance to allow balance under $12M.

***Projected Balances do not include potential additional interest earnings on unused cash balances associated with Options 2 & 3.

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Key Outcomes for Each Option

	Option 1 - All Cash	Option 2 - Hybrid	Option 3 - All Debt
Projected Cash Balance on 6/30/2026	$697,250 (well below $12 million minimum balance)	$26,697,250	$49,197,250
Estimated Annual Debt Service Payments FY2027 -2036	$0	$3,100,000 (Lower than Current Debt Service)	$5,800,000 (Higher than Current Debt Service)
Estimated Coverage Ratio*	-	4.48	2.39
Estimated Effect on Bond Ratings	GO- Likely none Beach Preservation Bonds-None	GO – Likely none Beach Preservation Bonds– Potential Upgrade	GO- Likely none Beach Preservation Bonds– Likely none
Natural Disaster Preparedness	Weak, especially in first few years after project completion	Stronger, especially in first few years after project completion	Stronger than Option 2, especially in first few years after project completion
Financing Costs (Tax-exempt)	None	Higher than using cash, though lower than taxable debt	Highest total financing costs, though lower than taxable debt
Spread costs of capital project over useful life of the improvements?	No	Yes, partially	Yes
Investment Income on Remaining Cash Balances & Bond Proceeds (until spent on project)	Very Low	Medium	Highest

*Coverage Ratio = Pledged Revenue/Debt Service Payments

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Council members made comments, asked questions and had discussion regarding: confirmation of the call date of August 1 for existing bonds; clarification that bonds can be called any time after August 1 with 30 day notice; clarification that interest on the bonds would be pro-rated after August 1; confirmation revenue for the Town spike in 2020 due to COVID; confirmation revenue surpassed debit services; inquiry as to the benefits of the hybrid option; clarification of the need to look at interest rates and rate of return on invested funds to make a decision; confirmation there are restrictions on uses for certain funds; a suggestion the conservative approach would be the hybrid option due to uncertainty in what nature will bring forward; inquiry into the need for bonds for other projects; inquiry into what the interest rate would be and what interest and principal payments would be; confirmation bids need to be awarded before actual numbers are used; confirmation that Phase 3 is included in the estimated costs; confirmation the current rate on bonds is around 2%; confirmation the interest rate range for August of 25 is 3.53%; clarification and explanation of installment purchased revenue bonds; clarification that the set aside emergency funds are not included in the available funds; an expression of the full cash funding preference; and the need to have actual contractor costs in order to make a decision.

Mayor Perry asked for public comment.

Amber Kuehn addressed Council regarding sea turtle nesting and what will be required during the beach renourishment as well as her input that she did not get much negative input during past renourishments which is positive.

Public Comment - Non Agenda Items

Dee Anthony addressed Council commending the Community Services and Public Safety Committee on their last meeting. She questioned protocol during Town Council meetings and whether Town Council members have a limit on speaking, and she feels it's rude to time how long a Council member speaks.

Ashleigh Phillips addressed Council stating the behavior during meetings is dysfunctional and should be addressed. She challenged Council to ask themselves if they are working to the best of their ability for all the people of Hilton Head Island.

Adjournment

Mayor Perry adjourned the workshop at 3:01 p.m.

Approved: March 4, 2025

Kimberly Gammon, Town Clerk

Alan R. Perry, Mayor

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