Town of Hilton Head Island
TOWN COUNCIL WORKSHOP
Tuesday, August 26, 2025, 1:00 PM
Minutes

Call to Order

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

Council Members present: Alan Perry, Mayor; Alex Brown, Ward 1, Mayor Pro-Tempore; Patsy Brison, Ward 2; Steve DeSimone, Ward 3; Tammy Becker, Ward 4; Steve Alfred, Ward 5; Melinda Tunner, Ward 6

Others Present: Marc Orlando, Town Manager; Curtis Coltrane, Town Attorney; Kim Gammon, Town Clerk

Adoption of the Agenda

Mr. Alfred moved to approve. Ms. Becker seconded. Motion carried 7-0.

Workshop Discussion

Capital Improvement Program (CIP) Update

Mr. Orlando stated the Town is currently in year one of our Five-Year Capital Program. He said they will take some time to review the priorities that have been set for this five-year period and discuss several strategies for funding and how those strategies align with our long-term goals. He introduced Shawn Leininger to conduct the presentation.

Mr. Leininger stated the following will be discussed:
FY2026-2028 Strategic Action Plan Priorities
Status of Current FY2026 CIP Projects
Planned FY2027-2030 CIP Projects
Funding Options to Support Planned CIP Projects
General Discussion

Mr. Leininger reported on the current status of Town Projects with a review of the proposed CIP uses of funds, proposed CIP sources of funds and a review of the FY2026 CIP Project Dashboard.
Planning - 55 Projects
Design - 20 Projects
Construction - 3 Projects*
* Mitchelville Road and Coligny Pocket Park are bid and nearing construction start

He noted the following project delivery challenges and opportunities: Easement / right-of-way acquisition; Contractor availability / capacity; Bid competition; Some pricing is exceeding market estimates; and Simplify procurement strategy.

Mr. Leininger reviewed the FY2026-2028 Strategic Action Plan Priorities and reported on the status of current FY2026 CIP Projects with proposed uses and sources of funds.

He reviewed in detail the Beach Program, Pathway Program, Roadway Program, Park Program, Facilities and Equipment Program, and Fleet Program, conducting an overview of the FY2027-2030 CIP Projects. (He noted that the Stormwater Program will be discussed in detail at the September 30 Town Council Workshop.)

- Major investments in all program areas to advance public safety and quality of life
- Project scope and costs are not yet fully realized for year 2027–2030 projects
- Great CIP Program and Project Management Team in place (approximately 8 project managers)
- Great financial position to execute projects
- Town considerations for project delivery include: Prioritization; Scope; Schedule; Phasing; and Cash versus debt
- Challenges and opportunities moving forward

Mr. Leininger handed over the presentation to the Finance Team. John Troyer and John McGowan conducted a presentation on the finances and the options available covering the following information:

Potential Funding Sources of Capital Projects
Beach Preservation Fee Fund
Debt Service Fund Accumulated Balances
General Obligation Property Debt Service Tax Millage
Stormwater Utility Fee Fund (9/30/25 Workshop)
Potential Establishment of New Tax Increment Finance (TIF) District
Cash-on-Hand in Various Funds

Review of Funding Option for Beach Renourishment
Approximately $47.5M in Expected Capital Expenditures
Cash Financed: Approximately $28.5M (60%)
Debt Financed: Approximately $19M (40%)
Source of Repayment: Future Beach Preservation Fee Revenues
Term: 7 Years
Approximate Annual Payment: $3.1M
Series 2017 Beach Preservation Fee Bonds: $30,075,000 in Principal,10 Year Term, Annual Payments of $4.0M
Annual Beach Preservation Fee Revenues:
FY2017:$6,860,758
FY2024: $13,889,049

Closing Date: Late November 2026

Debt Service Fund's Accumulated Balance as a Source of General Obligation (GO) Debt Payment

Debt Service Fund balances can only be used to pay back debt

Fund Balance has grown to $14.2M (anticipated balance as of 9/1/25) over the past several years due to conservative Debt Service Property Tax Millage Projections and no New Debt

$2.5 Million is Reasonable Minimum Balance to Maintain if future debt service property tax collections were to come in below estimates

Town can set policy to maintain a future Debt Service Fund Minimum Balance in $2.5M range

Thus, a Potential GO Bond Issue can utilize approximately $11.7 million in Debt Service Funds to pay back a portion of the Proposed 2026 Debt

There was a review of various payback scenarios regarding issuing debt and paying back via 2 mills of debt service millage and a possible schedule of a General Bond Issue along with an overview of what a TIF District is, along with what the benefits are, risks and examples of infrastructure improvements previously financed by Hilton Head Island TIF.

Mayor Perry asked for public comment.

Dave Ferguson addressed Council regarding the need to focus on what matters most to the people who live here and to spend wisely and be completely transparent about results.

Palmer Simmons addressed Council stating that the Capital Improvements listed are a matter of need with an emphasis on the need to address a complete drainage plan. He questioned the need for additional land acquisitions for the Town.

Council members participated in detailed discussion throughout and after the presentation regarding prioritizing projects and the need to address funding.

Mr. Orlando reviewed the discussion stating they do anticipate bringing forward a Beach Preservation Bond in the range of $19 million. Currently, there is $11.7 million available in the GEO Debt Fund Reserve, which helps maintain a healthy fund balance in the 2.5–2.6 range.

As has been discussed, the GEO Debt Fund millage has about two mills of capacity available. Roughly speaking, one mill equals about $1.3 million, which means two mills generate around $2.4 million annually. This provides flexibility in structuring repayment. For example, one year of borrowing at two mills could support approximately $2.4 million, while over 25 years it equates to about $38.9 million. The question that needs to be addressed next month is whether the Town pursues one mill or two mills. Compressing to one mill limits borrowing capacity, while using two mills provides more room to fund the projects.

Mr. Orlando stated that early in January, Council will begin discussing capital projects, and this year should be a lot smoother than last year because we now have a five-year plan in place. Think of it as "on your mark, get set, go." "On your mark" is understanding where the dollars are, along with Council's tolerance for borrowing. "Get set" is resetting the budget. And "go" is moving forward with projects. Another key piece to bring to the table is the schedule of when our other bonds will be paid off. If a bond payoff occurs in the next five or ten years, that helps reduce the amount of millage required to cover costs.

Public Comment - Non Agenda Items

Richard Bisi addressed Council regarding FAR (Floor Area Ratio) stating the importance of it is to control the density of development and the need to apply it to all Hilton Head Island neighborhoods and not just the Forest Beach Neighborhood.

Adjournment

The workshop was adjourned at 3:30 p.m.

Kimberly Gammon, Town Clerk

Alan R. Perry, Mayor

The full recording and a transcript of this meeting can be found on the Town's website at www.hiltonheadislandsc.gov