

## HILTON HEAD PUBLIC SERVICE DISTRICT

21 OAK PARK DRIVE– POST OFFICE BOX 21264  
HILTON HEAD ISLAND, SOUTH CAROLINA 29925  
TELEPHONE 843-681-5525 – FAX 843-681-5052

### JUNE 2023 AGENDA PACKET CONTENTS

1. Agenda for the June 28, 2023, Regular Commission Meeting
2. Draft Minutes of the May 24, 2023 Regular Commission Meeting
3. Memo from the Finance Manager on the Proposed FY'24 Budget
4. FY'24 Rate Resolution Advertisement
5. FY'24 Resolution Authorizing the Implementation of New Water and Sewer Rates
6. FY'24 Budget Advertisement
7. FY'24 Budget Resolution
8. Proposed FY'24 Budget
9. GO Bond PowerPoint Presentation
10. **PLACEHOLDER:** SCIIP/ARPA Projects Engineering Expense Authorization
11. Memo from the GM on the Commission Code of Conduct – Conflict of Interest Policy Amendment
12. Commission Code of Conduct Adopted June 2018
13. Draft PSD Financial Policy Update
14. General Manager's Monthly Report
15. Letter from Rep. Weston Newton to The Chairman Re: SCIIP Grant Award – FYI
16. Thank You Letter from Ronald McDonald House Charities - FYI
17. Charts, Graphs and Water Quality Report



# Agenda

# HILTON HEAD PUBLIC SERVICE DISTRICT

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TELEPHONE 843-681-5525 – FAX 843-681-5052  
www.hhpsd.com

## AGENDA

Hilton Head Public Service District Commission  
9 a.m.  
June 28, 2023  
PSD Community Room  
21 Oak Park Drive, Hilton Head Island, SC 29926

- I. Call to Order & Freedom of Information Act Announcement
- II. Pledge of Allegiance
- III. Roll Call of Commissioners
- IV. Public Hearing on FY '24 Rates & Fees Adjustments
- V. Public Hearing on FY '24 Operating Budget and Millage
- VI. Public Comment on Non-Agenda Items
- VII. Adoption of Draft Minutes of the May 24, 2023, Regular Meeting
- VIII. FY '24 Rates & Fees Adoption (Action)
- IX. FY '24 Operating Budget and Millage Adoption (Action)
- X. SCIIP/ARPA Projects:
  - A. General Obligation Debt Process Overview
  - B. SCIIP/ARPA Projects Engineering Expense Authorization (Action)
  - C. Commissioner Code of Conduct - Conflict of Interest Policy Amendment
  - D. PSD Financial Policies Update
- XI. General Manager's Monthly Report
- XII. Adjournment

**\*Public Comment will be taken before Commission vote on any action item.**



# Draft Minutes

# HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT

21 OAK PARK DRIVE – POST OFFICE BOX 21264  
HILTON HEAD ISLAND, SOUTH CAROLINA 29925  
TELEPHONE 843-681-5525 – FAX 843-681-5052

## MINUTES COMMISSION MEETING MAY 24, 2023

**I. The meeting was called to order by Chairman Frank Turano at 9:00 a.m.**

**II. Those in attendance were:**

|                         |              |
|-------------------------|--------------|
| Mr. Frank Turano        | Chair        |
| Mr. Jerry Cutrer        | Vice Chair   |
| Mr. Stuart Bell         | Treasurer    |
| Mrs. Patti Soltys       | Secretary    |
| Mr. Andy Paterno        | Commissioner |
| Mr. Ibrahim Abdul-Malik | Commissioner |
| Mr. Michael Marks       | Commissioner |

Present by request:

|                                |                                |
|--------------------------------|--------------------------------|
| Mr. Pete Nardi                 | General Manager                |
| Mr. Bill Davis                 | Operations Manager             |
| Ms. Amy Graybill               | Finance Manager                |
| Mr. Lawrence Flynn (via phone) | Pope Flynn                     |
| Mrs. Emily Sobczak (via Zoom)  | Greene Finney                  |
| Mrs. Connie Whitehead          | Commission Recording Secretary |

Visitors:

None

**III. Pledge of Allegiance**

The Pledge of Allegiance was led by Mr. Frank Turano.

**IV. Public Hearing on FY'23 Front-Foot Assessment Imposition**

### Key Discussion Points

- The public hearing opened at 9:02 a.m.
- There was no public comment.

- The public hearing closed at 9:02 a.m.

**V. Public Hearing on FY'23 Capacity Fee Imposition**

Key Discussion Points

- The public hearing opened at 9:03 a.m.
- There was no public comment.
- The public hearing closed at 9:03 a.m.

**VI. Adoption of Resolution Confirming Final Assessment Roll and Capacity Fee**

Key Discussion Points

- Mr. Lawrence Flynn was present to answer any questions from the board regarding the assessment imposition.

Action

- Mr. Cutrer moved to adopt the resolution confirming the final assessment roll and capacity fees. Mr. Bell seconded. The motion passed unanimously.

**VII. FY'23 Audit Engagement Letter**

Key Discussion Points

- Ms. Graybill presented the audit engagement letter from Greene Finney.
- Mrs. Emily Sobczak was present to answer any questions from the board regarding the audit.
- Staff recommends executing the letter as presented.

Action

- Mr. Bell moved to execute the audit engagement letter as presented. Mrs. Soltys seconded. The motion passed unanimously.

**VIII. Public Comment on Non-Agenda Items**

None

**IX. Adoption of Draft Minutes of the April 26, 2023, Commission Meeting**

Action

- Mr. Marks moved to adopt the minutes of the April 26, 2023, regular meeting as presented. Mrs. Soltys seconded. The motion passed unanimously.

**X. Emergency Purchasing Authorization**

Key Discussion Points

- Mr. Nardi presented an emergency purchasing authorization request for board consideration.

- The PSD has commenced a \$200,000 parts replacement for one of the screw pumps in the wastewater treatment plant due to S.C. DHEC requirements. A gear box on one of the pumps failed, and DHEC requires all three pumps to be available at all times.
- No budget amendment is necessary, due to District cash on hand capacities.
- Staff recommends the Commission retroactively approve the parts replacement at a cost not to exceed \$200,000.

Action

- Mr. Bell moved to retroactively approve the parts replacement for the screw pump at a cost not to exceed \$200,000. Mr. Paterno seconded. The motion passed unanimously.

**XI. FY'23 Third Quarter Financial Report**

Key Discussion Points

- Ms. Graybill presented the draft FY'22 Third Quarter Financial Report. A copy is included in the agenda packet.

**XII. FY'24 Draft Budget**

Key Discussion Points

- Ms. Graybill presented a final draft of the FY'24 budget. The budget incorporates Cost-of-Service Scenario 2, which the board adopted at the April meeting.
- The board will vote on the final draft at the June board meeting.

**XIII. Commissioner Committee Reports**

A. Executive Committee

Key Discussion Points

- The Executive Committee met May 17 and held an executive session to discuss the GM performance evaluation. The details of that session will be discussed during executive session today.

**XIV. General Manager's Monthly Report**

Key Discussion Points

- Mr. Nardi presented the General Manager's Monthly Report. A copy is included in the agenda packet.

**XV. New Business**

None

## **XVI. Executive Session to Discuss the GM Performance Review**

### Action

- Mr. Cutrer moved to enter into executive session for the purpose of discussing the GM performance review. Mr. Paterno seconded. The motion passed unanimously.
- Executive session began at 10:14 a.m.

## **XVII. Reconvene Regular Session**

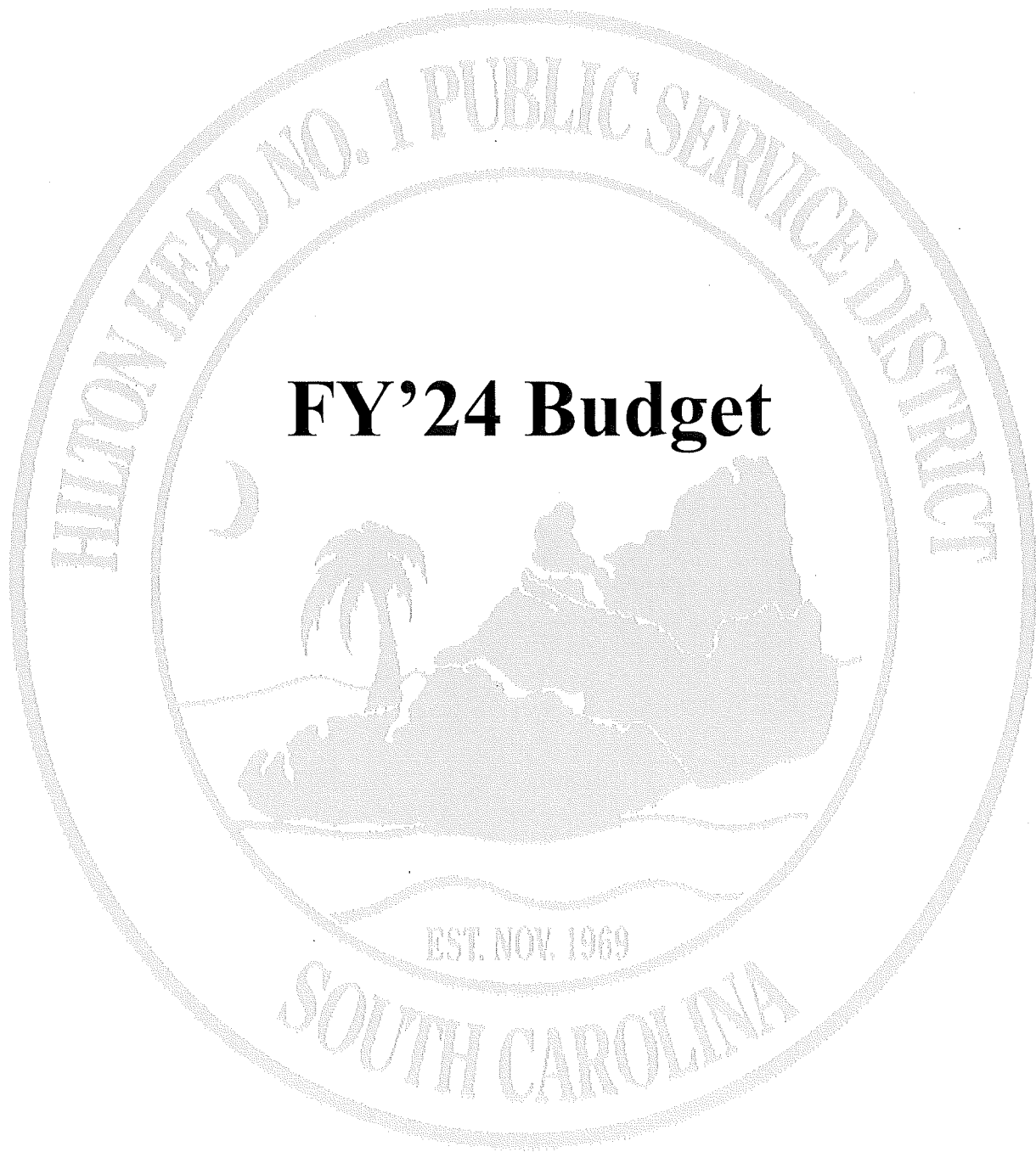
### Key Discussion Points

- Regular session reconvened at 11:24 a.m.
- No action was taken as a result of executive session.

## **XVIII. Adjournment**

### Action

- The meeting adjourned at 11:24 a.m.



# **FY'24 Budget**



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

To: Commissioners  
 Pete Nardi – General Manager

From: Amy Graybill – Finance Manager

Date: 06/28/2023

Re: Fiscal Year (FY) 2024 Proposed O&M, Capital Improvement Budgets and Millage Rates

**Background:**

Below is a summary of the FY 2024 O&M and Capital Improvement Budgets. Staff provided an in-depth overview of the budgets at the April 26, 2023 Commission Meeting and the Commission selected Cost of Service Analysis Scenario 2 which included water volumetric increases, sewer volumetric increases, increases to the sewer connection fee, and increases to the backflow inspection fee.

**FY 2024 Budget Summary – Revenue and Expenses:**

|   | <b>FY 2024<br/>Budget</b> |
|---|---------------------------|
| Operating Revenues                                    | \$ 15,166,100             |
| Non Operating Revenues                                | 3,941,600                 |
| Total Capital Contributions                           | <u>320,000</u>            |
| Total Revenues  | 19,427,700                |
| Operating Expenses                                    | 12,777,100                |
| Depreciation  | 5,190,000                 |
| Non Operating Expenses                                | <u>602,700</u>            |
| Total Expenditures                                    | <u>18,569,800</u>         |
| Increase / (decrease) in net position                 | <u>\$ 857,900</u>         |
| <br><i>Reconciliation to Projected Cash Flow:</i>     |                           |
| Increase / (decrease) in net position                 | \$ 857,900                |
| Add Depreciation                                      | 5,190,000                 |
| Add Bond Amortization / Defeasance                    | 325,500                   |
| Add Interest Expense                                  | 277,200                   |
| Add Assessment Collections                            | 205,000                   |
| Less Debt Payments                                    | (4,014,500)               |
| Less FY'24 CIP Cash Outlay                            | <u>(3,050,000)</u>        |
| Net Projected Cash Flow (Appropriation from Reserves) | <u>\$ (208,900)</u>       |

1. **Operating Revenues** are estimated to increase \$399,500 from FY'23 projections. This increase in operating revenues is based on growth during FY'23 and water and sewer volumetric tier increases.
2. **Non-Operating Revenues** are projected to decrease by \$9,500 from FY'23 projections. Non-operating revenues includes the following proposed millage rates for tax year 2023:
  - Operations Levy of 3.0 mills, which is the same as FY'23;
  - GO Debt Levy of 4.1 mills, which is the same as FY'23.
  - Total millage rate of 7.1 mills.
3. **Capital Contributions** include conservatively budgeted water and sewer capacity fees and the joint hydrant program with the Town of Hilton Head.
4. **Operating Expenses**, including depreciation, are projected to increase by \$837,600 from FY'23 projections.
  - More detail on operating expenses can be found starting on page 19 of the budget document.
5. **Non-Operating Expenses** are estimated to decrease by \$77,600 from FY'23 projections in accordance with current debt service schedules.
6. **Change in Net Position** is budgeted at \$857,900.
7. **Cash Flow** (appropriated from the operating reserve) is projected to decrease by \$208,900.
8. **Debt Service Coverage** by net earnings is estimated:
  - FY 2023 is projected at 243%.
  - FY 2024 is projected at 215%.
  - Details are located on page 8 of the budget document.
9. **Rate Funded CIP Projects** are estimated at \$3,050,000. More details can be found on page 37 of the budget document.

**Recommendation:**

1. Staff recommends the adoption of the resolution authorizing the implementation of new water and sewer rates to be effective July 1, 2023.
2. Staff recommends the adoption of the FY 2024 O&M and CIP Budgets and the proposed Millage Rate.

**Attachments:**

FY 2024 Rate Resolution Advertisement

FY 2024 Resolution Authorizing the Implementation of New Water and Sewer Rates

FY 2024 Budget Advertisement

FY 2024 Budget Resolution

**NOTICE OF PUBLIC HEARING  
HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT  
REGARDING NEW WATER AND SEWER RATES**

Notice is hereby given that a public hearing will be held before the Hilton Head No. 1 Public Service District Commission (the "Commission"), the governing body of the Hilton Head No. 1 Public Service District (the "District"), beginning at 9:00 a.m. (or as soon thereafter as time permits) on Wednesday, June 28, 2023. The hearing will be held in the District's Community Room, which is located at 21 Oak Park Drive, Hilton Head Island, SC. The purpose of the hearing will be to allow members of the public to express their views regarding the proposed water and sewer rates and fees for customers of the District. All persons who attend the public hearing will be given an opportunity to speak.

As required by the District's enabling legislation and Section 6-1-330 of the Code of Laws of South Carolina, 1976, as amended, the public is advised upon the due adoption by the Commission and the filing of the proposed changes to rates, fees, and charges with the Clerk of Court of Beaufort County, the revised rates, fees, and charges are anticipated to take effect on July 1, 2023. The following revised rates, fees, and charges are proposed:

| <b>Residential Water</b>                 | <b>FY 2023</b>             | <b>FY 2024</b>             | <b>Residential Irrigation</b>   | <b>FY 2023</b>        | <b>FY 2024</b>             |
|--|----------------------------|----------------------------|---|-----------------------|----------------------------|
| <b><u>Rates per 1,000 Gallons:</u></b>   | <b><u>Current</u></b>      | <b><u>Revised Rate</u></b> | <b><u>Rates per 1,000 Gallons:</u></b>  | <b><u>Current</u></b> | <b><u>Revised Rate</u></b> |
| Block 1 - 0 to 10,000 Gal                | \$ 1.47                    | \$ 1.52                    | Block 1 - 0 to 10,000 Gal   | \$ 1.91               | \$ 2.11                    |
| Block 2 - 10,001 to 20,000 Gal           | \$ 1.91                    | \$ 2.11                    | Block 2 - 10,001 to 20,000 Gal  | \$ 1.91               | \$ 2.11                    |
| Block 3 - 20,001 to 30,000 Gal           | \$ 2.36                    | \$ 2.54                    | Block 3 - 20,001 to 30,000 Gal  | \$ 2.36               | \$ 2.54                    |
| Block 4 - All Over 30,000 Gal            | \$ 2.98                    | \$ 3.38                    | Block 4 - All Over 30,000 Gal   | \$ 2.98               | \$ 3.38                    |
| <b>Commercial Water &amp; Irrigation</b> | <b>FY 2023</b>             | <b>FY 2024</b>             | <b>Residential &amp; Commercial Sewer</b>   | <b>FY 2023</b>        | <b>FY 2024</b>             |
| <b><u>Rates per 1,000 Gallons:</u></b>   | <b><u>Current</u></b>      | <b><u>Revised Rate</u></b> | <b><u>Rates per 1,000 Gallons:</u></b>  | <b><u>Current</u></b> | <b><u>Revised Rate</u></b> |
| Block 1 - 0 to 10,000 Gal                | \$ 1.69                    | \$ 1.69                    | Residential sewer usage is capped at 10,000 gallons per month. There is no cap on commercial sewer usage. | \$ 2.00               | \$ 2.16                    |
| Block 2 - 10,001 to 20,000 Gal           | \$ 2.06                    | \$ 2.11                    |   |                       |                            |
| Block 3 - 20,001 to 30,000 Gal           | \$ 2.53                    | \$ 2.54                    |   |                       |                            |
| Block 4 - All Over 30,000 Gal            | \$ 3.18                    | \$ 3.38                    |   |                       |                            |
| <b>Fees</b>                              | <b>FY 2023</b>             | <b>FY 2024</b>             |   |                       |                            |
| <b><u>Current</u></b>                    | <b><u>Revised Rate</u></b> |                            |   |                       |                            |
| Sewer Connection Fee                     | \$ 100.00                  | \$ 150.00                  |   |                       |                            |
| Backflow Inspection Fee                  | \$ 100.00                  | \$ 175.00                  |   |                       |                            |

**A RESOLUTION OF THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT COMMISSION AUTHORIZING THE IMPLEMENTATION OF NEW WATER AND SEWER RATES; AND OTHER MATTERS RELATING THERETO.**

WHEREAS, the Hilton Head No. 1 Public Service District, South Carolina (the “*District*”) was created and established as a body politic and corporate pursuant to Act No. 596 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1969, as amended (the “*Enabling Legislation*”). The District is located wholly within Beaufort County, South Carolina and was established for the purpose of providing waterworks and sewerage services within the boundaries of the District;

WHEREAS, the Hilton Head No. 1 Public Service District Commission (the “*Commission*”), the governing body of the District, is empowered by the Enabling Legislation to “place into effect and to revise, whenever it so wishes or may be so required, a schedule of rates for water and sewer service . . . made available by it to persons, firms and corporations within the District;”

WHEREAS, the Commission has determined that the District’s water and sewer rates shall be reviewed annually (or more often) and adjusted as needed to account for inflation, capital needs, debt service coverage compliance and other factors affecting the operations of the District; and

WHEREAS, in reviewing the District’s budget for fiscal year 2023/24 beginning July 1, 2023, the District’s staff has recommended that certain amendments be made to the District’s water and sewer rates, which includes the revisions to existing rates, fees, and charges.

NOW THEREFORE, BE IT RESOLVED BY THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT COMMISSION IN MEETING DULY ASSEMBLED, AS FOLLOWS:

1. The following revised rates are proposed for fiscal year 2023/24

| <b>Residential Water</b>                 | <b>FY 2023</b> | <b>FY 2024</b>      | <b>Residential Irrigation</b>             | <b>FY 2023</b> | <b>FY 2024</b>      |
|--|----------------|---------------------|---|----------------|---------------------|
| <b>Rates per 1,000 Gallons:</b>          | <b>Current</b> | <b>Revised Rate</b> | <b>Rates per 1,000 Gallons:</b>           | <b>Current</b> | <b>Revised Rate</b> |
| Block 1 - 0 to 10,000 Gal                | \$ 1.47        | \$ 1.52             | Block 1 - 0 to 10,000 Gal                 | \$ 1.91        | \$ 2.11             |
| Block 2 - 10,001 to 20,000 Gal           | \$ 1.91        | \$ 2.11             | Block 2 - 10,001 to 20,000 Gal            | \$ 1.91        | \$ 2.11             |
| Block 3 - 20,001 to 30,000 Gal           | \$ 2.36        | \$ 2.54             | Block 3 - 20,001 to 30,000 Gal            | \$ 2.36        | \$ 2.54             |
| Block 4 - All Over 30,000 Gal            | \$ 2.98        | \$ 3.38             | Block 4 - All Over 30,000 Gal             | \$ 2.98        | \$ 3.38             |
| <b>Commercial Water &amp; Irrigation</b> | <b>FY 2023</b> | <b>FY 2024</b>      | <b>Residential &amp; Commercial Sewer</b> | <b>FY 2023</b> | <b>FY 2024</b>      |
| <b>Rates per 1,000 Gallons:</b>          | <b>Current</b> | <b>Revised Rate</b> | <b>Rates per 1,000 Gallons:</b>           | <b>Current</b> | <b>Revised Rate</b> |
| Block 1 - 0 to 10,000 Gal                | \$ 1.69        | \$ 1.69             | Residential sewer usage is capped at      | \$ 2.00        | \$ 2.16             |
| Block 2 - 10,001 to 20,000 Gal           | \$ 2.06        | \$ 2.11             | 10,000 gallons per month. There is        |                |                     |
| Block 3 - 20,001 to 30,000 Gal           | \$ 2.53        | \$ 2.54             | no cap on commercial sewer usage.         |                |                     |
| Block 4 - All Over 30,000 Gal            | \$ 3.18        | \$ 3.38             |   |                |                     |
| <b>Fees</b>                              | <b>FY 2023</b> | <b>FY 2024</b>      |   |                |                     |
|  | <b>Current</b> | <b>Revised Rate</b> |   |                |                     |
| Sewer Connection Fee                     | \$ 100.00      | \$ 150.00           |   |                |                     |
| Backflow Inspection Fee                  | \$ 100.00      | \$ 175.00           |   |                |                     |

2. Upon the due adoption of this Resolution by the Commission and the filing of a certified copy of this Resolution with the Clerk of Court of Beaufort County, the new rates shall take effect on July 1, 2023.

3. As required by the Enabling Legislation and Section 6-1-330 of the Code of Laws of South Carolina 1976, as amended, a public hearing on the proposed amendments to the District's water and sewer rates, fees, and charges was held by the Commission on the date hereof prior to the adoption of this Resolution. Notice of the public hearing was duly published in advance of the public hearing in the Island Packet, a newspaper of general circulation on Hilton Head Island. The notice appeared at least once during each of three successive weeks in advance of the public hearing.

4. In addition to the notice of public hearing, in accordance with the Enabling Legislation, a copy of the above rate schedule was posted in at least 2 conspicuous places in the District.

5. The Commission hereby authorizes the General Manager of the District to undertake and do all things necessary to implement and carry-out the provisions of this Resolution.

DONE IN A MEETING DULY ASSEMBLED, this 28<sup>th</sup> day of June, 2023.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT,  
SOUTH CAROLINA

\_\_\_\_\_  
Chair  
Hilton Head No.1 Public Service District Commission

(SEAL)

Attest:

\_\_\_\_\_  
Secretary  
Hilton Head No.1 Public Service District Commission

## **NOTICE OF PUBLIC HEARING HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT FISCAL YEAR 2023 - 2024 OPERATING BUDGET**

Notice is hereby given that a public hearing will be held before the Hilton Head No. 1 Public Service District Commission, the governing body of the Hilton Head No. 1 Public Service District, at 9:00 a.m. (or as soon thereafter as time permits) on Wednesday, the 28<sup>th</sup> day of June 2023 (the "Hearing"). The Hearing will be held in the District's Community Room, which is located at 21 Oak Park Drive, Hilton Head Island, SC. The purpose of the hearing will be to allow members of the public to express their views regarding the proposed operating budget for Hilton Head No. 1 Public Service District for Fiscal Year 2023-2024. All persons who attend the public hearing will be given the opportunity to speak.

As required by Section 6-1-80, Code of Laws of South Carolina, 1976, as amended, the public is advised of the following:

1. The operating budget of Hilton Head No. 1 Public Service District for the current Fiscal Year 2022-2023 calls for revenues of \$18,319,800 and expenditures/appropriations of \$18,319,800.
2. The proposed operating budget for Hilton Head No. 1 Public Service District for Fiscal Year 2023-2024 calls for revenues of \$19,427,700 and expenditures/appropriations of \$19,427,700.
3. The proposed operating budget of Hilton Head No. 1 Public Service District for the Fiscal Year 2023-2024 represents a 6.0% increase from the operating budget for the current Fiscal Year 2022-2023.
4. For the current Fiscal Year 2022-2023 ad valorem taxes were set at 7.1 mills, which equates to \$7.10 on every \$1,000 in assessed value of all real estate and personal property of every description owned and used in the District. This includes 3.0 mills for operations and maintenance and 4.1 mills for debt service. The assessed value is determined by applying the constitutionally mandated ratios (generally 4% or 6% for residential property) to the market value of real property.
5. For Fiscal Year 2023-2024 ad valorem taxes will be set at 7.1 mills, which equates to \$7.10 on every \$1,000 in assessed value of all real estate and personal property of every description owned and used in the District. This includes 3.0 mills for operations and maintenance and 4.1 mills for debt service.
6. A copy of the Fiscal Year 2023-2024 budget is available at Hilton Head PSD, at 21 Oak Park Drive, Hilton Head Island, SC or electronically by contacting [info@hhpsd.com](mailto:info@hhpsd.com).

**A RESOLUTION OF THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT COMMISSION ADOPTING AN OPERATING BUDGET FOR THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA, FOR THE FISCAL YEAR BEGINNING JULY 1, 2023 AND ENDING JUNE 30, 2024; AND OTHER MATTERS RELATING THERETO.**

**WHEREAS**, the Hilton Head No. 1 Public Service District, South Carolina (the “*District*”) was created and established as a body politic and corporate pursuant to Act No. 596 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1969, as amended. The District is located wholly within Beaufort County, South Carolina and was established for the purpose of providing waterworks and sewerage services within the boundaries of the District;

**WHEREAS**, Article X, Section 7(b) of the South Carolina Constitution (1895, as amended), requires each political subdivision of the State of South Carolina, including the District, to “prepare and maintain annual budgets which provide for sufficient income to meet its estimated expenses for the year.”

**WHEREAS**, the Finance Manager of the District has prepared an estimate of revenues and expenditures for the fiscal year beginning July 1, 2023 and ending June 30, 2024; and

**WHEREAS**, Section 6-1-80 of the Code of Laws of South Carolina, 1976, as amended, requires that the District provide notice and hold a public hearing prior to the adoption of their annual budget.

**WHEREAS**, the Commission has reviewed the proposed operating budget and in accordance with Section 6-1-80 held a public hearing, after due notice and publication, on the District’s proposed budget on June 28, 2023.

**NOW, THEREFORE, BE IT RESOLVED** by the members of the Hilton Head No. 1 Public Service District Commission in a meeting duly assembled, as follows,

1. That the District’s budget, a copy of which is attached hereto as Exhibit A, and which details the revenues and expenditures of the District for the fiscal year beginning July 1, 2023 and ending June 30, 2024, is hereby adopted as the official operating budget for the District for said fiscal year.
2. The Commission hereby directs the Finance Manager to notify the County Auditor of Beaufort County of the millage rate provided for by in the budget and to undertake any such additional actions as necessary to timely ensure the proper levy and collection of the District’s taxing millage.
3. As necessary, the District Manager or his designee shall administer the budget and may authorize the transfer of appropriated funds within and between departments as necessary to achieve the goals of the budget.

**DONE AND ADOPTED**, this 28<sup>th</sup> day of June 2023,

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT,  
SOUTH CAROLINA**

By: \_\_\_\_\_  
Chair  
Hilton Head No. 1 Public Service District Commission

(SEAL)

Attest:

\_\_\_\_\_  
Secretary  
Hilton Head No. 1 Public Service District Commission



# FY'24 Budget



Prepared by the Finance Department

April 2023



# FY'24 Budget

## Exhibit A

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Prepared by the Finance Department

April 2023

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## **Executive Summary**

### ***A. Letter of Transmittal***

The Hilton Head PSD staff is pleased to present to the PSD Commissioners the fiscal year 2024 (FY'24) Operating & Maintenance (O&M) Budget and the FY'24 Capital Improvement Plan (CIP). Staff believes the budgets are consistent with the Commission's budget directives and strategic planning efforts.

While the health crisis surrounding the COVID pandemic subsided during fiscal year 2023 (FY'23), the economic impacts and uncertainty that stemmed from the pandemic remain major factors. Inflation and supply chain issues continued to significantly impact the District's operations at greater levels than budgetarily anticipated. The PSD experienced large cost increases in many areas, particularly biosolids and chemicals, during FY'22. Given that, staff had anticipated that increases during FY'23 would remain minimal. However, FY'23 brought further increases much higher than the anticipated 2-3% range. As of the date of this budget, it is still uncertain whether inflation will continue at heightened levels, return to pre-pandemic levels, or ultimately result in some type of recessionary period. This FY'24 budget provides for current, known inflationary increases as well as anticipating additional inflationary increases at a lower level during the next year, generally in the 2-3% range. Supply chain issues are also expected to continue to remain a challenge. In some cases, inventory and parts can take upwards of a year to arrive after an initial order is placed. This scarcity has continued to fuel upward price momentum and bring a level of uncertainty to our ability to execute our capital projects.

The real estate market boom significantly drove up home prices in the District's service area and the District continues to see new growth and redevelopment projects at a steady pace. However, this has put even more of a strain on workforce housing which was already limited. These factors, along with the growth in the neighboring Bluffton area, continue to put increasing stress on Hilton Head Island businesses to attract and retain a workforce. This budget includes the addition of new billets, a merit increase pool, and a one-time inflationary payment to enable the PSD to remain competitive in attracting and retaining employees to serve our growing customer base with exceptional customer service.

In line with the District's policy of fiscal conservatism, revenues are projected at levels that do not rely on significant additional customer growth. Weather is one major factor that the District cannot predict or plan for. Cool and rainy weather will generally negatively affect the District's revenues while warm and dry weather will often have the opposite effect. Cool, rainy weather in FY'23 to date has negatively affected our water consumption revenues. Consumption levels for the FY'24 budget are based on calendar year 2022 consumption with a moderate allowance for customer growth. Expenditures are projected at levels that aim to ensure effective operation of our crucial water and sewer operations while maintaining our current service levels.

During FY'23, the District continued to work on the major initiatives of asset management and future water supply planning. The results of these initiatives can be seen in the maintenance section of the O&M budget and in the CIP budget which continues to make use of cash flow freed up from the November 2020 refinance to allow for a rate funded CIP budget of just over

\$3 million. As with all asset intensive operations, asset management is an ongoing endeavor for the District which becomes more essential and challenging each year as our infrastructure, property, plant, and equipment totaling over \$160,000,000 ages.

The District is continuing to carefully monitor the recent influx of infrastructure funding. In addition to the rate funded CIP budget, several other, larger preventative maintenance and CIP projects have been identified that staff believes should be completed in the next five to ten years. During FY'23, the District successfully petitioned Beaufort County for an allocation of its American Rescue Plan Act (ARPA) infrastructure funding to replace one of its most crucial water distribution system assets which had reached the end of its 40 year life. The District also applied for a \$10 million South Carolina Infrastructure Investment Program (SCIIP) grant to expand its Reverse Osmosis (RO) treatment plant and build a second Aquifer Storage and Recovery (ASR) well which the District believes would significantly meet its future water supply for the near term while providing additional resiliency and improving water quality. The expected local matching funds for both projects is estimated at \$7 million. Additionally, the District still has the option to exercise existing purchased water capacity options with our wholesale provider. The District's general obligation (GO) debt repayment schedule will allow for a new GO debt issuance in late FY'24 to early FY'25 without the need to significantly increase the currently levied GO debt millage rate. The District's staff anticipates recommending this GO debt funding source for some of the aforementioned projects. Staff anticipates Commission review of GO funding options at a later date after SCIIP grant awards have been announced and further project estimates have been obtained.

The FY'24 operating and capital budgets seek to conservatively project our revenue and expenditure needs for the upcoming year in light of the continued volatile and inflationary environment while minimizing rate increases to our customers. All of these unknowns have led to a need for greater flexibility as the District analyzes and adapts to changing environments and opportunities. Longer lead times, price volatility, and a difficult labor market have made it necessary to ensure the District is financially positioned to meet these challenges in the upcoming year and beyond.

### ***B. Organization Information***

Hilton Head PSD is a special purpose district created by the South Carolina General Assembly in 1969 to provide water and sewer services to Hilton Head Island. The PSD serves more than 19,500 customer accounts in the north- and mid-island areas of Hilton Head Island where many of the Island's full-time residents reside. The PSD can provide a maximum water demand of 13 million gallons a day (mgd) and experiences an average demand of 7 mgd which is provided through its Reverse Osmosis (RO) water treatment plant, Upper Floridan wells, Aquifer Storage and Recovery (ASR) well, and wholesale water which is purchased from Beaufort Jasper Water & Sewer Authority (BJWSA). In addition to its RO plant, ASR, and Upper Floridan wells, the PSD maintains over 240 miles of water distribution mains, 220 miles of sewer collection mains, 5 elevated storage tanks, 3 ground-level storage tanks, 1,500 hydrants, 126 sewer lift stations, 13,400 customer water meters, 500 customer Low Pressure Sewer (LPS) systems, and a 6.4 mgd tertiary-treatment, return activated sludge (RAS) recycled water wastewater treatment plant.

**C. Commission Directives**

The Hilton Head Public Service District Commission has directed staff to create O&M budgets and a CIP for FY'24 with the following assumptions:

1. General Rate Review – Rates, charges and fees underwent a comprehensive Cost of Service Analysis (COSA) as part of the FY'24 budgeting process to ensure rates are sufficient to provide revenues to meet the District's FY'24 operating expenses and debt coverage ratios.
2. Operating and Maintenance Budget – As defined in the District's Finance Policies, operating expenses excluding depreciation will not exceed operating revenues.
3. Efficiency – Continued efforts to improve District efficiency and employee productivity.
4. Staff Compensation – Is to be adequate compensation for responsibilities, recognize individual productivity and be competitive with the labor market.
5. Customer Service - Maintain or improve current Operations and Customer Service levels;
6. Adequate Cash Flow – Maintain a positive cash flow and resources to meet anticipated events and increase overall cash reserves.

**C. Condensed Schedule of Revenue, Expenses and Changes in Net Position, CIP Expenditures, and Cash Flow Projections**

|   | FY'24<br>Budget     | FY'23<br>Projected  | Increase<br>(Decrease) | %<br>Change   | FY'23<br>Budget     |
|---|---------------------|---------------------|------------------------|---------------|---------------------|
| Total Operating Revenue   | \$ 15,166,100       | \$ 14,766,600       | \$ 399,500             | 2.7%          | \$ 14,638,100       |
| Total Operating Expenses with Depreciation                          | 17,967,100          | 17,129,500          | 837,600                | 4.9%          | 17,081,800          |
| <b>Change in Net Position from Operations</b>                       | <b>(2,801,000)</b>  | <b>(2,362,900)</b>  | <b>(438,100)</b>       | <b>18.5%</b>  | <b>(2,443,700)</b>  |
| Total Non-Operating Revenue   | 3,941,600           | 3,951,100           | (9,500)                | -0.2%         | 3,361,700           |
| Total Non-Operating Expenses  | 602,700             | 680,300             | (77,600)               | -11.4%        | 693,100             |
| <b>Non-Operating Income/Expenses - Net</b>                          | <b>3,338,900</b>    | <b>3,270,800</b>    | <b>68,100</b>          | <b>2.1%</b>   | <b>2,668,600</b>    |
| Increase / Decrease in Net Position<br>before Capital Contributions | 537,900             | 907,900             | (370,000)              | -40.8%        | 224,900             |
| Total Capital Contributions   | 320,000             | 563,800             | (243,800)              | -43.2%        | 320,000             |
| <b>Change in Net Position</b>                                       | <b>\$ 857,900</b>   | <b>\$ 1,471,700</b> | <b>\$ (613,800)</b>    | <b>-41.7%</b> | <b>\$ 544,900</b>   |
| <b>Total CIP Budget Cash Flow</b>                                   | <b>(3,050,000)</b>  | <b>(4,194,000)</b>  | <b>1,144,000</b>       | <b>-27.3%</b> | <b>(3,048,000)</b>  |
| Add: Non Cash Depreciation Expense                                  | 5,190,000           | 5,151,000           | 39,000                 | 0.8%          | 5,190,000           |
| Less: Debt Service Payments   | (4,014,500)         | (3,961,800)         | (52,700)               | 1.3%          | (4,008,200)         |
| Other Debt Related Adjustments                                      | 602,700             | 637,800             | (35,100)               | -5.5%         | 648,100             |
| FFA Assessments, net  | 205,000             | 429,200             | (224,200)              | -52.2%        | 455,000             |
| Total Non-CIP Other Cash Flow Adjustments                           | 1,983,200           | 2,256,200           | (273,000)              | -12.1%        | 2,284,900           |
| <b>Projected Change in Cash Flow</b>                                | <b>\$ (208,900)</b> | <b>\$ (466,100)</b> | <b>\$ 257,200</b>      | <b>-55.2%</b> | <b>\$ (218,200)</b> |

***D. Budget Highlights***

The FY'24 Budget highlights are:

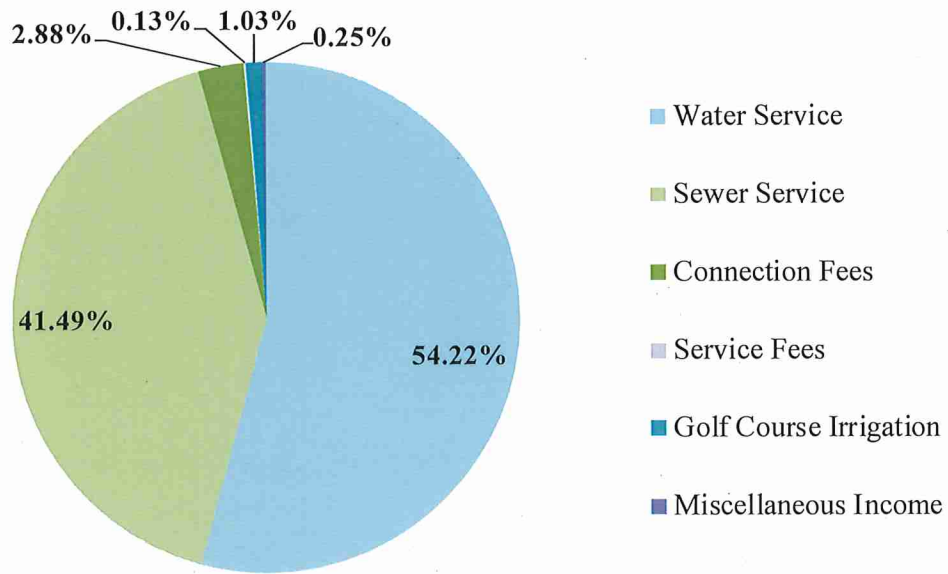
1. Operating Revenues are budgeted at \$15,166,100 which is a \$399,500 or 2.7% increase from FY'23 projections. This increase is the result of proposed volumetric water and sewer tier increases.
2. Operating Expenses are budgeted at \$17,967,100 which is a \$837,600 or 4.9% increase from FY'23 projections. Some key highlights include:
  - The staff level is budgeted at 41 which is an increase from the FY 23 budgeted level of 39. To address the challenging job market which has been intensified by the lack of workforce housing in our area, the budget includes a 4% merit pool as well as a one-time inflationary payment of \$2,000. Additionally, the State Health Plan anticipates a 3.7% employer rate increase and the State Retirement System employer contributions will increase 1% from 17.41% to 18.41%.
  - Inflationary increases are anticipated in most areas but particularly in biosolids disposal which experienced another 6% increase in January 2023 despite a 40% increase in January 2022, chemicals which increased 15-25% in some areas despite increases of 25%-33% in FY'22, and purchased water which is projected to increase 3-5% for FY'24.
3. Non-Operating Revenues are budgeted at \$3,941,600 which is a \$9,500 or 0.2% decrease from FY'23 projections. This category primarily includes the District's GO Debt and Operations property tax levies as well as gains on asset sales, rental income and tower lease income. In another example of the unpredictability of the current economic climate, FY'23 projections far exceeded the FY'23 budget as the District was able to earn substantial interest income when interest rates significantly increased during FY'23. While the FY'24 budget conservatively estimates a small reduction in interest rates during FY'24, if rates plummet to pandemic levels during FY'24 then the District will most likely miss achieving the budgeted number in this area.
4. Non-Operating Expenses are budgeted at \$602,700 which is a \$77,600 or 11.4% decrease from FY'23 projections. This category relates to debt service and is based on current debt schedules.
5. Capital Contributions are budgeted conservatively. FY'23 projections anticipate the receipt of two larger capacity payments in the last quarter of FY'24. The District does not budget in anticipation of any large development projects as the timing on these is often tenuous and unpredictable; until the fees are paid, there is no guarantee any anticipated project will actually occur as planned.

6. Change in Net Position – The overall change in net position for FY'24 is budgeted at \$857,900 versus a projection of \$1,471,700 and a prior year budget of \$544,900.
  
7. CIP Budget Cash Flow – The CIP budgeted cash flow for FY'24 is \$3,050,000 which is a \$1,144,000 or 27.3% decrease from the projected CIP cash flow of \$4,194,000. The projected cash flow is higher than the FY'23 budgeted cash flow due to carryover of FY'22 CIP projects and Commission approval of cash funding vehicle purchases and preliminary engineering work on the RO expansion and ASR-2 projects related to the SCIIP grant after the completion of the FY'23 budget. Certain projects that the District does not anticipate completing from the FY'23 budget have also been removed to provide the current projection of actual FY'23 projects that will be completed or carried over to FY'24.
  
8. System Debt – Total FY'24 debt payments of \$4,014,500 consist of \$3,729,700 of principal and \$284,800 of interest (Interest expense is calculated on an accrual basis). While staff expects recommending a debt issuance during FY'24, there was not enough information available at the time of budget preparation to recommend a final proposed project list or financing methods. Staff will bring a separate recommendation at a later date when more information is available. In accordance with this, this budget document does not reflect any debt issuance costs or new debt service even though it is expected that a new issuance may be approved during FY'24.
  
9. Cash Flow is projected to decrease approximately \$208,900 as a result of this budget. The District is anticipating that the current year will result in a decrease in cash of approximately \$466,100. While this decrease is higher than the \$218,200 decrease budgeted in FY'23, it should be noted that the District ended FY'22 with unrestricted cash of \$12,616,900 versus a projected ending unrestricted cash balance of \$10,423,700 which was a \$2,193,200 increase versus the projected \$814,700 increase in the FY'23 budget. This was the result of carrying over \$685,000 worth of FY'22 CIP project into FY'23 for completion as well as the receipt of large-scale capacity fees after FY'23 budget preparation. The receipt of these capacity fees allowed the Commission to approve \$800,000 worth of application assistance and preliminary engineering work on the RO expansion and ASR-2 projects that were submitted for SCIIP grant consideration.

**E. Operating Revenues**

The FY'24 budgeted operating revenues are listed below:

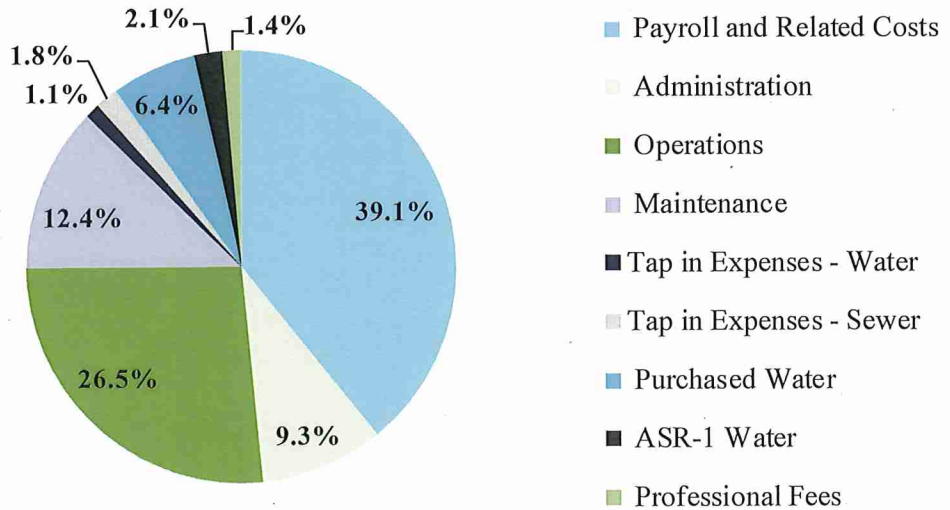
| Operating Revenues              | FY 2024              | % Total     |
|---------------------------------|----------------------|-------------|
| Water Service                   | \$ 8,222,600         | 54.22%      |
| Sewer Service                   | 6,292,700            | 41.49%      |
| Connection Fees                 | 436,200              | 2.88%       |
| Service Fees                    | 20,100               | 0.13%       |
| Golf Course Irrigation          | 156,000              | 1.03%       |
| Miscellaneous Income            | 38,500               | 0.25%       |
| <b>Total Operating Revenues</b> | <b>\$ 15,166,100</b> | <b>100%</b> |



**F. Operating Expenses**

The FY'24 operating expenses excluding depreciation are listed below:

| Operating Expenses                                 | <u>FY 2024</u>       | <u>% Total</u> |
|--|----------------------|----------------|
| Payroll and Related Costs                          | \$ 4,998,200         | 39.1%          |
| Administration                                     | 1,193,500            | 9.3%           |
| Operations   | 3,381,100            | 26.5%          |
| Maintenance  | 1,581,600            | 12.4%          |
| Tap in Expenses - Water                            | 141,000              | 1.1%           |
| Tap in Expenses - Sewer                            | 225,600              | 1.8%           |
| Purchased Water                                    | 812,000              | 6.4%           |
| ASR-1 Water  | 267,100              | 2.1%           |
| Professional Fees                                  | 177,000              | 1.4%           |
| <b>Total Operating Expenses before Depreciaton</b> | <b>\$ 12,777,100</b> | <b>100%</b>    |



**G. Debt Service Coverage**

Bond covenants require that the District maintain and collect rates and charges that together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding. As shown in the following table, the District's FY'24 budget is in compliance with the necessary requirement and estimated at 215%.

|  | FY'23 Projected    | FY'24 Budget       |
|--|--------------------|--------------------|
| Net Income (loss) before capital contributions<br>per Financial Statements | \$ 907,900         | \$ 537,900         |
| Capacity Fees  | 513,800            | 270,000            |
| Add: Depreciation  | 5,151,000          | 5,190,000          |
| Amortization   | 325,500            | 325,500            |
| Bond Issuance Cost   | 42,500             | -                  |
| Interest Expense (Bonds)   | 308,700            | 273,600            |
| Assessments - Debt Service   | 205,000            | 205,000            |
| Less: Property Taxes – GO Debt Service                                     | <u>(1,521,700)</u> | <u>(1,515,000)</u> |
| Net Earnings Available for Debt Service                                    | 5,932,700          | 5,287,000          |
| <br>Debt Service on Revenue Bonds  | <br>2,437,980      | <br>2,461,000      |
| <br><b>Coverage of Debt Service by Net Earnings</b>                        | <br><b>243%</b>    | <br><b>215%</b>    |
| <br><b>Debt Coverage without Capacity Fees</b>                             | <br><b>222%</b>    | <br><b>204%</b>    |

**H. Bond Debt Service**

As of June 30, 2023, the District's total future debt service requirement will be \$23,837,766. For FY'24, the principal payments will total \$3,729,765 while the interest payments will be \$284,773.

| <b>Fiscal Year 2024 Debt Service</b>  |                   |                     |                      |                       |
|---------------------------------------|-------------------|---------------------|----------------------|-----------------------|
| <u>Revenue Debt</u>                   | <u>Interest</u>   | <u>Principal</u>    | <u>Total P&amp;I</u> | <u>Revenue Source</u> |
| Series SRF 2014 B                     | 18,758            | 142,589             | 161,347              | User Fees             |
| Series 2017A                          | 8,911             | 33,022              | 41,933               | FFA                   |
| Series 2020 B                         | 151,310           | 1,225,000           | 1,376,310            | User Fees/ FFA        |
| Series 2020 C                         | 15,886            | 840,000             | 855,886              | User Fees             |
| Series 2023 FFA                       | 12,380            | 13,149              | 25,529               | FFA                   |
| <b>Revenue Sub Total</b>              | <b>207,245</b>    | <b>2,253,760</b>    | <b>2,461,005</b>     |                       |
| Finance Purchase Vehicles             | 3,653             | 36,005              | 39,658               | User Fees             |
| Series 2020 GO Bonds                  | 73,875            | 1,440,000           | 1,513,875            | GO Funded             |
| <b>Total Principal &amp; Interest</b> | <b>\$ 284,773</b> | <b>\$ 3,729,765</b> | <b>\$ 4,014,538</b>  |                       |

| <b>Future Debt Service as of June 30, 2023</b> |                     |                      |                      |                       |
|--|---------------------|----------------------|----------------------|-----------------------|
| <u>Revenue Debt</u>                            | <u>Interest</u>     | <u>Principal</u>     | <u>Total P&amp;I</u> | <u>Interest Rates</u> |
| Series SRF 2014 B                              | 128,005             | 1,929,171            | 2,057,176            | 1.00%                 |
| Series 2017 A                                  | 46,130              | 331,264              | 377,395              | 2.69%                 |
| Series 2020 B                                  | 643,176             | 12,505,000           | 13,148,176           | 1.21%                 |
| Series 2020 C                                  | 23,876              | 1,690,000            | 1,713,876            | 0.94%                 |
| Series 2023 FFA                                | 71,352              | 235,000              | 306,352              | 4.15%                 |
| <b>Revenue Sub Total</b>                       | <b>912,540</b>      | <b>16,690,435</b>    | <b>17,602,975</b>    |                       |
| Finance Purchase Vehicles                      | 6,615               | 116,926              | 123,541              | Various               |
| Series 2020 GO Bonds                           | 201,250             | 5,910,000            | 6,111,250            | 1.25%                 |
| <b>Total Debt</b>                              | <b>\$ 1,120,405</b> | <b>\$ 22,717,361</b> | <b>\$ 23,837,766</b> |                       |

\*\* FFA = Front Foot Assessment debt is repaid by affected properties on annual property tax bills.

**Future Annual Debt Service Payments:**

| <u>Fiscal Year</u> | <u>Revenue</u>       | <u>GO</u>           | <u>FP - Vehicles</u> | <u>Total</u>         |
|--------------------|----------------------|---------------------|----------------------|----------------------|
| 2024               | 2,461,005            | 1,513,875           | 39,658               | 4,014,538            |
| 2025               | 2,468,287            | 1,300,875           | 83,883               | 3,853,045            |
| 2026               | 2,435,233            | 1,340,312           | -                    | 3,775,545            |
| 2027               | 2,430,004            | 1,379,063           | -                    | 3,809,067            |
| 2028               | 2,434,534            | 577,125             | -                    | 3,011,659            |
| 2029               | 2,153,700            | -                   | -                    | 2,153,700            |
| 2030               | 2,080,952            | -                   | -                    | 2,080,952            |
| 2031               | 228,809              | -                   | -                    | 228,809              |
| 2032               | 228,809              | -                   | -                    | 228,809              |
| 2033               | 186,876              | -                   | -                    | 186,876              |
| 2034               | 186,877              | -                   | -                    | 186,877              |
| 2035               | 186,876              | -                   | -                    | 186,876              |
| 2036               | 121,011              | -                   | -                    | 121,011              |
| 2037               | -                    | -                   | -                    | -                    |
| 2038               | -                    | -                   | -                    | -                    |
|                    | <u>\$ 17,602,975</u> | <u>\$ 6,111,250</u> | <u>\$ 123,541</u>    | <u>\$ 23,837,766</u> |

**Revenue Debt:**

**Series 2014 SRF** – On July 24, 2014, the District executed a loan with the South Carolina State Revolving Loan Fund (SRF) in the amount of \$2,923,430 at an interest rate of 1% per annum. The proceeds of this loan were used to pay the costs of constructing the Automated Metering Infrastructure project. Principal and interest of \$40,336.78 are payable quarterly beginning April 1, 2015 through January 1, 2036.

**Series 2017A Revenue Bond** - On August 23, 2017, the District issued \$515,000 of Series 2017A revenue bonds for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds are an obligation of the District, bear interest at the rate of 2.69% per annum and are payable in annual principal and semi-annual interest payments of \$41,932.75 starting June 2018 through June 2032. This bond may be redeemed in whole after June 1, 2025. The bonds are payable from revenues derived from operations of the District’s systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer.

**Series 2020B Revenue Bonds** - On November 2, 2020, the District issued \$14,925,000 of Series 2020B revenue bonds for purposes of refunding the District’s 2014 FFA, 2015A, 2015B, 2017B SRF, and 2020 FFA revenue bonds. The bonds are an obligation of the District and bear interest at the rate of 1.23% per annum. These bonds are due in semi-annual interest payments due beginning June 2021 and annual principal payments starting June 2022 through June 2030. The bonds are payable from revenues derived

from operations of the District's systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer. The original purpose of the refunded bonds are as follows:

- 2014 FFA: Funding sewer connections in previously unserved areas.
- 2015A: Refunded previous bond issues used for the construction of the BJWSA Segment 3 wholesale water pipeline and backbone system, acquisition of utility systems, and front foot assessment bonds.
- 2015B: Refunded previous bond issues used for wastewater treatment plant expansions and upgrades, sewer lift stations, and front foot assessment bonds.
- 2017B SRF: Construction of new sewer lift stations.
- 2020 FFA: Funding sewer connections in previously unserved areas.

**Series 2020C Revenue Bonds** - On November 2, 2020, the District issued \$4,170,000 of Series 2020C revenue bonds for purposes of refunding the District's 2012A and 2012B revenue bonds. The bonds are an obligation of the District and bear interest at the rate of 0.94% per annum. These bonds are due in semi-annual interest payments due beginning June 2021 and annual principal payments starting June 2021 through June 2025. The bonds are payable from revenues derived from operations of the District's systems and are secured by a lien upon these revenues. The original purpose of the refunded bonds are as follows:

- 2012A: Refunded previous bond issues used for acquisition of utility systems, water system upgrades, and Port Royal sewer expansions.
- 2012B: Construction of new sewer lift stations.

**Series 2023A Revenue Bond** - On February 24, 2023, the District issued \$235,000 of Series 2023A revenue bonds for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds are an obligation of the District, bear interest at the rate of 4.15% per annum and are payable in annual principal and interest payments of \$25,529.36 starting June 2024 through June 2035. This bond may be redeemed in whole at any time. The bonds are payable from revenues derived from operations of the District's systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer.

**General Obligation Debt:**

**Series 2020** - On November 2, 2020, the District issued \$9,910,000 of Series 2020 general obligation bonds for purposes of refunding the District's 2007, 2007 SRF, 2007 SRF, 2009, 2010, and 2014 SRF general obligation bonds. The bonds bear interest at a rate of 1.25% per annum. These bonds are due in semi-annual interest payments due beginning May 2021 and annual principal payments starting May 2021 through May 2028. The original purpose of the refunded bonds are as follows:

- 2007: Constructing new water wells and the reverse osmosis plant.
- 2007 SRF: Constructing the new reverse osmosis plant.
- 2007 SRF: Constructing new water wells.
- 2009: Constructing new water wells and the reverse osmosis plant.
- 2010: Constructing the new aquifer storage and recovery well.
- 2014 SRF: Expanding the reverse osmosis plant, the Bluffton flyover water line relocation, and constructing the Windmill Harbor booster pump station.

**Proposed Debt:**

**Series 2024 Bonds** – In fiscal year 2025, the District's annual GO debt service drops from roughly \$1.5 million per year to \$1.3 million per year. The District has levied GO millage ranging between 4.0 and 4.6 over the last ten years to meet the current debt service requirements. The District staff anticipates proposing seeking approval from Beaufort County Council during FY'24 to issue a new GO debt issuance whereby the District would continue to levy millage in that 4.0 to 4.6 range. Depending on market conditions, the length of the debt, and the financing type, the District could potentially fund capital projects totaling between \$5 million and \$20 million while remaining in this range. The District is still awaiting a decision on its SCIP grant application. Given that and the current market price volatility, there was not enough information at the time of budget preparation to make final recommendations on what projects to fund. The District also has ample debt coverage to consider a revenue bond if necessary.

**I. Capital Improvement Plan (CIP)**

The CIP for FY'24 is divided into separate categories for ease of explanation. These categories are not ranked according to importance. Non-recurring, non-routine projects have been ranked in priority order. As a part of asset management planning, the projects in the FY'24 column have been identified which staff believes should be completed within the next 12 months. The Commission is only approving the projects for FY'24 as a part of this budget. Years 2025 through 2028 are provided as a high-level guide of expected projects in upcoming years to aid in evaluation of the District's long term financial position.

**I. Capital Improvement Plan (CIP) (continued)**

Rate funded FY'24 projects total \$3,050,000 as follows:

| <u><b>FY'24 CIP Rate Funded Projects</b></u> |                            |
|--|----------------------------|
| Wastewater Treatment Plant                   | \$ 985,000                 |
| Collection System                            | 820,000                    |
| Distribution System                          | 875,000                    |
| Facility & Equipment                         | <u>370,000</u>             |
| <b>Total Rate Funded CIP Projects</b>        | <b><u>\$ 3,050,000</u></b> |

The FY'24 CIP plan also shows potential projects for which the District might seek debt financing during FY'24. There is too much uncertainty at this time to recommend which of these projects the District should prioritize and what type or terms of financing staff would recommend. These projects are being shown as items that might potentially be proposed to be funded via a debt issuance in the upcoming year. Staff expects to bring a separate analysis to the Commission for consideration during FY'24 with recommendations on what debt funded projects to pursue.

**J. Cash Flow and Five-Year Projections**

Projected FY'23 cash flow is anticipated to decrease by \$466,100 which will bring unrestricted cash from \$12,616,900 to \$12,150,800. The FY'24 budget projects a cash decrease of \$208,900. A five-year projection based on FY'24 rates with no consideration of future rate increases and moderate growth projections shows the PSD remaining well over its 120 days cash on hand minimum and its 120% debt coverage requirement. The Commission is only approving the FY'24 budget at this time. Projections for years 2025 through 2028 are only provided to show a high-level review of the District's current expected long term financial position at currently proposed rates.

**Statement of Revenues, Expenses, and Changes in Net Position**  
**FY'24 Operating & Maintenance Budget**

|   | FY'24<br>Budget   | FY'23<br>Projected | Variance (FY'23 Project. to<br>FY'24 Budget) |              | FY'23<br>Budget   |
|---|-------------------|--------------------|--|--------------|-------------------|
|   |                   |                    | Increase<br>(Decrease)                       | %<br>Change  |                   |
| <b>TOTAL OPERATING REVENUES</b>           |                   |                    |  |              |                   |
| Water Service                             | \$ 8,222,600      | \$ 7,894,900       | 327,700                                      | 4.2%         | \$ 8,020,000      |
| Sewer Service                             | 6,292,700         | 6,060,200          | 232,500                                      | 3.8%         | 6,052,000         |
| Water Tap In Fees                         | 187,800           | 202,500            | (14,700)                                     | -7.3%        | 186,000           |
| Sewer Connection Fees                     | 248,400           | 334,400            | (86,000)                                     | -25.7%       | 180,000           |
| Golf Course Irrigation                    | 156,000           | 161,700            | (5,700)                                      | -3.5%        | 135,000           |
| Service Fees                              | 20,100            | 20,100             | -  | 0.0%         | 20,100            |
| Miscellaneous Income                      | 38,500            | 92,800             | (54,300)                                     | -58.5%       | 45,000            |
| <b>Total Operating Revenue</b>            | <b>15,166,100</b> | <b>14,766,600</b>  | <b>399,500</b>                               | <b>2.7%</b>  | <b>14,638,100</b> |
| <b>OPERATING EXPENSES</b>                 |                   |                    |  |              |                   |
| <b>Payroll and Related Expenses</b>       |                   |                    |  |              |                   |
| Salaries                                  | 3,315,600         | 2,954,900          | 360,700                                      | 12.2%        | 3,007,500         |
| Commission Honorarium                     | 81,000            | 80,400             | 600  | 0.7%         | 81,000            |
| FICA                                      | 257,300           | 226,500            | 30,800                                       | 13.6%        | 233,700           |
| Group Insurance                           | 610,500           | 515,000            | 95,500                                       | 18.5%        | 544,500           |
| Retirement                                | 575,100           | 489,100            | 86,000                                       | 17.6%        | 504,500           |
| Workman's Comp                            | 56,100            | 47,800             | 8,300  | 17.4%        | 60,000            |
| Contract Labor                            | 7,200             | -                  | 7,200  | 0.0%         | 15,000            |
| Training/Continuing Education             | 65,400            | 61,900             | 3,500  | 5.7%         | 60,000            |
| Uniforms                                  | 30,000            | 29,100             | 900  | 3.1%         | 25,200            |
| <b>Total Payroll and Related Expenses</b> | <b>4,998,200</b>  | <b>4,404,700</b>   | <b>593,500</b>                               | <b>13.5%</b> | <b>4,531,400</b>  |
| <b>Administration</b>                     |                   |                    |  |              |                   |
| Bad Debts                                 | 22,200            | 17,300             | 4,900  | 28.3%        | 30,000            |
| Bank/Bond Administration Fees             | 130,500           | 142,400            | (11,900)                                     | -8.4%        | 127,800           |
| Billing and Accounting                    | 48,900            | 48,500             | 400  | 0.8%         | 48,000            |
| Communications                            | 158,400           | 141,000            | 17,400                                       | 12.3%        | 126,600           |
| Dues and Subscriptions                    | 18,600            | 18,200             | 400  | 2.2%         | 16,600            |
| Commission Support                        | 7,800             | 8,600              | (800)  | -9.3%        | 12,000            |
| Insurance Other than Group or Vehicle     | 345,000           | 326,600            | 18,400                                       | 5.6%         | 345,000           |
| License and Permits                       | 71,300            | 70,900             | 400  | 0.6%         | 69,900            |
| Office Supplies                           | 25,800            | 25,300             | 500  | 2.0%         | 26,400            |
| Computer Software and Supplies            | 142,700           | 140,900            | 1,800  | 1.3%         | 141,900           |
| Personnel Support                         | 24,000            | 23,100             | 900  | 3.9%         | 24,900            |
| Postage                                   | 77,400            | 74,900             | 2,500  | 3.3%         | 77,400            |
| Public Education                          | 34,800            | 33,800             | 1,000  | 3.0%         | 36,000            |
| Recruitment and Advertising               | 5,700             | 5,400              | 300  | 5.6%         | 5,400             |
| Special Functions                         | 20,100            | 28,100             | (8,000)                                      | -28.5%       | 30,000            |
| Travel and Meals                          | 5,400             | 4,900              | 500  | 10.2%        | 6,000             |
| Utilities                                 | 54,900            | 53,200             | 1,700  | 3.2%         | 48,600            |
| <b>Total Administration</b>               | <b>1,193,500</b>  | <b>1,163,100</b>   | <b>30,400</b>                                | <b>2.6%</b>  | <b>1,172,500</b>  |

**HiltonHeadPSD**  
**FY'24 Budget**

|                                       | FY'24<br>Budget  | FY'23<br>Projected | Variance (FY'23 Project. to<br>FY'24 Budget) |               | FY'23<br>Budget  |
|---------------------------------------|------------------|--------------------|--|---------------|------------------|
|                                       |                  |                    | Increase<br>(Decrease)                       | %<br>Change   |                  |
| <b>Operations</b>                     |                  |                    |  |               |                  |
| Biosolids Disposal                    | 492,000          | 443,900            | 48,100                                       | 10.8%         | 444,000          |
| Operations Chemicals                  | 1,140,100        | 1,105,600          | 34,500                                       | 3.1%          | 897,700          |
| Lab Chemicals and Supplies            | 24,300           | 23,500             | 800  | 3.4%          | 18,600           |
| Fuel, Power and Utility               | 1,402,800        | 1,391,700          | 11,100                                       | 0.8%          | 1,322,400        |
| Other Supplies and Materials          | 29,400           | 29,000             | 400  | 1.4%          | 19,500           |
| Quality Analysis                      | 15,000           | 11,400             | 3,600  | 31.6%         | 5,100            |
| Safety                                | 39,600           | 36,200             | 3,400  | 9.4%          | 45,000           |
| SCADA Communications (Alarms)         | 37,200           | 36,300             | 900  | 2.5%          | 33,000           |
| Tools and Small Equipment             | 41,700           | 40,500             | 1,200  | 3.0%          | 33,300           |
| Vehicle Fuel                          | 102,900          | 98,500             | 4,400  | 4.5%          | 90,600           |
| Vehicles Insurance                    | 24,600           | 22,600             | 2,000  | 8.8%          | 25,800           |
| Vehicle Lease Management              | 6,600            | 3,800              | 2,800  | 73.7%         | 5,400            |
| Vehicle Maintenance                   | 24,900           | 24,600             | 300  | 1.2%          | 22,400           |
| <b>Total Operations</b>               | <b>3,381,100</b> | <b>3,267,600</b>   | <b>113,500</b>                               | <b>3.5%</b>   | <b>2,962,800</b> |
| <b>Maintenance</b>                    |                  |                    |  |               |                  |
| ASR Maintenance                       | 9,600            | 4,500              | 5,100  | 113.3%        | 10,200           |
| Biosolids Maintenance                 | 9,600            | 9,100              | 500  | 5.5%          | 5,100            |
| Meter Device Maintenance              | 40,200           | 38,900             | 1,300  | 3.3%          | 30,600           |
| Effluent System Maintenance           | 37,800           | 37,700             | 100  | 0.3%          | 31,500           |
| Equipment Maintenance                 | 37,200           | 36,600             | 600  | 1.6%          | 31,500           |
| Facilities Maintenance                | 94,500           | 92,000             | 2,500  | 2.7%          | 96,900           |
| Generator Maintenance                 | 23,700           | 22,800             | 900  | 3.9%          | 24,000           |
| Operations Grounds Maintenance        | 69,900           | 68,500             | 1,400  | 2.0%          | 69,900           |
| Hydrant Maintenance                   | 63,000           | 58,700             | 4,300  | 7.3%          | 66,000           |
| Lift Station Maintenance              | 333,300          | 326,500            | 6,800  | 2.1%          | 318,000          |
| Plant Maintenance - WWTP              | 75,000           | 62,100             | 12,900                                       | 20.8%         | 122,400          |
| RO Maintenance                        | 106,800          | 97,300             | 9,500  | 9.8%          | 126,000          |
| SCADA Maintenance                     | 43,200           | 42,600             | 600  | 1.4%          | 21,600           |
| Water System Maintenance              | 210,000          | 165,000            | 45,000                                       | 27.3%         | 219,000          |
| Sewer System Maintenance              | 225,000          | 218,000            | 7,000  | 3.2%          | 231,000          |
| Tower & Tank Maintenance              | 160,800          | 33,700             | 127,100                                      | 377.2%        | 133,500          |
| Well Maintenance                      | 42,000           | 31,400             | 10,600                                       | 33.8%         | 48,000           |
| <b>Total Maintenance</b>              | <b>1,581,600</b> | <b>1,345,400</b>   | <b>236,200</b>                               | <b>17.6%</b>  | <b>1,585,200</b> |
| <b>Tap in and Connection Expenses</b> |                  |                    |  |               |                  |
| Water Tap In Expenses                 | 141,000          | 144,500            | (3,500)                                      | -2.4%         | 139,500          |
| Sewer Connection Expenses             | 225,600          | 314,000            | (88,400)                                     | -28.2%        | 168,000          |
| <b>Total Connection Expenses</b>      | <b>366,600</b>   | <b>458,500</b>     | <b>(91,900)</b>                              | <b>-20.0%</b> | <b>307,500</b>   |
| <b>Water Expenses</b>                 |                  |                    |  |               |                  |
| Purchased Water                       | 812,000          | 766,200            | 45,800                                       | 6.0%          | 818,700          |
| ASR Water                             | 267,100          | 250,800            | 16,300                                       | 6.5%          | 254,800          |
| <b>Total Water Expenses</b>           | <b>1,079,100</b> | <b>1,017,000</b>   | <b>62,100</b>                                | <b>6.1%</b>   | <b>1,073,500</b> |

**HiltonHeadPSD**  
**FY'24 Budget**

|   | FY'24<br>Budget    | FY'23<br>Projected  | Variance (FY'23 Project. to<br>FY'24 Budget) |               | FY'23<br>Budget    |
|---|--------------------|---------------------|--|---------------|--------------------|
|   |                    |                     | Increase<br>(Decrease)                       | %<br>Change   |                    |
| <b>Professional Fees</b>  |                    |                     |  |               |                    |
| Professional Fees - Accounting  | 30,600             | 27,900              | 2,700  | 9.7%          | 30,000             |
| Professional Fees - Engineering   | 75,000             | 240,000             | (165,000)                                    | -68.8%        | 170,100            |
| Professional Fees - Legal   | 46,200             | 43,000              | 3,200  | 7.4%          | 33,600             |
| Professional Fees - Other   | 25,200             | 11,300              | 13,900                                       | 123.0%        | 25,200             |
| <b>Total Professional Fees</b>  | <u>177,000</u>     | <u>322,200</u>      | <u>(145,200)</u>                             | <u>-45.1%</u> | <u>258,900</u>     |
| <b>Total Operating Expenses before Depreciation</b>                         | <u>12,777,100</u>  | <u>11,978,500</u>   | <u>798,600</u>                               | <u>6.7%</u>   | <u>11,891,800</u>  |
| <b>Operating Income before Depreciation</b>                                 | <u>2,389,000</u>   | <u>2,788,100</u>    | <u>(399,100)</u>                             | <u>-14.3%</u> | <u>2,746,300</u>   |
| Depreciation  | 5,190,000          | 5,151,000           | 39,000                                       | 0.8%          | 5,190,000          |
| <b>Total Operating Expenses with Depreciation</b>                           | <u>17,967,100</u>  | <u>17,129,500</u>   | <u>837,600</u>                               | <u>4.9%</u>   | <u>17,081,800</u>  |
| <b>Change in Net Position from Operations</b>                               | <u>(2,801,000)</u> | <u>(2,362,900)</u>  | <u>(438,100)</u>                             | <u>18.5%</u>  | <u>(2,443,700)</u> |
| <b>Non-Operating Revenue</b>  |                    |                     |  |               |                    |
| Property Taxes - GO Bond Levy   | 1,515,000          | 1,521,700           | (6,700)                                      | -0.4%         | 1,475,000          |
| Property Taxes - Operations Levy  | 1,160,000          | 1,110,700           | 49,300                                       | 4.4%          | 1,060,000          |
| Gain on Disposition of Assets   | 126,000            | 49,100              | 76,900                                       | 156.6%        | 30,000             |
| Interest Income   | 390,000            | 517,400             | (127,400)                                    | -24.6%        | 60,000             |
| Interest Income - Assessments   | 60,000             | 59,200              | 800  | 1.4%          | 56,200             |
| Rental Income   | 87,600             | 86,100              | 1,500  | 1.7%          | 85,000             |
| Tower Lease Income  | 570,900            | 573,800             | (2,900)                                      | -0.5%         | 595,500            |
| Tower Lease Interest Income   | 32,100             | 33,100              | (1,000)                                      | -3.0%         | -                  |
| <b>Total Non-Operating Revenue</b>  | <u>3,941,600</u>   | <u>3,951,100</u>    | <u>(9,500)</u>                               | <u>-0.2%</u>  | <u>3,361,700</u>   |
| <b>Non-Operating Expenses</b>   |                    |                     |  |               |                    |
| Interest Expense - Vehicles   | 3,600              | 3,600               | -  | 0.0%          | 12,000             |
| Interest Expense - Bonds  | 273,600            | 308,700             | (35,100)                                     | -11.4%        | 310,600            |
| Bond Defeasance Amortization  | 325,500            | 325,500             | -  | 0.0%          | 325,500            |
| Bond Issuance Cost  | -                  | 42,500              | (42,500)                                     | 0.0%          | 45,000             |
| <b>Total Non-Operating Expenses</b>   | <u>602,700</u>     | <u>680,300</u>      | <u>(77,600)</u>                              | <u>-11.4%</u> | <u>693,100</u>     |
| <b>Non-Operating Income/Expenses - Net</b>                                  | <u>3,338,900</u>   | <u>3,270,800</u>    | <u>68,100</u>                                | <u>2.1%</u>   | <u>2,668,600</u>   |
| <b>Increase / Decrease in Net Position<br/>before Capital Contributions</b> | <u>537,900</u>     | <u>907,900</u>      | <u>(370,000)</u>                             | <u>-40.8%</u> | <u>224,900</u>     |
| <b>Capital Contributions</b>  |                    |                     |  |               |                    |
| Sewer Capacity Fees   | 156,000            | 330,700             | (174,700)                                    | -52.8%        | 156,000            |
| Water Capacity Fees   | 114,000            | 183,100             | (69,100)                                     | -37.7%        | 114,000            |
| Developer Contributions of Systems  | 50,000             | 50,000              | -  | 0.0%          | 50,000             |
| <b>Total Capital Contributions</b>  | <u>320,000</u>     | <u>563,800</u>      | <u>(243,800)</u>                             | <u>-43.2%</u> | <u>320,000</u>     |
| <b>Change in Net Position</b>   | <u>\$ 857,900</u>  | <u>\$ 1,471,700</u> | <u>\$ (613,800)</u>                          | <u>-41.7%</u> | <u>\$ 544,900</u>  |

## Operating Revenues

|                                 |                   |                        | Variance               |             | FY'23<br>Budget   |
|---------------------------------|-------------------|------------------------|------------------------|-------------|-------------------|
|                                 | FY'24<br>Budget   | FY'23<br>Projected 8+4 | Increase<br>(Decrease) | %<br>Change |                   |
| <b>TOTAL OPERATING REVENUES</b> |                   |                        |                        |             |                   |
| Water Service                   | \$ 8,222,600      | \$ 7,894,900           | 327,700                | 4.2%        | \$ 8,020,000      |
| Sewer Service                   | 6,292,700         | 6,060,200              | 232,500                | 3.8%        | 6,052,000         |
| Water Tap In Fees               | 187,800           | 202,500                | (14,700)               | -7.3%       | 186,000           |
| Sewer Connection Fees           | 248,400           | 334,400                | (86,000)               | -25.7%      | 180,000           |
| Service Fees                    | 20,100            | 20,100                 | -                      | 0.0%        | 20,100            |
| Golf Course Irrigation          | 156,000           | 161,700                | (5,700)                | -3.5%       | 135,000           |
| Miscellaneous Income            | 38,500            | 92,800                 | (54,300)               | -58.5%      | 45,000            |
| <b>Total Operating Revenue</b>  | <b>15,166,100</b> | <b>14,766,600</b>      | <b>399,500</b>         | <b>2.7%</b> | <b>14,638,100</b> |

Operating revenues consist of water services, sewer services, connection fees, service fees, golf course irrigation, and miscellaneous income. The total operating revenues are budgeted at \$15,166,100. This budget includes the following volumetric rate and fee increases:

| <b>Residential Water</b>        | FY 2023 | FY 2024      | <b>Commerical Water &amp; Irrigation</b>  | FY 2023 | FY 2024      |
|---------------------------------|---------|--------------|---|---------|--------------|
| <b>Rates per 1,000 Gallons:</b> | Current | Revised Rate | <b>Rates per 1,000 Gallons:</b>           | Current | Revised Rate |
| Block 1 - 0 to 10,000 Gal       | 1.47    | 1.52         | Block 1 - 0 to 10,000 Gal                 | 1.69    | 1.69         |
| Block 2 - 10,001 to 20,000 Gal  | 1.91    | 2.11         | Block 2 - 10,001 to 20,000 Gal            | 2.06    | 2.11         |
| Block 3 - 20,001 to 30,000 Gal  | 2.36    | 2.54         | Block 3 - 20,001 to 30,000 Gal            | 2.53    | 2.54         |
| Block 4 - All Over 30,000 Gal   | 2.98    | 3.38         | Block 4 - All Over 30,000 Gal             | 3.18    | 3.38         |
| <b>Residential Irrigation</b>   | FY 2023 | FY 2024      | <b>Residential &amp; Commercial Sewer</b> | FY 2023 | FY 2024      |
| <b>Rates per 1,000 Gallons:</b> | Current | Revised Rate | <b>Rates per 1,000 Gallons:</b>           | Current | Revised Rate |
| Block 1 - 0 to 10,000 Gal       | 1.91    | 2.11         | Residential sewer usage is capped at      | 2.00    | 2.16         |
| Block 2 - 10,001 to 20,000 Gal  | 1.91    | 2.11         | 10,000 gallons per month. There is        |         |              |
| Block 3 - 20,001 to 30,000 Gal  | 2.36    | 2.54         | no cap on commercial sewer usage.         |         |              |
| Block 4 - All Over 30,000 Gal   | 2.98    | 3.38         |   |         |              |
| <b>Fees</b>                     | FY 2023 | FY 2024      |   |         |              |
|                                 | Current | Revised Rate |   |         |              |
| Sewer Connection Fee            | 100.00  | 150.00       |   |         |              |
| Backflow Inspection Fee         | 100.00  | 175.00       |   |         |              |

Major/selected variances are as follows:

1. Water Service revenues are based on the above rate changes, current customer counts, and calendar year 2022 billed consumption of approximately 2.041 billion gallons. This consumption estimate is one of the most variable estimates in this budget document. Weather patterns can greatly affect consumption due to irrigation demand so a particularly rainy year could lead to the PSD missing budgeted numbers while a very dry year could lead to us exceeding the numbers. The current fiscal year has been rainy and dry so consumption may improve if weather conditions improve in FY'24.
2. Sewer Service revenues are based on the above rate changes, current customer counts and calendar year 2022 billed consumption of approximately 1.091 billion gallons. While this number is also subject to fluctuation, it is not as negatively impacted by usage since irrigation only customers are not charged sewer and residential customer usage is capped at 10,000 gallons a month.

**Operating Revenues (continued)**

3. Water Tap In Fees are budgeted at 125 connections at an estimated average tap in fee. Water tap in fees are partially offset by Water Tap In Expenses; the residual is estimated District employee labor cost recovery.
4. Sewer Connection Fees are budgeted at 160 connections at an estimated average connection cost and are offset by Sewer Connection Expenses less the \$150 connection fee.
5. Service Fees are budgeted at \$20,100 which is the same level as the FY'23 projection. Increased efforts on communications with non-payors has led to a decrease in penalties. This line item also contains miscellaneous fees such as reconnection fees, hydrant meter set fees, backflow inspection fees, and returned payment fees.
6. Golf Course Irrigation is budgeted conservatively between current year projections and the prior year budget. Increased, heavy rainfall as was experienced the last two autumns generally negatively affects this line item.
7. Miscellaneous Income is budgeted at \$38,500 and consists mostly of capital credits from the District's electricity provider. The current year projection includes a one-time settlement payment from the District's electricity provider.

## Payroll and Related Expenses

|                                 | FY'24<br>Budget  | FY'23<br>Projected 8+4 | Variance               |              | FY'23<br>Budget  |
|---------------------------------|------------------|------------------------|------------------------|--------------|------------------|
|                                 |                  |                        | Increase<br>(Decrease) | %<br>Change  |                  |
| <b>Payroll</b>                  |                  |                        |                        |              |                  |
| 1 Salaries                      | 3,315,600        | 2,954,900              | 360,700                | 12.2%        | 3,007,500        |
| 2 Commission Honorarium         | 81,000           | 80,400                 | 600                    | 0.7%         | 81,000           |
| 3 FICA                          | 257,300          | 226,500                | 30,800                 | 13.6%        | 233,700          |
| 4 Group Insurance               | 610,500          | 515,000                | 95,500                 | 18.5%        | 544,500          |
| 5 Retirement                    | 575,100          | 489,100                | 86,000                 | 17.6%        | 504,500          |
| 6 Workman's Comp                | 56,100           | 47,800                 | 8,300                  | 17.4%        | 60,000           |
| 7 Contract Labor                | 7,200            | -                      | 7,200                  | 0.0%         | 15,000           |
| 8 Training/Continuing Education | 65,400           | 61,900                 | 3,500                  | 5.7%         | 60,000           |
| 9 Uniforms                      | 30,000           | 29,100                 | 900                    | 3.1%         | 25,200           |
| <b>Total Payroll</b>            | <b>4,998,200</b> | <b>4,404,700</b>       | <b>593,500</b>         | <b>13.5%</b> | <b>4,531,400</b> |

### *Line Item Definitions – Payroll and Related Expenses*

#### Payroll and Related Expenses

- |                                  |  |
|----------------------------------|--|
| 1. Salaries                      | Salaries, on-call, overtime, and goal payments for district employees.   |
| 2. Honorarium                    | Stipends paid to the commissioners.  |
| 3. FICA                          | FICA/Medicare is calculated at 7.65% of total projected salaries and Commission honorariums.   |
| 4. Group Insurance               | State Health Plan which includes a 3.7% employer rate increase effective January 2024.   |
| 5. Retirement                    | Retirement is calculated at 18.41% of total projected salaries which includes a 1.0% increase from the 17.41% FY '23 rate.                           |
| 6. Workman's Comp                | Based on expected premiums calculated by the state based on the prior calendar year's salary and claims.   |
| 7. Contract Labor                | Fees associated with temporary employees.  |
| 8. Training/Continuing Education | Continuing education for entire staff (Seminars, Operator/ Technician Exams, GIS, AWWA, etc.) including travel, meals, lodging and associated costs. |
| 9. Uniforms                      | Shirts, pants, shorts, jackets, and caps.  |

**FY'24 Budget  
Variance Summary**

***Payroll and Related Costs:***

The budgeted FY'24 staffing level is 41 full time employees (FTEs) which is an increase of 2 FTEs from the FY'23 budget staffing level of 39 FTEs. At the time of budget preparation, the current staff level is 37 FTEs. The District is planning to add staff in the areas of accounting administration, IT support, SCADA support, and field services. Given the current tight labor market and lack of workforce housing in the District's service area, staff believes it is important to budget in a way that allows staff to be flexible to attract and retain talent in this competitive and changing employment market. Given this, this budget only anticipates minimal vacancy allowances to allow the District to reach this full level should opportunities arise. There may be savings to budget in this area should recruitment take time. The District staff always endeavors to take the appropriate time to select candidates that fit with the District's needs when hiring employees as opposed to simply filling a position within a given time frame. Board compensation is also included in this category. The total budget for payroll and related costs is \$4,998,200 reflecting a \$593,500 increase compared to the FY'23 projections. Selected/major variances are as follows:

1. Salaries for the FY'24 budget are \$3,315,600. This is a \$360,700 increase compared to the FY'23 projection of \$2,954,900. For FY'24, there is a proposed 4.0% merit pool available for increases. Staff is not guaranteed to receive a salary rate adjustment; salary rate adjustments are merit based and are determined on an individual basis. Inflation continued to be strong during FY'23 and area housing market conditions continued to worsen. In consideration of this, this budget contains a one-time inflationary payment to all District employees of \$2,000. One-time payments are not subject to the SC retirement system contributions, thereby allowing employees to take home a greater percentage of this type of payment. Additionally, the salaries line item includes anticipated overtime and on call compensation which can vary based on customer after hour calls and disaster related events.
4. Group insurance for the FY'24 budget is \$610,500. This is a \$95,500 increase compared to the FY'23 projection of \$489,100. There was a 18.1% employer rate increase starting January 2023 and an additional 3.7% employer rate increase is expected beginning January 2024.
5. Retirement for the FY'24 budget is \$575,100 which is a \$86,000 increase compared to the FY'23 projection of \$489,100. This line item is based on budgeted salaries at the required employer contribution rate. This rate will increase 1% from 17.41% in FY'23 to 18.41% in FY'24.

## Administration Expenses

|  | FY'24<br>Budget  | FY'23<br>Projected 8+4 | Variance               |             | FY'23<br>Budget  |
|--|------------------|------------------------|------------------------|-------------|------------------|
|  |                  |                        | Increase<br>(Decrease) | %<br>Change |                  |
| <b>Administration</b>                    |                  |                        |                        |             |                  |
| 10 Bad Debts                             | 22,200           | 17,300                 | 4,900                  | 28.3%       | 30,000           |
| 11 Bank/Bond Administration Fees         | 130,500          | 142,400                | (11,900)               | -8.4%       | 127,800          |
| 12 Billing and Accounting                | 48,900           | 48,500                 | 400                    | 0.8%        | 48,000           |
| 13 Communications                        | 158,400          | 141,000                | 17,400                 | 12.3%       | 126,600          |
| 14 Dues and Subscriptions                | 18,600           | 18,200                 | 400                    | 2.2%        | 16,600           |
| 15 Commission Support                    | 7,800            | 8,600                  | (800)                  | -9.3%       | 12,000           |
| 16 Insurance Other than Group or Vehicle | 345,000          | 326,600                | 18,400                 | 5.6%        | 345,000          |
| 17 License and Permits                   | 71,300           | 70,900                 | 400                    | 0.6%        | 69,900           |
| 18 Office Supplies                       | 25,800           | 25,300                 | 500                    | 2.0%        | 26,400           |
| 19 Computer Software and Supplies        | 142,700          | 140,900                | 1,800                  | 1.3%        | 141,900          |
| 20 Personnel Support                     | 24,000           | 23,100                 | 900                    | 3.9%        | 24,900           |
| 21 Postage                               | 77,400           | 74,900                 | 2,500                  | 3.3%        | 77,400           |
| 22 Public Education                      | 34,800           | 33,800                 | 1,000                  | 3.0%        | 36,000           |
| 23 Recruitment and Advertising           | 5,700            | 5,400                  | 300                    | 5.6%        | 5,400            |
| 24 Special Functions                     | 20,100           | 28,100                 | (8,000)                | -28.5%      | 30,000           |
| 25 Travel and Meals                      | 5,400            | 4,900                  | 500                    | 10.2%       | 6,000            |
| 26 Utilities                             | 54,900           | 53,200                 | 1,700                  | 3.2%        | 48,600           |
| <b>Total Administration</b>              | <b>1,193,500</b> | <b>1,163,100</b>       | <b>30,400</b>          | <b>2.6%</b> | <b>1,172,500</b> |

### *Line Item Definitions – Administration Expenses*

- |   |   |
|---|---|
| 10. Bad Debts                             | Write off of un-collectible receivables.  |
| 11. Bank/Bond Administration Fees         | Monthly fees for credit card processing and maintaining operating and trust accounts.   |
| 12. Billing and Accounting                | Monthly fees associated with producing customer statements, lockbox processing fees, e-box processing fees, and printing forms.     |
| 13. Communications                        | Telephone lines, answering service, cell phones, tablets, radios, cable, internet, etc.   |
| 14. Dues and Subscriptions                | Yearly dues for professional industry organizations (i.e. AWWA, GFOA, SCRWA, WEASC, WEF, etc.).                                     |
| 15. Commission Support                    | Costs of Commissioner elections as required by state law, shirts, meeting refreshments, etc.  |
| 16. Insurance Other than Group or Vehicle | General Tort Liability, Building and Property, Surety Bond, Data Processing, Cyber Insurance, Inland Marine, Business Interruption. |
| 17. Licenses and Permits                  | SC DHEC Fees, Lab License, Property Tax Fees, Staff License renewals.   |

***Line Item Definitions – Administration Expenses (continued)***

- |                                    |  |
|------------------------------------|--|
| 18. Office Supplies                | Includes all office supplies needed for administrative operations such as pens, paper, ink, and minor furniture such as chair replacements.  |
| 19. Computer Software and Supplies | Software and hardware upgrades, annual accounting/AMI/GIS software maintenance fees, computer supplies, computer repairs, etc.   |
| 20. Personnel Support              | Annual health screening, flu shots, DOT physicals, kitchen supplies, community room supplies, etc.   |
| 21. Postage                        | Postage for mailing monthly statements and customer communications, shipping charges, postage meter lease and supplies.  |
| 22. Public Education               | Customer newsletters and outreach, public notices, emergency notices, annual report, etc.  |
| 23. Recruitment and Advertising    | Costs such as newspaper and online advertising, travel and per diems for replacement of vacant positions and legal noticing.   |
| 24. Special Functions              | Special events, staff meetings, and community support.   |
| 25. Travel and meals               | Meals, lodging, personal vehicle mileage reimbursement using Federal guidance, and miscellaneous expenses to attend meetings other than training and continuing education; i.e. meetings with DHEC, etc. |
| 26. Utilities                      | Electricity, water, sewer, for the Administration building.  |

**FY'24 Budget  
Variance Summary**

***Administration Expense:***

This category covers those items necessary to handle the administration of the day-to-day operations. Such items as insurance other than group health insurance, computer software, utilities, public education, billing and accounting are included. The total budget for administration is \$1,193,500 reflecting a \$30,400 increase compared to the FY'23 projections. Major/selected variances are as follows:

**FY'24 Budget  
Variance Summary (Continued)**

*Administration Expense (continued):*

11. Bank/Bond Administration Fees are budgeted at \$130,500 for FY'24 which is a \$11,900 decrease from the FY'23 projections. The projections contain a one-time fee related to obtaining an issuer credit rating from Standard & Poor's which is not anticipated to be repeated.
13. Communications is budgeted at \$158,400 for FY'24. This is a \$17,400 increase from the FY'23 projection of \$141,000 due to conversion from DSL to fiber connections for our SCADA and metering systems which will enhance reliability and reduce down time on these crucial systems.
16. Insurance other than group or vehicle is budgeted at \$345,000 for FY'24. This is a \$18,400 increase from the FY'23 projections. While the insurance reserve fund (IRF) is not anticipating a rate increase for FY'24, they have applied an inflationary factor of 13% to our appraised values. The PSD is also expecting an increase in its cyber insurance policy. However, the IRF has also notified the PSD that it will no longer be carrying the policy on our underground assets which includes our fire hydrants, water transmission/distribution mains including the 24" wholesale water main, gravity sewer mains, and reclaimed water system lines. This policy carries an annual premium of around \$74,000. District staff is trying to find an outside carrier to quote this policy at a comparable to lower rate. As of yet, this policy has been too specific for all carriers contacted and they have declined to quote. If the District ends up self-funding this policy, there will be savings in this line item.
24. Special Functions is budgeted at \$20,100 which is a \$8,000 decrease from the FY'23 projection of \$28,100. This includes \$5,000 for community support and \$15,100 for PSD meetings and functions. The projection and FY'23 budget include \$10,000 worth of community support for the Barnwell Tabby Project. As of the date of budget preparation, this had not yet been spent. If it is not spent by the end of the fiscal year, it may be expended in FY'24.

## Operations Expenses

|                                  | FY'24<br>Budget  | FY'23<br>Projected 8+4 | Variance               |             | FY'23<br>Budget  |
|----------------------------------|------------------|------------------------|------------------------|-------------|------------------|
|                                  |                  |                        | Increase<br>(Decrease) | %<br>Change |                  |
| <b>Operations</b>                |                  |                        |                        |             |                  |
| 27 Biosolids Disposal            | 492,000          | 443,900                | 48,100                 | 10.8%       | 444,000          |
| 28 Operations Chemicals          | 1,140,100        | 1,105,600              | 34,500                 | 3.1%        | 897,700          |
| 29 Lab Chemicals and Supplies    | 24,300           | 23,500                 | 800                    | 3.4%        | 18,600           |
| 30 Fuel, Power and Utility       | 1,402,800        | 1,391,700              | 11,100                 | 0.8%        | 1,322,400        |
| 31 Other Supplies and Materials  | 29,400           | 29,000                 | 400                    | 1.4%        | 19,500           |
| 32 Quality Analysis              | 15,000           | 11,400                 | 3,600                  | 31.6%       | 5,100            |
| 33 Safety                        | 39,600           | 36,200                 | 3,400                  | 9.4%        | 45,000           |
| 34 SCADA Communications (Alarms) | 37,200           | 36,300                 | 900                    | 2.5%        | 33,000           |
| 35 Tools and Small Equipment     | 41,700           | 40,500                 | 1,200                  | 3.0%        | 33,300           |
| 36 Vehicle Fuel                  | 102,900          | 98,500                 | 4,400                  | 4.5%        | 90,600           |
| 37 Vehicles Insurance            | 24,600           | 22,600                 | 2,000                  | 8.8%        | 25,800           |
| 38 Vehicle Lease Management      | 6,600            | 3,800                  | 2,800                  | 73.7%       | 5,400            |
| 39 Vehicle Maintenance           | 24,900           | 24,600                 | 300                    | 1.2%        | 22,400           |
| <b>Total Operations</b>          | <b>3,381,100</b> | <b>3,267,600</b>       | <b>113,500</b>         | <b>3.5%</b> | <b>2,962,800</b> |

### *Line Item Definitions – Operations Expenses*

|                                   |  |
|-----------------------------------|--|
| 27. Biosolids Disposal            | Hauling and disposal of sludge.  |
| 28. Operations Chemicals          | Sodium hypochlorite, granular chlorine, ammonia, re-agent pillows, lime, sulfur dioxide, polymers, degreasers.   |
| 29. Lab Chemicals and Supplies    | Chemicals and supplies, such as beakers, stirrers, sample bottles, culture cups, colored buffers, chemical standards for quality analysis use, forceps, filters, rubber gloves, etc., necessary for laboratory operations and water quality testing.   |
| 30. Fuel, Power and Utility       | Electricity, diesel, propane for treatment plants, wells, lift stations, RO Plant, ASR, etc.   |
| 31. Other Supplies and Materials  | Miscellaneous operating expense items such as batteries, marking paint, tape, cleaner, etc.  |
| 32. Quality Analysis              | Quality analysis testing.  |
| 33. Safety                        | Mandatory staff meetings on topics such as forklift safety, lock-out/tag-out safety, driver safety, etc. Also, sanitation products, personal protection equipment (PPE) such as safety glasses, vests, boots, gloves, etc. and worksite safety equipment such as traffic cones, barricades, flashers, etc. |
| 34. SCADA Communications (Alarms) | Monthly cost of network service for SCADA (Supervisory Control and Data Acquisitions System) communications equipment.   |

***Line Item Definitions – Operations Expenses (continued)***

- |                               |   |
|-------------------------------|---|
| 35. Tools and Small Equipment | Shovels, water meter pit pumps, flags, locator probes, manhole pullers, PVC pipe saws, miscellaneous hand tools (wrenches, screw drivers, pliers, etc.) and miscellaneous power tools (cordless drills, cut-off saws, rechargeable flashlights, etc.) under \$5,000.00. |
| 36. Fuel – Vehicles           | Gasoline and diesel fuel for PSD’s fleet of vehicles.   |
| 37. Insurance – Vehicles      | Liability, collision and comprehensive insurance for fleet vehicles.  |
| 38. Vehicle Lease Management  | Management fees on vehicle leases.  |
| 39. Vehicle Maintenance       | Repairs to fleet vehicles such as oil changes, brakes, tires, batteries, windshield wipers, tire rotation, belts, fuel filters, alternators, water pumps, wheel alignment, major tune-ups, diesel injectors, engine and transmission repairs.                           |

**FY'24 Budget  
Variance Summary**

***Operations Expense:***

This category covers the direct costs of operating the water distribution system, sewage collection system, wastewater treatment plant, and vehicle fleet. Such items as bio-solids disposal, chemicals, power, and lab support are included. The total budget for operations is \$3,381,100 reflecting a \$113,500 increase compared to the FY'23 projections. Major/selected variances include:

- 28. Biosolids disposal is budgeted at \$492,000 for FY'24 which is a \$48,100 increase from the FY'23 projection of \$443,900 due to a January 2023 landfill rate increase of 6%.
- 29. Operations chemicals are budgeted at \$1,140,100 for FY'24. This is a \$34,500 increase from the FY'23 projection of \$1,105,600. Chemical costs have continued to see significant inflationary increases during the fiscal year.

### Maintenance Expenses

|                                   | FY'24<br>Budget  | FY'23<br>Projected 8+4 | Variance               |              | FY'23<br>Budget  |
|-----------------------------------|------------------|------------------------|------------------------|--------------|------------------|
|                                   |                  |                        | Increase<br>(Decrease) | %<br>Change  |                  |
| <b>Maintenance</b>                |                  |                        |                        |              |                  |
| 40 ASR Maintenance                | 9,600            | 4,500                  | 5,100                  | 113.3%       | 10,200           |
| 41 Biosolids Maintenance          | 9,600            | 9,100                  | 500                    | 5.5%         | 5,100            |
| 42 Meter Device Maintenance       | 40,200           | 38,900                 | 1,300                  | 3.3%         | 30,600           |
| 43 Effluent System Maintenance    | 37,800           | 37,700                 | 100                    | 0.3%         | 31,500           |
| 44 Equipment Maintenance          | 37,200           | 36,600                 | 600                    | 1.6%         | 31,500           |
| 45 Facilities Maintenance         | 94,500           | 92,000                 | 2,500                  | 2.7%         | 96,900           |
| 46 Generator Maintenance          | 23,700           | 22,800                 | 900                    | 3.9%         | 24,000           |
| 47 Hydrant Maintenance            | 63,000           | 58,700                 | 4,300                  | 7.3%         | 66,000           |
| 48 Operations Grounds Maintenance | 69,900           | 68,500                 | 1,400                  | 2.0%         | 69,900           |
| 49 Lift Station Maintenance       | 333,300          | 326,500                | 6,800                  | 2.1%         | 318,000          |
| 50 Plant Maintenance - WWTP       | 75,000           | 62,100                 | 12,900                 | 20.8%        | 122,400          |
| 51 RO Maintenance                 | 106,800          | 97,300                 | 9,500                  | 9.8%         | 126,000          |
| 52 SCADA Maintenance              | 43,200           | 42,600                 | 600                    | 1.4%         | 21,600           |
| 53 Water System Maintenance       | 210,000          | 165,000                | 45,000                 | 27.3%        | 219,000          |
| 54 Sewer System Maintenance       | 225,000          | 218,000                | 7,000                  | 3.2%         | 231,000          |
| 55 Tower & Tank Maintenance       | 160,800          | 33,700                 | 127,100                | 377.2%       | 133,500          |
| 56 Well Maintenance               | 42,000           | 31,400                 | 10,600                 | 33.8%        | 48,000           |
| <b>Total Maintenance</b>          | <b>1,581,600</b> | <b>1,345,400</b>       | <b>236,200</b>         | <b>17.6%</b> | <b>1,585,200</b> |

### *Line Item Definitions –Maintenance Expenses*

- |                                      |   |
|--------------------------------------|---|
| 40. ASR Maintenance                  | Repairs and preventative maintenance for the ASR wells.   |
| 41. Biosolids Maintenance            | Repairs and preventative maintenance for the centrifuge, conveyor system, polymer system, and motor control system.   |
| 42. Meter Device Maintenance         | Repair and/or replacement of meter boxes/lids, touch readers, smartpoints, damaged meters, base stations and antennas.  |
| 43. Effluent System Maintenance      | Repairs and preventative maintenance to the effluent system.  |
| 44. Equipment Maintenance            | Repairs and preventative maintenance for operation equipment such as forklifts, bush hogs, sewer cleaning machines, leak detection equipment, lateral and main cameras, etc.    |
| 45. Facilities Maintenance           | Administrative building landscaping services, pest control, air conditioner service, dumpster disposal, janitorial supplies and services, and building repairs and maintenance. |
| 46. Generator Maintenance            | Repairs and preventative maintenance to the administration building, WWTP, wells, and lift station emergency generators.  |
| 47. Hydrant Maintenance              | Repairs, testing, and preventative maintenance for hydrants.  |
| 48. Operations - Grounds Maintenance | Contracted landscaping services at lift stations, wells, RO plant, WWTP, etc.   |

***Line Item Definitions – Maintenance Expenses (continued)***

|                              |   |
|------------------------------|---|
| 49. Lift Station Maintenance | Trouble shooting, repairs, and preventative maintenance at lift stations (pumps, electrical, float switches, etc.) and customer LPS systems.  |
| 50. Plant Maintenance - WWTP | Repairs and preventative maintenance on filter blowers, digester blowers, aeration blowers, equalization basin blowers, screw pumps, WWTP buildings, etc.   |
| 51. RO Maintenance           | Repairs and preventative maintenance at the RO facility and wells.  |
| 52. SCADA Maintenance        | Repairs, replacements, and maintenance of SCADA system including level indicators, radios, & antennas.  |
| 53. Water System Maintenance | Material, such as pipe, flanges, repair sleeves and clamps and contracted services to effect repairs to broken water lines including sod replacement, road and driveway repairs, and replacing asphalt.   |
| 54. Sewer System Maintenance | Material, such as pipe, flanges, repair sleeves and clamps and contracted services to effect repairs to broken sewer lines including sod replacement, road and driveway repairs, and replacing asphalt. Also includes sewer cleaning and camera work. |
| 55. Tower & Tank Maintenance | Contracted maintenance for water towers at Union Cemetery, Pembroke, Seabrook, Marshland, and Wild Horse roads and ground storage tanks at Leg O Mutton, Ashmore, and Northpointe Circle.   |
| 56. Well Maintenance         | Materials and services to repair chlorinators, thermal valves, pumps, motors, and meters. Also includes infrared and vibration analysis.  |

**FY'24 Budget  
Variance Summary**

***Maintenance:***

This category covers preventative maintenance and emergency repairs to water and sewer mains, ASR wells, RO system, generators, pump stations, wells, elevated water tanks, ground storage tanks and the wastewater treatment plant that do not meet the District's property, plant, and equipment capitalization policy. Items greater than \$5,000 which extend the useful life of the asset are capitalized and included in the CIP budget. The total FY'24 budget is \$1,581,600 reflecting a \$236,200 increase compared to the FY'23 projections.

**FY'24 Budget  
Variance Summary (continued)**

*Maintenance (continued):*

**Note:** Many of the following maintenance expense items can fluctuate significantly from year to year making them difficult to estimate. Depending on line item specific factors, the following budgeted amounts have been estimated utilizing future expectations and/or incremental budgeting (Using a previous period's budget or actual performance as a basis with incremental amounts adjusted for the new budget period).

Major/selected variances include:

50. Plant Maintenance – WWTP is budgeted at \$75,000 for FY'24 which is an increase of \$12,900 from FY'23 projections. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.
53. Water System Maintenance is budgeted at \$210,000 for FY'24 which is a \$45,000 increase from the FY'23 projection of \$165,000. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.
49. Tower & Tank Maintenance is budgeted at \$160,800 for FY'24 which is a \$127,100 increase from the FY'23 projection of \$33,700. Staff was able to achieve savings in this area for FY'23 by engaging a new vendor for FY'24. The prior vendor did not continue their contract past the first quarter of FY'23. The new vendor will also cover ground storage tank maintenance in FY'24 which was not covered under the prior contract.
51. Well maintenance is budgeted at \$42,000 for FY'24. This is a \$10,600 increase from the FY'23 projection of \$31,400. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.

**Tap in and Water Expenses**

|                                       | <u>FY'24</u>     | <u>FY'23</u>         | <u>Variance</u>   | <u>%</u>      | <u>FY'23</u>     |
|---------------------------------------|------------------|----------------------|-------------------|---------------|------------------|
|                                       | <u>Budget</u>    | <u>Projected 8+4</u> | <u>Increase</u>   | <u>Change</u> | <u>Budget</u>    |
|                                       |                  |                      | <u>(Decrease)</u> |               |                  |
| <b>Tap in and Connection Expenses</b> |                  |                      |                   |               |                  |
| 57 Water Tap In Expenses              | 141,000          | 144,500              | (3,500)           | -2.4%         | 139,500          |
| 58 Sewer Connection Expenses          | 225,600          | 314,000              | (88,400)          | -28.2%        | 168,000          |
| <b>Total Connection Expenses</b>      | <b>366,600</b>   | <b>458,500</b>       | <b>(91,900)</b>   | <b>-20.0%</b> | <b>307,500</b>   |
| <b>Water Expenses</b>                 |                  |                      |                   |               |                  |
| 59 Purchased Water                    | 812,000          | 766,200              | 45,800            | 6.0%          | 818,700          |
| 60 ASR Water                          | 267,100          | 250,800              | 16,300            | 6.5%          | 254,800          |
| <b>Total Water Expenses</b>           | <b>1,079,100</b> | <b>1,017,000</b>     | <b>62,100</b>     | <b>6.1%</b>   | <b>1,073,500</b> |

***Line Item Definitions – Tap in and Water Expenses***

- |                                 |   |
|---------------------------------|---|
| 57. Tap-in Expenses - Water     | Water meters, meter boxes, tapping saddles, brass ball valves, curb stop and corporation stop, brass and cut-off valves. These materials expenses are off-set by Water Tap In Fees. |
| 58. Connection Expenses – Sewer | Expenses associated with sewer connections which are offset by Sewer Connection Fees.   |
| 59. Purchased Water             | Water that is purchased from BJWSA.   |
| 60. ASR Water                   | Water withdrawn from the ASR well.  |

**FY'24 Budget  
Variance Summary**

***Tap in and Water Expenses:***

- 57/58. Tap in/connection expenses are budgeted based on a conservative estimate of new connections. They are offset by connection/inspection fee revenue. The difference between water tap in revenues and expenses is related to staff labor. The difference between sewer connection revenues and expenses are sewer connection fees.
- 59/60. Purchased Water / ASR Water – BJWSA purchased water has been budgeted at \$812,000, a \$45,800 increase from FY'23 projections. ASR water has been budgeted at \$267,100, a \$16,300 increase from FY'23 projections.

**FY'24 Budget  
Variance Summary**

*Tap in and Water Expenses: (continued)*

59/60. Water Expenses for FY'24 consist of two line items: Purchased Water Expense and ASR Water Expense. Purchased water expense consists of water that is purchased from BJWSA and not used to fill the ASR. ASR water expense is for water that has been drawn out of the ASR well for sale to customers. Purchased water can also be affected by periods of down time at the RO Plant or Wells.

The current wholesale rate charged by BJWSA is \$2.07 per thousand gallons of water purchased during peak periods. BJWSA has provided an estimated 3.0% - 5.0% increase to this rate which would put the wholesale rate between \$2.13 to \$2.18. The FY'24 budget allows for a 6.0% increase to incorporate this rate increase as well as a small allowance for downtime at the RO plant for maintenance. There was no significant downtime at the RO plant during FY'23 to date.

The off-peak rate for FY'24 (generally October through March) is \$1.04 cents per 1,000 gallons of water purchased in excess of contracted requirements. The off-peak rate is adjusted annually based on the July Consumer Price Index and BJWSA will provide 60 days' notice of their intent to adjust the rates. A 6.5% increase has been anticipated as a part of this budget which estimates the new off-peak rate at \$1.11.

## Professional Fees and Depreciation Expense

|   | FY'24<br>Budget    | FY'23<br>Projected 8+4 | Variance<br>Increase<br>(Decrease) | %<br>Change   | FY'23<br>Budget    |
|---|--------------------|------------------------|------------------------------------|---------------|--------------------|
| <b>Professional Fees</b>                          |                    |                        |                                    |               |                    |
| 61 Professional Fees - Accounting                 | 30,600             | 27,900                 | 2,700                              | 9.7%          | 30,000             |
| 62 Professional Fees - Engineering                | 75,000             | 240,000                | (165,000)                          | -68.8%        | 170,100            |
| 63 Professional Fees - Legal                      | 46,200             | 43,000                 | 3,200                              | 7.4%          | 33,600             |
| 64 Professional Fees - Other                      | 25,200             | 11,300                 | 13,900                             | 123.0%        | 25,200             |
| <b>Total Professional Fees</b>                    | <u>177,000</u>     | <u>322,200</u>         | <u>(145,200)</u>                   | <u>-45.1%</u> | <u>258,900</u>     |
| <br>  |                    |                        |                                    |               |                    |
| <b>Total Operating Expenses</b>                   | <u>12,777,100</u>  | <u>11,978,500</u>      | <u>798,600</u>                     | <u>6.7%</u>   | <u>11,891,800</u>  |
| <br>  |                    |                        |                                    |               |                    |
| <b>Operating Income before Depreciation</b>       | <u>2,389,000</u>   | <u>2,788,100</u>       | <u>(399,100)</u>                   | <u>-14.3%</u> | <u>2,746,300</u>   |
| <br>  |                    |                        |                                    |               |                    |
| 65 Depreciation                                   | 5,190,000          | 5,151,000              | 39,000                             | 0.8%          | 5,190,000          |
| <br>  |                    |                        |                                    |               |                    |
| <b>Total Operating Expenses with Depreciation</b> | <u>17,967,100</u>  | <u>17,129,500</u>      | <u>837,600</u>                     | <u>4.9%</u>   | <u>17,081,800</u>  |
| <br>  |                    |                        |                                    |               |                    |
| <b>Change in Net Assets from Operations</b>       | <u>(2,801,000)</u> | <u>(2,362,900)</u>     | <u>(438,100)</u>                   | <u>18.5%</u>  | <u>(2,443,700)</u> |

### *Line Item Definitions – Professional Fees and Depreciation*

|                                     |  |
|-------------------------------------|--|
| 61. Professional Fees - Accounting  | Annual audit and financial consultant fees.            |
| 62. Professional Fees - Engineering | Professional engineering services.                     |
| 63. Professional Fees - Legal       | General counsel/labor law/contract issues.             |
| 64. Professional Fees - Other       | Various miscellaneous studies and consulting.          |
| 65. Depreciation                    | An allocation of the useful life of capital purchases. |

**FY'24 Budget  
Variance Summary**

***Professional Fees:***

This category covers fees paid to professionals for legal, accounting, engineering, and other consulting assistance in the operation and administration of the District. The total FY'24 budget of \$177,000 reflects a \$145,200 decrease compared to the FY'23 projections. Major/selected variances include:

61. Professional fees accounting is budgeted at expected annual audit and financial consulting needs. It is expected that in future years, the District will incur additional expense in this area related to obtaining a single audit which is required when a governmental entity expends more than \$750,000 of federal funds in a fiscal year.
62. Professional fees engineering is budgeted at \$75,000 for FY'24 in anticipation of continued lead and copper work, condition studies, and other miscellaneous consulting needs. FY'23 contained continued work on the future water supply modeling and SCIIP grant application assistance. As the District heads into potential execution of SCIIP grant projects, engineering related those projects is expected to be capitalized into the ultimate cost of these projects.
63. Professional fees legal is budgeted at \$46,200 in consideration of potential redistricting, ARPA, or other infrastructure funding, and/or future water supply legal needs.
64. Professional fees other is budgeted at \$25,200 in consideration of prior five-year history and potential rate study, ARPA, or other infrastructure funding consulting needs.

***Depreciation:***

This category covers depreciation of the District's water and sewer systems as well as buildings and support equipment. Although this is a non-cash item, it is an expense to the District. Staff has performed an analysis of depreciation expense including a review of expected additions and assets reaching the end of their depreciable lives. The total budgeted depreciation for FY'24 is \$5,190,000, an increase of \$39,000 from the FY'23 projections.

### Non-Operating Revenue

| Non-Operating Revenue               | FY'24<br>Budget  | FY'23<br>Projected 8+4 | Variance               |              | FY'23<br>Budget  |
|-------------------------------------|------------------|------------------------|------------------------|--------------|------------------|
|                                     |                  |                        | Increase<br>(Decrease) | %<br>Change  |                  |
| 66 Property Taxes - GO Bond Levy    | 1,515,000        | 1,521,700              | (6,700)                | -0.4%        | 1,475,000        |
| 67 Property Taxes - Operations Levy | 1,160,000        | 1,110,700              | 49,300                 | 4.4%         | 1,060,000        |
| 68 Gain on Disposition of Assets    | 126,000          | 49,100                 | 76,900                 | 156.6%       | 30,000           |
| 69 Interest Income                  | 390,000          | 517,400                | (127,400)              | -24.6%       | 60,000           |
| 70 Interest Income - Assessments    | 60,000           | 59,200                 | 800                    | 1.4%         | 56,200           |
| 71 Rental Income                    | 87,600           | 86,100                 | 1,500                  | 1.7%         | 85,000           |
| 72 Tower Lease Income               | 570,900          | 573,800                | (2,900)                | -0.5%        | 595,500          |
| 73 Tower Lease Interest Income      | 32,100           | 33,100                 | (1,000)                | -3.0%        | -                |
| <b>Total Non-Operating Revenue</b>  | <b>3,941,600</b> | <b>3,951,100</b>       | <b>(9,500)</b>         | <b>-0.2%</b> | <b>3,361,700</b> |

### FY'24 Budget Variance Summary

***Non-Operating Revenue:***

- The FY'22 assessed values of the District were estimated by the County at \$369.3 million. The County had not provided an update of the estimated value at the time of budget preparation. Budgeted amounts were based on the prior year amount and a modest growth component based on prior year history.
- The General Obligation (GO) Debt Levy is estimated at \$1,515,000 for FY'24 to meet our general obligation debt payment requirements. The GO Debt millage rate is estimated at 4.1 mills, which is the same as the FY'23. The Operations Levy is set at 3.0 mills, the same level as FY'23, and is estimated at \$1,160,000 for FY'24. These rates are calculated directly from the estimated values discussed above. Both the GO and Operations levies are collected annually via Beaufort County property tax bills.
- Gain on Disposition of Assets is related to the replacement of vehicles. The CIP budget includes an allowance for additional vehicles. Vehicle prices have increased dramatically during the last fiscal year and many governmental incentive programs have been reduced. Staff intends to monitor the vehicle market and may delay purchasing new vehicles until a future year. If the CIP purchase is delayed, this line item will also be reduced. The District also plans to sell a sewer vacuum truck that has been taken out of service during FY'24.
- Interest Income is based on balances of our operating and trusts accounts invested in interest bearing investments. Interest is estimated 3.25%. The District is currently earning in excess of 4.5% on its reserve funds. This is a particularly variable estimate. If rates

continue at current levels, the District may earn significantly more revenue. If rates collapse, the District may earn significantly less income than budgeted.

- **Assessment Interest Receivable:** Annual front foot assessments are billed and collected through Beaufort County property tax bills. These funds are collected to pay the District's front foot assessment revenue debt and are based on set amortization schedules.
- **Rental Income** is collected from the Town of Hilton Head 911 Center located on the second floor of the District Administration Building and the Hilton Head Plantation POA Property Lease for the boat and RV storage lot (POA Property Lease is due an annual 3% increase each September).
- **Tower Lease Income** is generated from the cellular companies that have leased space on the District's water towers. Projections for FY'24 are based on 3 cellular customers (AT&T, T-Mobile, Verizon) for a total of 14 leases which contain annual escalators ranging from 3.0% to 5.0%. During FY'23, Sprint cancelled one of their two leases due to the merger with T-Mobile. For the other Sprint site, T-Mobile has opted to cancel their lease with us which runs through 2026 and maintain the other Sprint lease.

### Non-Operating Expenses

| Non-Operating Expenses  | FY'24<br>Budget  | FY'23<br>Projected 8+4 | Variance               |               | FY'23<br>Budget  |
|---|------------------|------------------------|------------------------|---------------|------------------|
|   |                  |                        | Increase<br>(Decrease) | %<br>Change   |                  |
| 74 Interest Expense - Vehicles  | 3,600            | 3,600                  | -                      | 0.0%          | 12,000           |
| 75 Interest Expense - Bonds   | 273,600          | 308,700                | (35,100)               | -11.4%        | 310,600          |
| 76 Bond Defeasance Amortization   | 325,500          | 325,500                | -                      | 0.0%          | 325,500          |
| 77 Bond Issuance Cost   | -                | 42,500                 | (42,500)               | -100.0%       | 45,000           |
| <b>Total Non-Operating Expenses</b>                                       | <b>602,700</b>   | <b>680,300</b>         | <b>(77,600)</b>        | <b>-11.4%</b> | <b>693,100</b>   |
| <b>Non-Operating Income/Expenses - Net</b>                                | <b>3,338,900</b> | <b>3,270,800</b>       | <b>68,100</b>          | <b>2.1%</b>   | <b>2,668,600</b> |
| <b>Increase / Decrease in Net Assets<br/>before capital Contributions</b> | <b>537,900</b>   | <b>907,900</b>         | <b>(370,000)</b>       | <b>-40.8%</b> | <b>224,900</b>   |

### FY'24 Budget Variance Summary

***Non-Operating Expenses:***

Interest Expense and Bond Defeasance Amortization – The FY'24 budget is based on the District's annual debt service schedules for all outstanding debt. As noted previously, no new debt is included in this budget. If an issuance is done, the issuance cost will most likely be funded through the issuance proceeds.

### Summary of Capital Contributions

|   | FY'24<br>Budget | FY'23<br>Projected 8+4 | Variance               |               | FY'23<br>Budget |
|---|-----------------|------------------------|------------------------|---------------|-----------------|
|   |                 |                        | Increase<br>(Decrease) | %<br>Change   |                 |
| Capital Contributions                           |                 |                        |                        |               |                 |
| 78 Sewer Capacity Fees                          | 156,000         | 330,700                | (174,700)              | -52.8%        | 156,000         |
| 79 Water Capacity Fees                          | 114,000         | 183,100                | (69,100)               | -37.7%        | 114,000         |
| 80 Developer Contributions of Systems           | 50,000          | 50,000                 | -                      | 0.0%          | 50,000          |
| <b>Total Developer Contributions of Systems</b> | <b>320,000</b>  | <b>563,800</b>         | <b>(243,800)</b>       | <b>-43.2%</b> | <b>320,000</b>  |
| <br>Change in Net Assets                        | <br>\$ 857,900  | <br>\$ 1,471,700       | <br>\$ (613,800)       | <br>-41.7%    | <br>\$ 544,900  |

### FY'24 Budget Variance Summary

***Developer Contribution of Systems:***

Water Capacity Fees: These payments are received from new taps to the system.

Sewer Capacity Fees: These payments are received from new sewer connections.

Sewer capacity fees are budgeted at \$156,000 and water capacity fees are budgeted at \$114,000 using a conservative estimate of new connections.

Developer Contribution of Systems anticipates the continuance of the joint hydrant program with the Town of Hilton Head.

| <b>Acronyms</b> |  |
|-----------------|--|
| AMI             | Automated Metering Infrastructure                |
| ARPA            | American Rescue Plan Act                         |
| ASR             | Aquifer Storage and Recovery                     |
| CCR             | Consumer Confidence Report                       |
| CIP             | Capital Improvement Plan                         |
| COSA            | Cost of Service Analysis                         |
| DHEC            | Department of Health and Environmental Control   |
| FTE             | Full-time Employee                               |
| FY              | Fiscal Year                                      |
| GO              | General Obligation Debt Funded                   |
| GFOA            | Government Finance Officers Association          |
| IIJA            | Infrastructure Investment and Jobs Act           |
| IRF             | Insurance Reserve Fund                           |
| IVR             | Integrated Voice Response System                 |
| IT              | Information Technology                           |
| LGIP            | Local Government Investment Pool                 |
| LOM             | Leg O Mutton road                                |
| LPS             | Low Pressure Sewer                               |
| O&M             | Operation and Maintenance                        |
| RAS             | Return Activated Sludge                          |
| RD              | Revenue Debt                                     |
| RF              | Rate Funded                                      |
| RO              | Reverse Osmosis                                  |
| SCADA           | Supervisory Control and Data Acquisition System  |
| SCIIP           | South Carolina Infrastructure Investment Program |
| SRF             | State Revolving Fund                             |
| SIRF            | State Infrastructure Revolving Fund              |
| TF              | Town Funded                                      |
| VFD             | Variable Frequency Drive                         |
| WWTP            | Wastewater Treatment Plant                       |

**FY'24 Rate Funded Capital Improvement Plan Budget**

| CIP Projects   |  |                         | 2024              | 2025              | 2026              | 2027              | 2028              |
|--|--|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>CIP Rate Funded Projects (Amounts in 000's)</b>   |  | <b>Priority Ranking</b> |                   |                   |                   |                   |                   |
| <b>WWTP</b>  |  |                         |                   |                   |                   |                   |                   |
| WWTP switch Gear for Generator   | Replace generator switch gear  | 2                       | 250.0             |                   |                   |                   |                   |
| Reuse Water System   | Upgrades, improvements, etc. to the reuse water system including pumps, motors, meters, valves, etc. | 3                       | 125.0             | 125.0             | 125.0             | 125.0             | 125.0             |
| Filter Building Blowers  | Replace 1 of 2 filter blowers. Blowers run during backwash.  | 4                       | 40.0              |                   |                   |                   |                   |
| Return Activated Sludge (RAS) Pump Actuators   | Replace actuators (4 actuators total/ replace 2 per year   | 5                       | 50.0              | 50.0              |                   |                   |                   |
| RAS Pump   | Rebuild valves & cartridges (4 pumps/1 per year)   | 6                       | 60.0              | 60.0              | 60.0              |                   |                   |
| Transfer Pump Seal Water System  | Repair/replace seal water system that keeps the transfer pumps cool                                  | 7                       | 75.0              |                   |                   |                   |                   |
| Sludge Building  | Replace metal shed sludge handling building  | 8                       | 50.0              |                   |                   |                   | 750.0             |
| Clarifier Rims   | Sandblast and coat clarifier rims and table  | 12                      | 40.0              |                   |                   |                   |                   |
| Filter Building  | Roof repairs at the filter building  | 13                      | 30.0              |                   |                   |                   |                   |
| Paint Buildings and Tank   | Paint buildings and tanks  | 16                      | 90.0              | 50.0              |                   |                   |                   |
| System Rehab   | Replace valves, actuators, motors, parts, etc.   | *                       | 175.0             | 200.0             | 225.0             | 250.0             | 250.0             |
| WWTP   | Sensor Equipment   |                         |                   |                   |                   | 75.0              |                   |
| Clarifier  | Wier cleaning system   |                         |                   |                   | 50.0              | 50.0              | 50.0              |
| Grit Chamber   | Bridge #1  |                         |                   |                   |                   | 50.0              |                   |
| Influent Screen  | Back up to band screen.  |                         |                   | 750.0             |                   |                   |                   |
| Warehouse  | Build new warehouse building   |                         |                   |                   | 1,000.0           |                   |                   |
| <b>TOTAL WWTP</b>  |  |                         | <b>\$ 985.0</b>   | <b>\$ 1,235.0</b> | <b>\$ 1,460.0</b> | <b>\$ 550.0</b>   | <b>\$ 1,175.0</b> |
| <b>Wastewater Collection System</b>  |  |                         |                   |                   |                   |                   |                   |
| Gravity Main Line Refurbishment  | Gravity sewer main line repairs and relining   | 1                       | 350.0             | 350.0             | 350.0             | 350.0             | 350.0             |
| SCADA Improvements   | Improve communications between stations and towers   | 11                      | 20.0              | 20.0              | 20.0              | 20.0              | 20.0              |
| Lift Stations - Rehab  | Rehab and pumps  | *                       | 275.0             | 300.0             | 300.0             | 300.0             | 350.0             |
| District Funded MSP Projects   | District Funded MSP Projects   | *                       | 25.0              | 25.0              | 25.0              | 25.0              | 25.0              |
| Royal James L/S  | Replace screen.  |                         |                   | 145.0             |                   |                   |                   |
| System Rehab   | Replace pipes, manholes, laterals, equipment as dictated by inspections                              | *                       | 150.0             | 200.0             | 250.0             | 250.0             | 250.0             |
| <b>TOTAL COLLECTION SYSTEM</b>   |  |                         | <b>\$ 820.0</b>   | <b>\$ 1,040.0</b> | <b>\$ 945.0</b>   | <b>\$ 945.0</b>   | <b>\$ 995.0</b>   |
| <b>Water Production/Distribution System</b>  |  |                         |                   |                   |                   |                   |                   |
| SCADA Improvements   | SCADA upgrades to water system   | 9                       | 75.0              | 75.0              | 75.0              | 75.0              | 75.0              |
| RO Plant   | Replace actuators  | 14                      | 40.0              | 40.0              | 40.0              |                   |                   |
| Fire Hydrants  | New and replacement hydrants   | *                       | 115.0             | 115.0             | 115.0             | 115.0             | 115.0             |
| Metering System  | Changing out meters and base stations  | *                       | 400.0             | 400.0             | 400.0             | 400.0             | 400.0             |
| Leg O Mutton Booster Pump Station  | Matching funds for County ARPA   | *                       | 100.0             |                   |                   |                   |                   |
| Ground Storage Tank and Well Pumps   | VFD's, PLC's   | *                       | 50.0              | 50.0              | 50.0              | 50.0              | 50.0              |
| System Rehab   | Replace valves, equipment, RO membranes etc.   | *                       | 95.0              | 100.0             | 105.0             | 110.0             | 110.0             |
| <b>TOTAL DISTRIBUTION SYSTEM</b>   |  |                         | <b>\$ 875.0</b>   | <b>\$ 780.0</b>   | <b>\$ 785.0</b>   | <b>\$ 750.0</b>   | <b>\$ 750.0</b>   |
| <b>Facilities and Equipment</b>  |  |                         |                   |                   |                   |                   |                   |
| 4" Bypass Pump   | Pumps to bypass lift stations  | 10                      | 45.0              |                   |                   |                   |                   |
| Operations Equipment - Lab   | Micro Early Detection for lab  | 15                      | 15.0              |                   |                   |                   |                   |
| Operations Equipment - Water   | Line locator equipment   |                         |                   | 30.0              |                   |                   |                   |
| Admin Building - AC  | AC Replacements  |                         |                   |                   |                   | 300.0             |                   |
| Admin Building   | Paint, carpet, etc.  | *                       | 30.0              | 30.0              | 30.0              | 30.0              | 30.0              |
| Technology   | General computer equipment   | *                       | 30.0              | 30.0              | 30.0              | 30.0              | 30.0              |
| Excavator  | Mini Excavator   |                         |                   |                   |                   | 75.0              |                   |
| Vehicles   | Fleet replacements   | 17                      | 250.0             | 250.0             | 250.0             | 250.0             | 250.0             |
| <b>TOTAL FACILITIES AND EQUIPMENT</b>  |  |                         | <b>\$ 370.0</b>   | <b>\$ 340.0</b>   | <b>\$ 310.0</b>   | <b>\$ 685.0</b>   | <b>\$ 310.0</b>   |
| <b>TOTAL RATE FUNDED CIP PROJECTS</b>  |  |                         | <b>\$ 3,050.0</b> | <b>\$ 3,395.0</b> | <b>\$ 3,500.0</b> | <b>\$ 2,930.0</b> | <b>\$ 3,230.0</b> |
| * These are ongoing projects to be performed and completed on an as needed basis. As such, they have not been given a ranking. |  |                         |                   |                   |                   |                   |                   |

**FY'24 Rate Related CIP Projects  
Funded from User Fees**

**Wastewater Treatment Plant**

|  |                  |
|--|------------------|
| <b>Generator.....</b>  | <b>\$250,000</b> |
| • Replace generator switch gear.   |                  |
| <b>Reuse Water System.....</b>   | <b>\$125,000</b> |
| • Replace 25-year-old valves at Cypress, Golden Bear, and Palmetto Hall                                    |                  |
| <b>Filter Building Blowers .....</b>   | <b>\$40,000</b>  |
| • Replace 1 of 2 filter blowers.   |                  |
| <b>RAS Pump Actuators.....</b>   | <b>\$50,000</b>  |
| • Replace actuators (4 actuators total/2 per year)   |                  |
| <b>RAS Pumps.....</b>  | <b>\$60,000</b>  |
| • Rebuild valves & cartridges (4 pumps/1per year).   |                  |
| <b>Transfer Pump Seal Water System.....</b>  | <b>\$75,000</b>  |
| • Repair/replace seal water system that keeps the transfer pumps cool.                                     |                  |
| <b>Sludge Building.....</b>  | <b>\$50,000</b>  |
| • Repairs to stabilize the metal shed sludge handling building until complete replacement can be budgeted. |                  |
| <b>Clarifier Rims.....</b>   | <b>\$40,000</b>  |
| • Sandblast and coat clarifier rims and table.   |                  |
| <b>Filter Building.....</b>  | <b>\$30,000</b>  |
| • Roof repairs at the filter building.   |                  |
| <b>Paint Buildings and Tanks.....</b>  | <b>\$90,000</b>  |
| • Paint WWTP buildings and tanks.  |                  |
| <b>System Rehab.....</b>   | <b>\$175,000</b> |
| • Replace valves, actuators, motors, parts, etc.   |                  |
| <b>Total Wastewater Treatment Plant.....</b>   | <b>\$985,000</b> |

**Wastewater Treatment Plant (continued)**

| <b>WWTP (Amounts in 000's)</b>               | <b>2024</b>     | <b>2025</b>       | <b>2026</b>       | <b>2027</b>     | <b>2028</b>       |
|--|-----------------|-------------------|-------------------|-----------------|-------------------|
| WWTP switch Gear for Generator               | 250.0           | -                 | -                 | -               | -                 |
| Reuse Water System                           | 125.0           | 125.0             | 125.0             | 125.0           | 125.0             |
| Filter Building Blowers                      | 40.0            | -                 | -                 | -               | -                 |
| Return Activated Sludge (RAS) Pump Actuators | 50.0            | 50.0              | -                 | -               | -                 |
| RAS Pump                                     | 60.0            | 60.0              | 60.0              | -               | -                 |
| Transfer Pump Seal Water System              | 75.0            | -                 | -                 | -               | -                 |
| Sludge Building                              | 50.0            | -                 | -                 | -               | 750.0             |
| Clarifier Rims                               | 40.0            | -                 | -                 | -               | -                 |
| Filter Building Roof                         | 30.0            | -                 | -                 | -               | -                 |
| Paint Buildings and Tank                     | 90.0            | 50.0              | -                 | -               | -                 |
| System Rehab                                 | 175.0           | 200.0             | 225.0             | 250.0           | 250.0             |
| Senor Equipment                              | -               | -                 | -                 | 75.0            | -                 |
| Clarifier                                    | -               | -                 | 50.0              | 50.0            | 50.0              |
| Grit Chamber                                 | -               | -                 | -                 | 50.0            | -                 |
| Influent Screen                              | -               | 750.0             | -                 | -               | -                 |
| Warehouse                                    | -               | -                 | 1,000.0           | -               | -                 |
|  | <b>\$ 985.0</b> | <b>\$ 1,235.0</b> | <b>\$ 1,460.0</b> | <b>\$ 550.0</b> | <b>\$ 1,175.0</b> |

**Wastewater Collection System**

**Gravity Main Line Refurbishment.....\$350,000**

- Reline 24” and 30” metal pipe in Indigo Run.

**SCADA Improvements.....\$20,000**

- Improve communications between stations and towers.

**Lift Station Rehab .....\$275,000**

- Major repairs and replacements to PSD lift stations.

**District Funded MSP Projects.....\$25,000**

- Continued District funding of remaining unserved MSP Projects.

**System Rehab.....\$150,000**

- Replace equipment, pipes, manholes, laterals as dictated by inspections.

***Total Collection System .....\$820,000***

| <b>Collection System (Amounts in 000's)</b> | <b>2024</b>     | <b>2025</b>       | <b>2026</b>     | <b>2027</b>     | <b>2028</b>     |
|---|-----------------|-------------------|-----------------|-----------------|-----------------|
| Gravity Main Line Refurbishment             | 350.0           | 350.0             | 350.0           | 350.0           | 350.0           |
| SCADA Improvements                          | 20.0            | 20.0              | 20.0            | 20.0            | 20.0            |
| Lift Stations - Rehab                       | 275.0           | 300.0             | 300.0           | 300.0           | 350.0           |
| District Funded MSP Projects                | 25.0            | 25.0              | 25.0            | 25.0            | 25.0            |
| Royal James L/S                             | -               | 145.0             | -               | -               | -               |
| System Rehab                                | 150.0           | 200.0             | 250.0           | 250.0           | 250.0           |
|   | <b>\$ 820.0</b> | <b>\$ 1,040.0</b> | <b>\$ 945.0</b> | <b>\$ 945.0</b> | <b>\$ 995.0</b> |

**Water Distribution System**

**SCADA Improvements.....\$75,000**

- Improve communications between stations and towers.

**Reverse Osmosis Plant.....\$40,000**

- Replace actuators, valves, etc.

**Fire Hydrants .....\$115,000**

- New hydrants and hydrant repairs/replacements. The PSD anticipates the continuation of the partnership with the Town of Hilton Head whereby they will reimburse 50% of the cost of new hydrants in selected areas up to \$50,000.

**Metering System.....\$400,000**

- Change out meters and base stations.

**Leg O Mutton Booster Pump Station.....\$100,000**

- Preliminary estimates indicate an additional match of \$100,000 may be necessary to complete this project being funded primarily by Beaufort County ARPA funds.

**Ground storage tank, well pumps & controls .....\$50,000**

- VFD's, PLC's, etc.

**System Rehab .....\$95,000**

- Replace valves, equipment, RO membranes, etc.

***Total Distribution System .....\$875,000***

| <b>Distribution System (Amounts in 000's)</b> | <b>2024</b>     | <b>2025</b>     | <b>2026</b>     | <b>2027</b>     | <b>2028</b>     |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| SCADA Improvements                            | 75.0            | 75.0            | 75.0            | 75.0            | 75.0            |
| RO Plant                                      | 40.0            | 40.0            | 40.0            | -               | -               |
| Fire Hydrants                                 | 115.0           | 115.0           | 115.0           | 115.0           | 115.0           |
| Metering System                               | 400.0           | 400.0           | 400.0           | 400.0           | 400.0           |
| Leg O Mutton Booster Pump Station             | 100.0           | -               | -               | -               | -               |
| Ground Storage Tank and Well Pumps            | 50.0            | 50.0            | 50.0            | 50.0            | 50.0            |
| System Rehab                                  | 95.0            | 100.0           | 105.0           | 110.0           | 110.0           |
|   | <b>\$ 875.0</b> | <b>\$ 780.0</b> | <b>\$ 785.0</b> | <b>\$ 750.0</b> | <b>\$ 750.0</b> |

NOTE: Any remaining unused portion of the FY'23 \$100,000 U.S. 278 Bridge Transportation Project budget will be carried over into FY'24 should any expenses need to be incurred related to this project. The District believes that it will be reimbursed for the majority of the costs associated with this project but the timeline of the project and anticipated reimbursements is unknown. Reimbursement may not be received in the same fiscal year expenses are incurred.

**Facilities and Equipment**

**4" Bypass Pumps.....\$45,000**

- This will be added to the \$60,000 funded by the FY'23 budget which will be carried forward to allow for a total of \$105,000 in FY'24 for a large 10" or 12" pump to bypass the WWTP screw pumps.

**Operations Equipment - Lab.....\$15,000**

- Micro Early Detection Equipment for the lab.

**Admin Building.....\$30,000**

- General major repairs, furniture, and fixtures for the administrative building.

**Technology.....\$30,000**

- General computer equipment.

**Vehicles.....\$250,000**

- Funding for up to six new fleet vehicles. Vehicle prices have risen dramatically during the past fiscal year and many governmental incentive programs have been reduced. Staff intends to monitor the market and may delay purchases dependent upon needs and market conditions.

**Total Facilities and Equipment.....\$370,000**

| Facilities and Equipment (Amounts in 000's) | 2024            | 2025            | 2026            | 2027            | 2028            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| 4" Bypass Pump                              | 45.0            | -               | -               | -               | -               |
| Operations Equipment - Lab                  | 15.0            | -               | -               | -               | -               |
| Operations Equipment - Water                | -               | 30.0            | -               | -               | -               |
| Admin Building - AC                         | -               | -               | -               | 300.0           | -               |
| Admin Building                              | 30.0            | 30.0            | 30.0            | 30.0            | 30.0            |
| Technology                                  | 30.0            | 30.0            | 30.0            | 30.0            | 30.0            |
| Excavator                                   | -               | -               | -               | 75.0            | -               |
| Vehicles                                    | 250.0           | 250.0           | 250.0           | 250.0           | 250.0           |
|   | <b>\$ 370.0</b> | <b>\$ 340.0</b> | <b>\$ 310.0</b> | <b>\$ 685.0</b> | <b>\$ 310.0</b> |

**Total FY'24 Rate Funded CIP Projects..... \$3,050,000**

NOTE: The District will also carry over any unfinished FY'23 CIP projects into to FY'24 for completion.

### FY'24 Potential Debt Funded Projects

Staff has compiled the following list of larger projects for which it may recommend debt financing during FY'24. As previously noted, the District may be able to issue between \$5,000,000 and \$20,000,000 of GO Debt without significantly altering the current GO millage rate. The District also has a high enough debt coverage ratio to consider additional revenue debt. At the time of budget preparation, staff was still awaiting a decision on its SCIIP grant application. This application estimated a \$7,000,000 local match. Once the District receives the final decision on this award, staff will begin the process of determining a recommended slate of debt funded projects.

In addition to the matching funds for the SCIIP Grant, there are several larger wastewater treatment plant projects staff would consider recommending for debt funding. Some of these items are included in future years of the five-year CIP plan which would free up additional rate funded revenue in future years if they could be funded via a debt issuance. The District is also evaluating the cost versus benefit of on-site chlorine generation for the wastewater treatment plant and/or RO plant to combat the inflationary increases the District has seen in bulk purchase of this chemical. A list of these potential projects can be found below.

| CIP Projects - Potential WWTP Debt Projects (Amounts in 000's) |                                       | Est. Project<br>Total |
|--|---------------------------------------|-----------------------|
| WWTP Screw Pumps   | Replacement of 3 Screw Pumps          | \$ 3,500.0            |
| WWTP   | On-site chemical generation equipment | 3,800.0               |
| Collections - Royal James Lift Station                         | Tank, Pump, and Site Upgrade          | 3,150.0               |
| WWTP Influent Screen   | Back-up to Band Screen                | 750.0                 |
| WWTP Sludge Building   | Replace Sludge Building               | 750.0                 |
| WWTP Warehouse   | Replace Warehouse Building            | 1,000.0               |
| <b>TOTAL</b>   |                                       | <b>\$ 12,950.0</b>    |

| CIP Projects - Potential Water Debt Projects (Amounts in 000's) |                                       | Est. Project<br>Total |
|---|---------------------------------------|-----------------------|
| SCIIP Grant Matching Funds                                      | ASR-2, RO Expansion                   | \$ 7,000.0            |
| RO Plant  | On-site chemical generation equipment | 2,500.0               |
| RO Plant  | Generator for RO Plant                | 1,000.0               |
| <b>TOTAL</b>  |                                       | <b>\$ 10,500.0</b>    |

Additionally, the District also maintains the ability to purchase an additional 1.3 MG of capacity from BJWSA for \$2,015,000. If the District wanted to exercise this option, it would need to consider whether to fund that out of cash reserves or through another financing means.

These projects are not included in any of the cash flow projections and are provided for planning purposes only at this time. Staff will bring a financing plan for any of the projects it recommends pursuing to the Commission at a later date.

## Cash Flow and Five-Year Projections

### Cash Flow

The table below shows a summary of FY'22 actual cash flow, FY'23 projected cash flow, and FY'24 budgeted cash flow. Cash is currently projected to decrease by approximately \$466,100 for FY'23 and decrease by approximately \$208,900 for FY'24 based on budgeted numbers.

|   | Actual<br>FY 2022    | Projected<br>FY 2023 | Budgeted<br>FY 2024  |
|---|----------------------|----------------------|----------------------|
| <b>Preliminary Cash Flow Projections</b>                |                      |                      |                      |
| Beginning Cash on Hand                                  | \$ 10,289,400        | \$ 13,504,600        | \$ 13,038,500        |
| (Projected) Change in Net Position                      | 3,016,300            | 1,471,700            | 857,900              |
| Less Financed Assessments Capacity and Tap Fees         | (33,800)             | (10,800)             | -                    |
| Accrual Changes   | 173,500              | -                    | -                    |
| Add Depreciation  | 5,142,800            | 5,151,000            | 5,190,000            |
| Add Amortization / Bond Defeasance                      | 325,500              | 325,500              | 325,500              |
| Add Interest Expense                                    | 350,600              | 312,300              | 277,200              |
| Add Assessment Collections                              | 209,200              | 205,000              | 205,000              |
| Add Debt Proceeds                                       | -                    | 235,000              | -                    |
| - Debt Payments   | (3,940,800)          | (3,961,800)          | (4,014,500)          |
| - Capital Improvement Projects (transfer & additions)   | (2,028,100)          | (4,194,000)          | (3,050,000)          |
| (Projected) Cash on Hand                                | <u>\$ 13,504,600</u> | <u>\$ 13,038,500</u> | <u>\$ 12,829,600</u> |
| <b>Composition of Cash</b>                              |                      |                      |                      |
| Restricted Cash on hand for Debt Service                | \$ 681,100           | \$ 681,100           | \$ 681,100           |
| Restricted Cash on hand for Debt Service - GO Debt Levy | 206,600              | 206,600              | 206,600              |
| Unrestricted Cash                                       | <u>12,616,900</u>    | <u>12,150,800</u>    | <u>11,941,900</u>    |
| Total Cash on Hand                                      | <u>\$ 13,504,600</u> | <u>\$ 13,038,500</u> | <u>\$ 12,829,600</u> |
| (Projected) Change related to Cash on Hand              | <u>\$ 3,215,200</u>  | <u>\$ (466,100)</u>  | <u>\$ (208,900)</u>  |

You will notice that the actual FY'22 contains a line called accrual changes. The District uses the accrual method of accounting whereby revenues and expenses are recorded when earned or incurred rather than when paid. This line item reconciles the change in net position for accrual purposes to the cash received/paid. The FY'23 projection, FY'24 budget, and future year projections do not attempt to project these timing-related accrual differences. In particular, FY'23 CIP projects that are not completed by the fiscal year end, may be carried over into FY'24 for completion. As previously noted, the table above also does not attempt to project any cash flow related to debt financing of the infrastructure or future water supply projects shown on the previous page.

## Cash Flow and Five-Year Projections

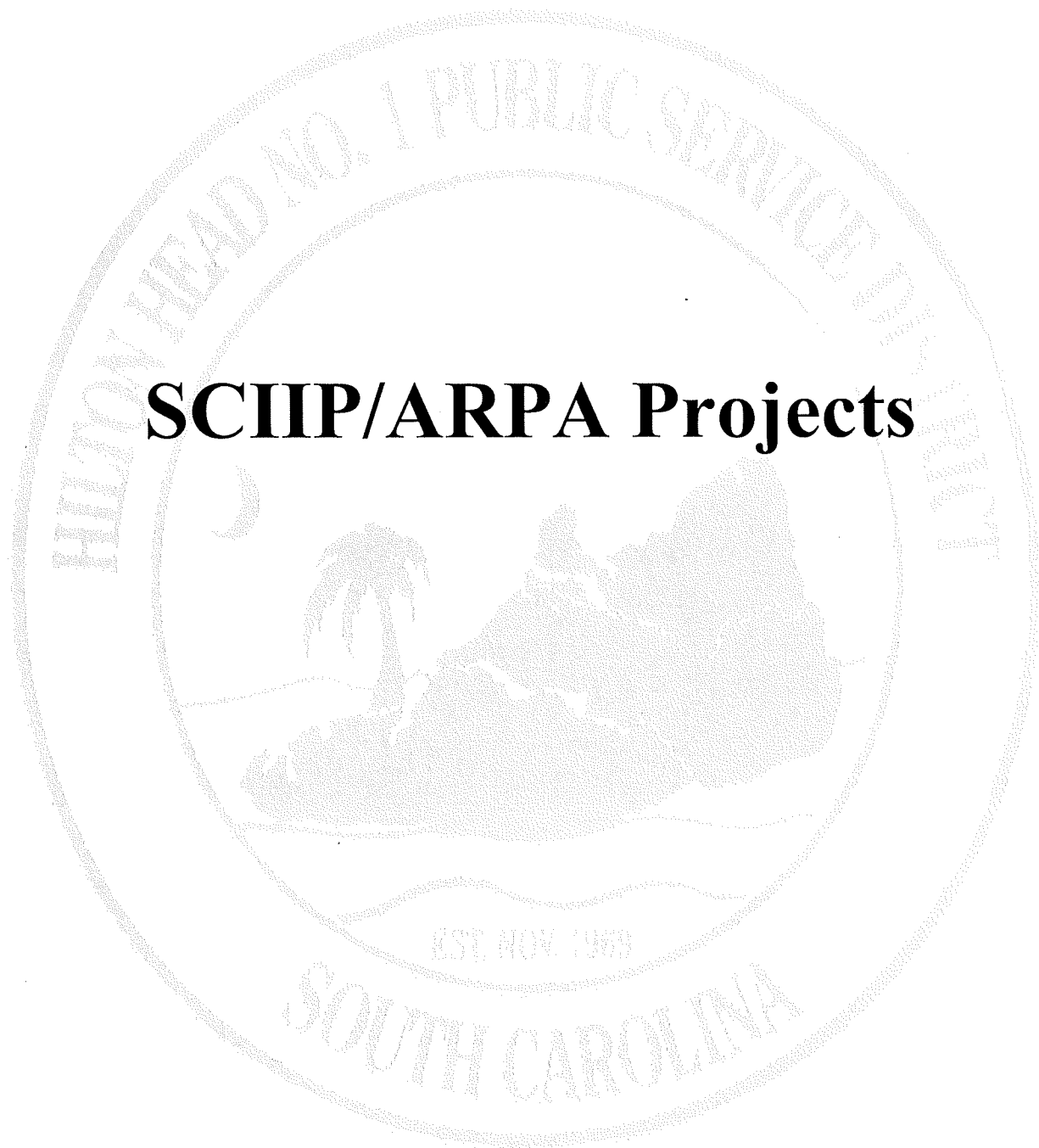
### *Five-Year Projections*

The table below provides a five-year projection of change in net position, cash flow, days cash on hand, and debt service. FY'23 and FY'24 are based on the current year projections and budget. Water and Sewer revenues for FY'25 – FY'28 are projected based on a 1.0% water customer growth rate and a 1.2% sewer customer growth rate; no additional rate increases are shown as a part of this projection. Other revenues and expenses are projected based on any known expectations and growth rates from 0-3% with most expense growth rates set at 2%. This projection is meant to be a high-level snapshot of the District's five-year financial position at current rates with current expectations only. Future year budgets and rates will be prepared and proposed based on the updated needs of the District at that time. This projection does not include any impacts related to the potential debt funded infrastructure or future water supply projects shown on page 43.

|   | Projected<br>FY'23   | Budget<br>FY'24      | Projection<br>FY'25  | Projection<br>FY'26  | Projection<br>FY'27  | Projection<br>FY'28 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Total Operating Revenue                               | \$ 14,766,600        | \$ 15,166,100        | \$ 15,289,300        | \$ 15,414,000        | \$ 15,540,200        | \$ 15,667,700       |
| Total Operating Expenses with Depreciation            | 17,129,500           | 17,967,100           | 18,239,600           | 18,518,700           | 18,804,500           | 19,097,300          |
| <b>Change in Net Position from Operations</b>         | <b>(2,362,900)</b>   | <b>(2,801,000)</b>   | <b>(2,950,300)</b>   | <b>(3,104,700)</b>   | <b>(3,264,300)</b>   | <b>(3,429,600)</b>  |
| Total Non-Operating Revenue                           | 3,951,100            | 3,941,600            | 3,779,700            | 3,857,000            | 3,934,400            | 3,171,800           |
| Total Non-Operating Expenses                          | 680,300              | 602,700              | 563,400              | 518,800              | 474,200              | 428,600             |
| <b>Non-Operating Income/Expenses - Net</b>            | <b>3,270,800</b>     | <b>3,338,900</b>     | <b>3,216,300</b>     | <b>3,338,200</b>     | <b>3,460,200</b>     | <b>2,743,200</b>    |
| Increase in Net Position before Capital Contributions | 907,900              | 537,900              | 266,000              | 233,500              | 195,900              | (686,400)           |
| Total Capital Contributions                           | 563,800              | 320,000              | 320,000              | 320,000              | 320,000              | 320,000             |
| <b>Change in Net Position</b>                         | <b>\$ 1,471,700</b>  | <b>\$ 857,900</b>    | <b>\$ 586,000</b>    | <b>\$ 553,500</b>    | <b>\$ 515,900</b>    | <b>\$ (366,400)</b> |
| <b>Total CIP Budget Cash Flow</b>                     | <b>(4,194,000)</b>   | <b>(3,050,000)</b>   | <b>(3,395,000)</b>   | <b>(3,500,000)</b>   | <b>(2,930,000)</b>   | <b>(3,230,000)</b>  |
| Add: Non Cash Depreciation Expense                    | 5,151,000            | 5,190,000            | 5,190,000            | 5,190,000            | 5,190,000            | 5,190,000           |
| Less: Debt Service Payments                           | (3,961,800)          | (4,014,500)          | (3,853,000)          | (3,775,500)          | (3,809,100)          | (3,011,700)         |
| Other Debt Related Adjustments                        | 637,800              | 602,700              | 563,400              | 518,800              | 474,200              | 428,600             |
| FFA Assessment, net                                   | 429,200              | 205,000              | 205,000              | 205,000              | 205,000              | 205,000             |
| Total Non-CIP Other Cash Flow Adjustments             | 2,256,200            | 1,983,200            | 2,105,400            | 2,138,300            | 2,060,100            | 2,811,900           |
| <b>Projected Change in Cash Flow</b>                  | <b>\$ (466,100)</b>  | <b>\$ (208,900)</b>  | <b>\$ (703,600)</b>  | <b>\$ (808,200)</b>  | <b>\$ (354,000)</b>  | <b>\$ (784,500)</b> |
| Projected Beginning Unrestricted Cash                 | 12,616,900           | 12,150,800           | 11,941,900           | 11,238,300           | 10,430,100           | 10,076,100          |
| <b>Projected Ending Unrestricted Cash</b>             | <b>\$ 12,150,800</b> | <b>\$ 11,941,900</b> | <b>\$ 11,238,300</b> | <b>\$ 10,430,100</b> | <b>\$ 10,076,100</b> | <b>\$ 9,291,600</b> |
| <b>Projected Days Cash on Hand</b>                    | <b>370</b>           | <b>341</b>           | <b>314</b>           | <b>286</b>           | <b>270</b>           | <b>244</b>          |
| Projected Net Earnings Available for Debt Service     | 5,932,700            | 5,287,000            | 5,189,900            | 5,073,400            | 4,955,900            | 4,830,100           |
| Parity Revenue Debt Service                           | 2,438,000            | 2,461,000            | 2,468,300            | 2,435,200            | 2,430,000            | 2,434,500           |
| Projected Debt Coverage with Capacity Fees            | 243%                 | 215%                 | 210%                 | 208%                 | 204%                 | 198%                |
| Projected Debt Coverage without Capacity Fees         | 222%                 | 204%                 | 199%                 | 197%                 | 193%                 | 187%                |

**FY' 24 Schedule of Rates, Fees, and Deposits**

|   |                      |   |  |
|---|----------------------|---|--|
| <b>Water &amp; Irrigation Monthly Base Rate per Unit:</b> |                      | <b>Sewer Base Monthly Rate per Unit:</b>  |  |
| Residential Customers                                     | 16.50                | Residential Customers   | 18.50                                  |
| Commercial Customers                                      | 21.50                | Commercial Customers  | 18.50                                  |
| <b>Residential Water</b>                                  |                      | <b>Residential &amp; Commercial Sewer</b>   |  |
| <b>Monthly Usage Rates per 1,000 Gallons:</b>             |                      | <b>Monthly Usage Rates per 1,000 Gallons:</b>   |  |
| Block 1 - 0 to 10,000 Gal                                 | 1.52                 | 2.16  |  |
| Block 2 - 10,001 to 20,000 Gal                            | 2.11                 | Residential sewer usage is capped at 10,000 gallons per month. There is no cap on commercial sewer usage. |  |
| Block 3 - 20,001 to 30,000 Gal                            | 2.54                 |   |  |
| Block 4 - All Over 30,000 Gal                             | 3.38                 |   |  |
| <b>Commercial Water &amp; Irrigation</b>                  |                      | <b>Meter Install Fees</b>   |  |
| <b>Monthly Usage Rates per 1,000 Gallons:</b>             |                      | <b>(Existing Service Line)</b>  |  |
| Block 1 - 0 to 10,000 Gal                                 | 1.69                 | 3/4" Meter  | 1,180.00                               |
| Block 2 - 10,001 to 20,000 Gal                            | 2.11                 | 1" Meter  | 1,500.00                               |
| Block 3 - 20,001 to 30,000 Gal                            | 2.54                 | 2" Meter and Backflow   | 3,440.00                               |
| Block 4 - All Over 30,000 Gal                             | 3.38                 | Any other size  | Time & Materials                       |
| <b>Residential Irrigation</b>                             |                      | <b>Meter Install Fees</b>   |  |
| <b>Monthly Usage Rates per 1,000 Gallons:</b>             |                      | <b>(No Existing Service Line)</b>   |  |
| Block 1 - 0 to 10,000 Gal                                 | 2.11                 | 3/4" Meter  | 1,390.00                               |
| Block 2 - 10,001 to 20,000 Gal                            | 2.11                 | 1" Meter  | 1,710.00                               |
| Block 3 - 20,001 to 30,000 Gal                            | 2.54                 | Any other size  | Time & Materials                       |
| Block 4 - All Over 30,000 Gal                             | 3.38                 | <b>Sewer Lateral Installation Fees</b>  | Greater of \$1,200 or Time & Materials |
| <b>Other Fees &amp; Charges</b>                           |                      | <b>Capacity Fees (per unit):</b>  |  |
| Grease Trap Inspection Fee                                | 100.00               | Water Capacity (House)  | 2,400.00                               |
| Backflow Inspection Fee                                   | 175.00               | Water Capacity (Mobile Home)  | 1,800.00                               |
| Sewer Connection Fee                                      | 150.00               | Sewer Capacity  | 3,040.00                               |
| Hydrant Meter Set Fee                                     | 200.00               | <b>Deposits:</b>  |  |
| Late Fees   | Greater of \$5 or 2% | Residential Deposit   | 100.00                                 |
| Returned Payment Fees                                     | 15.00                | Contractor Deposit  | 100.00                                 |
| Reconnection Fee  | 35.00                | Commercial Deposit  | 200.00                                 |
| Meter Tampering   | 50.00                | <b>Hourly Labor Rate</b> for time and materials and for work performed for outside agencies               |  |
| System/Meter Damage                                       | Time & Materials     |   | 65.00                                  |



# **SCIIP/ARPA Projects**



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# Discussion of GO Bonds

Hilton Head No.1 Public Service District

June 28, 2023



## General Obligation Debt:

- General obligation debt is defined to mean “any indebtedness which shall be secured in whole or in part by a pledge of its full faith, credit and taxing power.”
- SPDs may issue bonds for any corporate purpose.
- General obligation bonds are typically used for “brick and mortar” projects, particularly where the project does not produce a stream of revenues to support revenue bonds.
- Given lack of revenue stream, general obligation bonds are typically repaid from *ad valorem* property taxes.
- Unless approved by referendum, all general obligation debt is subject to the District’s debt limit: 8% of assessed value of all taxable property.
- General obligation bonds of SPD must be authorized and approved by County Council



## Financing Options

|           |   |
|-----------|---|
| \$100,000 | Appraised value of home                   |
| X 4%      | Assessment ratio for residential property |
| \$ 4,000  | Assessed value of home                    |
| .090      | Tax rate in mills (90 mills)              |
| \$ 360    | Tax Due                                   |

## Understanding Your Tax Levy

- \$100,000 Market Value / Capped Value of a Home
  - Constitutionally assessed at either 4% or 6% of appraised value
  - Assessed Value is either \$4,000 or \$6,000
  - Millage Rate – amount of taxes levied per thousand dollars of assessed value
  - 1 mil in this example equals either \$4 or \$6
  - 50 mills equals either \$200 or \$300
  - 400 mills equals either \$1,600 or \$2,400



## Limitations on Property Taxes:

- Act 388 (S.C. Code 6-1-320)
  - Limits ability of local governments to increase operating millage rates to the level of CPI + population growth
  - Allows an additional “three-year lookback” to use millage increases that were allowed but not used in prior years
  - However, SPDs also subject to caps under Enabling Act
- Debt Service Millage
  - Only imposed to pay debt service on general obligation bonds that have been issued
  - Only imposed up to amount needed to pay annual debt service
  - May not be levied to make payments on capital leases



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## District's Fiscal Year 2022 Millage:

| Type of Millage                 | Millage Levy |
|---------------------------------|--------------|
| Total Debt Service Millage      | 4.2          |
| Standard O&M Operating Millage* | 3.0          |
| <b>Total Millage</b>            | <b>7.2</b>   |

\* Originally capped at 3.0 mills by statute. See Section 6-11-273; however, the Commission subsequently transitioned to an elected board in 2003, which calls the applicability of the 1997 cap into question. Otherwise authorized to go up to 10 mills under Act 596 of 1969

### *The District's Millage History*

| Debt Type    | 2013        | 2014        | 2015        | 2016        | 2017        | 2018        | 2019        | 2020        | 2021        | 2022        |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Operations   | 3.00        | 3.00        | 3.00        | 3.00        | 3.00        | 3.00        | 3.00        | 3.00        | 3.00        | 3.00        |
| Debt Service | <u>3.52</u> | <u>4.61</u> | <u>4.57</u> | <u>4.31</u> | <u>4.40</u> | <u>4.05</u> | <u>4.10</u> | <u>4.20</u> | <u>4.20</u> | <u>4.20</u> |
| Total        | 6.52        | 7.61        | 7.57        | 7.31        | 7.40        | 7.05        | 7.10        | 7.20        | 7.20        | 7.20        |

**Final Numbers**

**\$9,910,000**

Hilton Head No.1 Public Service District, South Carolina  
 Refunding General Obligation Bond, Series 2020A  
 TD Bank Proposal - 1.25%

Mill Value      Millage Need  
 \$ 1,467,531.25      \$ 350,000.00      4.192946429

FY2023 GOB Payment

**Debt Service Schedule**

| Date         | Principal             | Coupon | Interest            | Total P+I              | Fiscal Total |
|--------------|-----------------------|--------|---------------------|------------------------|--------------|
| 11/02/2020   | -                     | -      | -                   | -                      | -            |
| 05/01/2021   | 1,280,000.00          | 1.250% | 61,593.40           | 1,341,593.40           | -            |
| 11/01/2021   | -                     | -      | 53,937.50           | 53,937.50              | -            |
| 12/31/2021   | -                     | -      | -                   | -                      | -            |
| 05/01/2022   | 1,335,000.00          | 1.250% | 53,937.50           | 1,388,937.50           | -            |
| 11/01/2022   | -                     | -      | 45,593.75           | 45,593.75              | -            |
| 12/31/2022   | -                     | -      | -                   | -                      | -            |
| 05/01/2023   | 1,385,000.00          | 1.250% | 45,593.75           | 1,430,593.75           | -            |
| 11/01/2023   | -                     | -      | 36,937.50           | 36,937.50              | -            |
| 12/31/2023   | -                     | -      | -                   | -                      | -            |
| 05/01/2024   | 1,440,000.00          | 1.250% | 36,937.50           | 1,476,937.50           | -            |
| 11/01/2024   | -                     | -      | 27,937.50           | 27,937.50              | -            |
| 12/31/2024   | -                     | -      | -                   | -                      | -            |
| 05/01/2025   | 1,245,000.00          | 1.250% | 27,937.50           | 1,272,937.50           | -            |
| 11/01/2025   | -                     | -      | 20,156.25           | 20,156.25              | -            |
| 12/31/2025   | -                     | -      | -                   | -                      | -            |
| 05/01/2026   | 1,300,000.00          | 1.250% | 20,156.25           | 1,320,156.25           | -            |
| 11/01/2026   | -                     | -      | 12,031.25           | 12,031.25              | -            |
| 12/31/2026   | -                     | -      | -                   | -                      | -            |
| 05/01/2027   | 1,355,000.00          | 1.250% | 12,031.25           | 1,367,031.25           | -            |
| 11/01/2027   | -                     | -      | 3,562.50            | 3,562.50               | -            |
| 12/31/2027   | -                     | -      | -                   | -                      | -            |
| 05/01/2028   | 570,000.00            | 1.250% | 3,562.50            | 573,562.50             | -            |
| 12/31/2028   | -                     | -      | -                   | -                      | -            |
| <b>Total</b> | <b>\$9,910,000.00</b> | -      | <b>\$461,905.90</b> | <b>\$10,371,905.90</b> | -            |



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## Tax Burden:

|   | <u>7.2 Mills</u> | <u>3.0 Mills</u> | <u>4.2 Mills</u> |
|---|------------------|------------------|------------------|
| Total Tax Burden on \$100,000 Home (Owner-occupied) | \$28.80          | \$12.00          | \$16.80          |
| Total Tax Burden on \$100,000 Home                  | \$43.20          | \$18.00          | \$25.20          |
| Total Tax Burden on \$200,000 Home (Owner-occupied) | \$57.60          | \$24.00          | \$33.60          |
| Total Tax Burden on \$200,000 Home                  | \$86.40          | \$36.00          | \$50.40          |
| Total Tax Burden on \$300,000 Home (Owner-occupied) | \$86.40          | \$36.00          | \$50.40          |
| Total Tax Burden on \$300,000 Home                  | \$129.60         | \$54.00          | \$75.60          |
| Total Tax Burden on \$25,000 Car                    | \$10.80          | \$4.50           | \$6.30           |





## Debt Limit – How to Calculate:

| Fiscal Year | Tax Year | Real Property | Personal Property | Total AV*     |
|-------------|----------|---------------|-------------------|---------------|
| 2021-2022   | 2021     | \$325,293,810 | \$41,291,210      | \$366,585,020 |

| Assessed Value | Debt Limit (8% of Ass. Val.) | Outstanding GO Debt (6/1/23) | GO Debt Capacity |
|----------------|------------------------------|------------------------------|------------------|
| \$366,585,020  | \$29,326,802                 | \$5,910,000                  | \$23,416,802     |



# POPE FLYNN GROUP

Hilton Head No.1 PSD, South Carolina  
Summary of Planned and Outstanding Indebtedness

Debt Limit (as of 6/30/22) (366,585,020 x 0.08) \$ 29,326,802.00  
 Outstanding GO Bonds \$ 5,910,000.00  
 Planned Issuance \$ 20,000,000.00  
 Value of a Mill \$ 366,585.02  
 Millage Discount (95%) \$ 348,255.77

|   |           |           |           |            |
|---|-----------|-----------|-----------|------------|
| Total Tax Burden on \$100,000 Home (Owner-occupied) | 7.2 Mills | 5.2 Mills | 4.4 Mills | 3.75 Mills |
| Total Tax Burden on \$100,000 Home                  | \$28.80   | \$20.80   | \$17.60   | \$15.00    |
| Total Tax Burden on \$200,000 Home (Owner-occupied) | \$43.20   | \$31.20   | \$26.40   | \$22.50    |
| Total Tax Burden on \$200,000 Home                  | \$57.60   | \$40.16   | \$35.20   | \$30.00    |
| Total Tax Burden on \$200,000 Home                  | \$86.40   | \$62.40   | \$52.80   | \$45.00    |
| Total Tax Burden on \$300,000 Home (Owner-occupied) | \$86.40   | \$62.40   | \$52.80   | \$45.00    |
| Total Tax Burden on \$300,000 Home                  | \$129.60  | \$93.60   | \$79.20   | \$67.50    |
| Total Tax Burden on \$25,000 Car                    | \$10.80   | \$7.80    | \$6.60    | \$5.63     |

| Fiscal Year | 15 Yr. GOB*    | Millage Only | 20 Yr GOB**     | Millage Only | 30 Year GOB***  | Millage Only |
|-------------|----------------|--------------|-----------------|--------------|-----------------|--------------|
| 2024        |                |              |                 |              |                 |              |
| 2025        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2026        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2027        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2028        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2029        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2030        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2031        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2032        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2033        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2034        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2035        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2036        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2037        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2038        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2039        | \$1,800,000.00 | 5.14         | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2040        | \$             |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2041        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2042        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2043        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2044        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2045        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2046        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2047        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2048        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2049        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2050        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2051        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2052        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2053        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
| 2054        |                |              | \$1,538,000.00  | 4.39         | \$1,301,000.00  | 3.72         |
|             |                |              | \$30,760,000.00 |              | \$37,729,000.00 |              |
|             |                |              | \$27,000,000.00 |              |                 |              |

\* Assumes \$20mm; 15 yrs, 4% interest  
 \*\* Assumes \$20mm; 20 yrs, 4.5%  
 \*\*\* Assumes \$20mm; 30 years at 5.00%

# Placeholder

Insert SCIIP/ARPA projects engineering expense authorization documents to be distributed on a later date.



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To: All Commissioners  
From: Pete Nardi  
Re: Commission Code of Conduct – Conflict of Interest Policy Amendment

September 22, 2022

Dear Commissioners:

Attached please find a draft amendment to the Commission Code of Conduct. The amendment is a Commissioner Conflict of Interest policy. The District is receiving federal grant monies from the S.C. Infrastructure Investment Program (SCIIP) and from Beaufort County's American Rescue Plan Act (ARPA) allocation. The receipt of these funds comes with many compliance requirements. As such, we have reviewed our applicable internal policies related to the receipt of federal grant funding. A gap we identified is the current lack of a Commissioner Conflict of Interest policy. The staff has a Conflict of Interest policy contained in our Personnel Policy Manual.

The original Code of Conduct was adopted by the Commission in June 2018. **The proposed Conflict of Interest policy is highlighted in yellow in the attached document.** The Conflict of Interest policy language was developed from applicable South Carolina ethics law as well as information from the Municipal Association of S.C.

We are bringing the draft forward at the June board meeting for discussion in the hopes of achieving Commission adoption of the policy at its July meeting.

Please do not hesitate to contact me if you have any questions.

Best regards,

A handwritten signature in black ink, appearing to read "P. Nardi".

Pete Nardi  
General Manager

**Hilton Head PSD  
Commission  
Code of Conduct  
Adopted: June 2018**



**INTRODUCTION**

Developing a Code of Responsible Behavior / Conduct Policy for any public or organizational group is considered a Best Practice and is a significant component of the organization.

Some principles that guide the creation of such a policy could be articulated as:

- All communications, public and written, should be treated respectfully on a consistent basis
- In the work environment, there is no place for harassment, discrimination, bullying, unethical or other disrespectful actions
- Roberts Rules is the appropriate and accepted set of guidelines to be used in public meetings

Various studies on workplace civility have found that lack of respect is a serious problem and is getting worse. The impact of this points out that disrespectful and uncivil behaviors: decrease morale, drain productivity, increase turnover, and negatively impact an organization's bottom line as well as the overall economy.

It is from this perspective that the Hilton Head Public Service District Commission has developed this Policy outlining what it believes is an appropriate Code of Responsible Behavior / Conduct intended for all Commission Members to follow as a core principle. A statement that has surfaced that defines what is desired is this: "When It Comes to Respect, You Gotta Give It to Get It."

**PRINCIPLES OF BEHAVIOR TO BE ADOPTED**

**PRIOR TO THE BOARD MEETING**

- Board Meeting package will be distributed to all Board members several days in advance to allow adequate preparation of the material to be covered
- Topics to be voted upon will be designated as "Action" items
- Agenda items may be submitted by the GM, Board Chair, or by a Committee Chair with a committee recommendation

**PRIOR TO THE BOARD MEETING START, ALL MEMBERS SHOULD:**

- Come prepared and with an open mind relative to the agenda items to be discussed
- Avoid polling other board members on their viewpoint
- Be mindful of SC FOIA law, including avoiding email threads that might constitute an illegal meeting
- Arrive promptly, turn off cell phone upon arrival

**DURING THE BOARD MEETING, ALL MEMBERS SHOULD:**

- Treat others with respect, both during and outside the meeting;
- Treat others as you perceive they wish to be treated
- Be patient when listening to others speak; do not interrupt them
- Talk one at a time, following basic Roberts Rules for obtaining the floor

- Choose your words carefully
- Never speak over, butt in, or cut off another person
- Stay on the topic being discussed; when completed do not bring up the same subject again
- Be aware of your body language, tone of voice, and your demeanor and/or expressions
- Limit side conversations
- Treat people equally no matter their race, religion, gender, size, age, or country of origin
- The Board will adhere to section 30-4-70 of the Freedom of Information Act when considering the use of Executive Session.

### **PARTICIPATION IN COMMITTEE MEETINGS**

Committee Chair:

Prepares an agenda with sufficient detail for the meeting to be productive  
 Consults with Committee Members & General Manager on matters of agenda and whether items should be open to full Board workshop or considered for Board action

Committee member should:

Come with an open mind and be prepared to discuss various concepts and alternatives for the agenda item under discussion.

### **PARTICIPATION WITH PUBLIC IN REGULAR BOARD AND SPECIAL MEETINGS**

Board Chair

- Conducts and leads discussions from recognized public speakers
- Limits public input reasonably up to five (5) minutes per speaker
- Curtails extraneous and non-essential discussion

Board members present:

- Can be recognized by Board Chair for comments or to raise questions
- Should be brief and courteous in addressing public speakers and commentators

### **CONFLICT OF INTEREST**

#### **PURPOSE**

The Commission commits itself and its members to ethical, businesslike, and lawful conduct (SC Code Ann. §8-13 et seq., Ethics Reform Act; rules and regulations of the State Ethics Commission set forth in SC Code of Regulations, R.52-601 to 52-608; SC Code Ann. §30-4-10 to 30-4-55, Freedom of Information Act; and the District's Policies on Conflict of Interest and Bribes, Kickbacks, Illegal Payments & Fraudulent Activities contained in the Personnel Policies Manual) including proper use of authority and appropriate decorum when acting as Commission members. These policies are designed to foster public confidence in the integrity of the District, and to protect the District's interest when it is contemplating entering a transaction that might benefit the private interest of a Commissioner.

#### **DEFINITIONS**

- **Interest.** Interest means any commitment, investment, relationship, obligation, or involvement, financial or otherwise, direct, or indirect, that may influence a person's judgment, including receipt of compensation from the District, or a sale, loan, or exchange transaction with the District.

A conflict of interest is present when, in the judgment of the Commission as a whole, a Commissioner's stake in the transaction is such that it reduces the likelihood that an insider's influence can be exercised impartially in the best interests of the District.

- **Transaction.** Transaction means any transaction, agreement, or arrangement between a Commissioner and the District or between the District and any third party where a covered individual has an interest in the transaction or any party to it.

## PROCEDURES

- **Duty to Disclose** - Each Commissioner shall disclose to the Commission as a whole all material facts regarding his or her interest in the transaction, promptly upon learning of the proposed transaction.
- **Determining Whether a Conflict of Interest Exists** - With regard to Commissioners, the Commission as a whole shall determine if a conflict of interest exists. The Commissioner and any other interested person(s) involved with the transaction shall not be present during the Commission's discussion or determination of whether a conflict of interest exists, except as provided in Article IV below. Such a discussion will adhere to the requirements of an Executive Session allowed by SC law.

In making this determination of a real or apparent conflict of interest, the Commissioners shall consider if there is a financial or other interest in or if there will be a tangible personal benefit from a transaction by the following:

- The covered individual involved in the selection, award, or administration of a transaction;
  - Any member of the covered individual's immediate family;
  - The covered individual's partner; or
  - An organization which employs or is about to employ any of these parties.
- **Procedures for Addressing a Conflict of Interest** - The Commission shall follow the procedures set forth above to decide what measures are needed to protect the District's interests in light of the nature and seriousness of the conflict, to decide whether to enter into the transaction and, if so, to ensure that the terms of the transaction are appropriate.

## REVIEW BY THE COMMISSION

The Commission may ask questions of and receive presentation(s) from the covered individual(s) and any other interested person(s) but shall deliberate and vote on the transaction in their absence. The Commission shall ascertain that all material facts regarding the transaction and the Commissioner's conflict of interest have been disclosed to the Commission and shall compile appropriate data, such as comparability studies, to determine fair market value for the transaction.

After exercising due diligence, which may include investigating alternatives that present no conflict, the Commission shall determine whether the transaction is in the District's best interest, for its own benefit, and whether it is fair and reasonable to the District's; the majority of disinterested members of the Commission then in office may approve the transaction.

## RECORDS OF PROCEEDINGS

The minutes of any meeting of the Commission pursuant to this policy shall contain the name of each insider who disclosed or was otherwise determined to have an interest in a transaction; the nature of the interest and whether it was determined to constitute a conflict of interest; any alternative transactions

considered; the members of the Commission who were present during the deliberations on the transaction, those who voted on it, and to what extent.

#### **GIFTS**

Pursuant to SC Code Ann. §8-13, the SC Ethics Reform Act, any covered individual may not accept or solicit gifts, gratuities, favors, or anything of monetary value from vendors, contractors, suppliers, or parties to subcontracts. Items of nominal value valued at less than \$25.00 or which fall into one of the following categories may be accepted:

- Promotional items.
- Honorariums for participation in meetings.
- Meals furnished at banquets.
- Reimbursement for actual incurred and authorized business expenses paid by the District.
- Door prizes or other items awarded by random selection.

Any covered individual may be required to file a Statement of Economic Interests with the SC Ethics Commission to disclose anything of value received as a result of their public office or position.



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To: Commissioners  
Pete Nardi, General Manager

From: Amy Graybill, Finance Manager

Subject: Financial Policies Update

Date: June 28, 2023

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### **Background**

The District has received a \$10,000,000 SCIIP Grant and a \$1,000,000 allocation of ARPA monies from Beaufort County in fiscal year 2023. Receipt of federal monies such as these come with many compliance requirements. The District did not have a formal grant administration policy. Staff has prepared one to include as a part of its financial policies. These financial policies were last updated in 2012. Staff has conducted a review of these policies and updated them to reflect current conditions.

### **Discussion**

Attached is a copy of updated financial policies for Commission consideration. These policies were last revised in 2012. The new grant administration policy is policy 10 which replaced an Identity Theft Prevention policy. Staff believes that policy is better addressed in the stand-alone privacy policy that was adopted by the board in December 2020. Other changes that were made include refining the cash reserve policy, clarifying that commission financial reporting will be quarterly, and revising various language throughout the document to better align with current operating procedures. Staff would like to seek any initial Commission comments or questions on these policies at the June board meeting. Pending Commission review, the next step would be to provide the revised policies to legal counsel to seek their input. The draft will then be brought back for Commission consideration and adoption.

### **Attachments**

Draft HHPSD Financial Policy Document



**Hilton Head No. 1 Public Service District  
Financial Policies**

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**Financial Policies (FP)**

The Hilton Head No.1 Public Service District, South Carolina (the “District”) has developed and adopted a comprehensive set of financial policies that are consistent with the District’s goals and objectives. Financial policies are an integral part of the development of service, providing of capital, and establishing of financial plans and the Annual Budget. They provide the basis for decision-making and ensure the District’s ongoing financial stability.

All words set out in initial capitals and not otherwise defined herein shall have the meaning ascribed thereto in the Glossary of Terms.

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**FP 1: Unreserved and Reserved Funds**

**Purpose:**

**The District will maintain unreserved and reserved stabilization funds at levels sufficient to protect the District’s financial position from unforeseen circumstances or events that could otherwise place a significant burden on the operations of the system.**

**Scope:**

The District seeks to maintain a prudent level of financial resources to protect against reducing service levels or raising fees and taxes because of temporary revenue shortfalls or unpredicted one-time expenses. Stabilization funds are called by many names including rainy day Funds, unreserved Funds, undesignated Fund Balances, and contingency Funds. These resources are used at the District’s discretion to provide funding for many purposes, including by not limited to: cash flow shortages; to fund emergencies; unanticipated economic downturns; and one-time opportunities.

These funds provide flexibility to respond to unexpected opportunities that may help the District achieve its goals. The minimum and maximum amounts to be accumulated are based on structure and timing of revenues and expenses, the level of uncertainty associated with those revenues and expenses, the condition of capital assets, and the District’s level of security with its financial position. The State of South Carolina does not provide any local government constraints or requirements regarding the establishment of stabilization funds.

**Policy:**

The following summarizes the District’s policy on unreserved and reserved Fund Balances:

A. Unreserved Fund Balances. The District shall maintain unrestricted cash reserves equal to at least four months of the total budgeted operating expenses, net of depreciation, for the current fiscal year as an operating reserve fund. These funds shall be available in the District’s general bank operating cash account and/or in operating reserve investment and/or cash accounts and used for the purpose of floating the District’s operations throughout the Fiscal Year.

If, based on staff’s analysis and forecasting, the minimum level of the operating reserve fund is not being met or is not likely to be met at some point within a one-year time horizon, during the annual budget process a plan to replenish the reserve will be included in the budget. To prepare for emergencies or contingencies, the target balance of operating

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**HiltonHeadPSD**  
Financial Policies

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reserve funds is six months to one year of operating reserves. To increase the District's ability to fund capital expenditures on a pay as you go basis, the District may also target one to two years of annual depreciation expense in this reserve.

B. Reserve Fund Balances. As required by debt or other external third party covenants, cash and cash equivalents will be set aside in restricted bank accounts in the amounts required by bond documents or other third party agreements. These assets may only be used for the express purpose of funding expenditures directly related to the restriction.

**FP 2: Revenue**

**Purpose:**

**The District will design, maintain and administer a revenue system that will assure a reliable, equitable and sufficient revenue stream to support the District services.**

**Scope:**

Since the principal revenue stream for the District is composed of the fees and charges established by the Hilton Head No. 1 Public Service Commission, the governing body of the District (the “Commission”) it is important that the District adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. A revenue system that requires the identification of both the cost of the programs and the portions of the cost that will be recovered through those revenues allows the District and its citizens to develop a better understanding of the cost of services and to consider the appropriateness of established fees and charges.

**Policy:**

To that end, the District has established the following goals that are used to accomplish this policy:

A. The District will seek to establish all user charges and fees at levels related to the costs (operating, direct, indirect and capital) of providing its services. The District will review these fees and charges annually in the budget process and target rates that are expected to produce revenues sufficient to fully fund the costs of providing services – particularly in the District’s key businesses (water and wastewater). All rates and charges shall be adopted in accordance with the provisions of Section 3 of Act No. 1738 of the Acts and Joint Resolutions of the General Assembly for the year 1972. In the event the provisions of Section 6-1-330 of the Code applies, the voting and procedural requirements contained therein will be observed.

B. Costs of service include direct and indirect costs such as operating and maintenance costs, overhead, and charges for use of capital (depreciation and Debt Service). The District may choose not to recover all costs, but it shall identify such costs. Reasons for not recovering full costs shall be identified and explained.

C. The District will examine rates and charges levied by other water and sewer systems for like services in establishing rates, fees and charges. These fees (water and sewer user fees, capacity fees, tap fees, etc.) will be reviewed through the District’s annual cost of service process.

D. An aggressive policy of seeking the collection of delinquent utility accounts will be maintained and is outlined by specific procedures.

E. In projecting revenues - and where judgment is required - conservatism shall be the rule.

**Purpose:**

**Use of One-Time Revenues**

**Scope:**

One time or special revenues shall not be used to finance ongoing District operations but rather shall be used for the funding of special capital projects and one-time expenses.

**Policy:**

By definition, one-time revenues will not reoccur in future budget periods. Since the use of one-time revenues for recurring expenses can have disruptive effects on future services, the District will allocate one-time revenues (e.g. infrequent sales of assets, bond refunding savings, infrequent revenues from development, and grants) to be used to fund non-recurring expenditures, capital expenditures, or to fund reserves. Consideration will be given to whether these non-recurring expenditures or capital expenditures will result in ongoing recurring operating expenditures, and, if so, these expenditures will only be incurred upon determination that the anticipated recurring operating expenditures can be funded through recurring revenue sources.

### **FP 3: Adoption of Balanced Budget**

#### **Purpose:**

**The District will annually adopt a balanced Operating Budget.**

As required by the laws of the State of South Carolina, the District will adopt a balanced Operating Budget. The District will provide disclosure in quarterly Commission financial reporting when a deviation from a balanced Operating Budget is planned or when it occurs. This balanced budget will ensure that all operating expenses and planned additions to reserves will not exceed operating revenues and planned withdrawals from reserves at adoption and at year-end. Any increase in expenses, decrease in revenues, or combination of the two that would result in a budget imbalance will require disclosure in quarterly Commission financial reporting and/or approval from the Commission if required by the District's Purchasing Policy.

#### **Scope:**

The District's Annual Budget (the "Annual Budget") will cover the twelve-month period beginning July 1 and ending June 30 of the following year. Citizen input into decisions relating to revenues will be solicited during the Annual Budget public hearing process and will be made available for public review prior to consideration by the Commission, the District's governing body. In the event the provisions of Section 6-1-330 of the Code apply, public comment will be requested in accordance therewith. The proposed Budget Document is to be presented to the Commission for its consideration no later than June 1 with Commission adoption of the Annual Budget by June 30. Notice of the adoption of the Annual Budget will be provided in accordance with the provisions of Section 6-1-80 of the Code. Any increases in millage will be authorized within the parameters set forth in Section 6-1-320 of the Code for the fiscal year and the provisions of any amendments made thereto.

Annual Budgets shall be prepared using the modified accrual basis of accounting and provide the basis for the District's financial management system. The District will operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of Fund Balances accumulated through prior years. Deviations from the adopted balanced budget will be disclosed in quarterly Commission financial reporting and/or approved by the Commission if required by the District's Purchasing Policy. If material, a plan to bring the budget back into balance will be presented which may include utilizing accumulated fund balance. A budget amendment will only be brought if staff believes a rate adjustment is necessary prior to the next budget year.

**Policy:**

The following guidelines will be used in the preparation of the Budget Document:

**Preparation of a Balanced Budget Proposal**

The following guidelines will be used in the preparation of the budget document:

**Operational Reporting**

Staff will provide to the Commission detailed quarterly reports covering the financial operating results of the District compared to the budget.

**Staff Actions**

The General Manager and Finance Manager are authorized to publish notice of all hearings necessary to the implementation of the budget or any supplemental budget. Additionally, the Finance Manager shall be authorized to contact the Auditor of Beaufort County, the Treasurer of Beaufort County and any other person deemed necessary to the implementation of the budget in order to provide them with initial budget data pending the formal adoption by the Commission.

**Operating and Non-Operating Revenues**

The District will conduct an annual review of fee structures, charges for services, and other operating revenues and expenditures.

The District will estimate its annual revenues by objective and analytical processes. Revenue forecasts shall be conservative and will be reviewed and updated annually. Each existing and potential revenue source will be re-examined annually.

The District will avoid dependence on temporary revenues to fund day-to-day operations.

Operating revenues will be equal or greater than operating expenses excluding depreciation.

The operations tax levy will be set in accordance with applicable laws and the debt service tax levy will be set so that collections will produce amounts sufficient to fund debt service on any general obligation debt.

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**HiltonHeadPSD**  
Financial Policies

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## Expenditures

The District will estimate its annual expenditures by objective and analytical processes. Expense forecasts shall be conservative and will be reviewed and updated annually. Each existing and potential expenditure category will be re-examined annually.

High level multi-year operating cash flow and debt coverage projections shall be prepared and updated each year to identify the impact of current decision making on future resources.

The budget will provide sufficient funding for adequate maintenance and orderly replacement of capital infrastructure and equipment.

A five-year Capital Improvement Plan (including major maintenance and replacement) (the "CIP") shall be prepared and updated each year. The operating impact of each Capital Project shall be identified and incorporated into the Annual Budget. Capital assets shall be purchased and maintained on a regular schedule. Within legal limits and the constraints of the Annual Budget, debt may be issued for the purchase of capital assets and major renovations. Capital Projects financed through the issuance of Bonds must be financed for a period not to exceed the useful life of the facility or equipment.

**FP 4: Debt Policy**

**The District will adhere to a debt policy that ensures that debt is issued and managed prudently in order to maintain a sound fiscal position and protect and improve credit quality.**

**Debt Management:**

**Purpose:**

**The purpose is to outline the guidelines for ensuring an appropriate debt level is maintained while providing financial support for capital facility needs, and to outline the guidelines for helping ensure the long-term fiscal health of the District through the development of standards and conditions under which debt may be issued.**

**Scope:**

The following debt management policies establish the general framework for planning the issuance of debt to finance projects and improvements. The District's Finance Manager and finance management staff acknowledges that there are no easy rules or formulas that can substitute for a thorough review of all information affecting the District's debt position. Debt decisions shall be the result of deliberative consideration of all appropriate factors.

**Policy:**

A. Bond issues shall be planned as an integral part of the District's five year capital improvements budget. The District shall demonstrate to the rating agencies, its customers, and elected officials, that it is following a prescribed financial plan.

B. The use of bond proceeds shall be limited to financing the costs of issuance or refinancing capital improvements as defined by Generally Accepted Accounting Principles (GAAP) (including project planning, design, land acquisition, buildings, permanent structures, attached fixtures and equipment, and major moveable pieces of equipment). Bond proceeds may also be used to establish a Debt Service Reserve Fund as required by the Bond Resolution. Non-capital furnishings and supplies shall not be funded from Bond proceeds.

C. Debt Service Reserve Funds. In the event the cash or other securities securing a Debt Service Reserve Fund for any of the District's outstanding Bonds is determined to be out of compliance with the covenants in the Bond Resolution, the Finance Manager of the District is authorized to take all steps necessary to bring such Debt Service Reserve Fund, for any series of Bonds, back into compliance with the Bond Resolution and any applicable series resolution. Without limiting the generality of the foregoing, such authorization

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**HiltonHeadPSD**  
Financial Policies

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specifically includes the authority to secure a letter of credit, line of credit, or surety bond from a provider who complies with the rating requirements in the Bond Resolution.

D. Water and Sewer Front Foot Assessment. South Carolina law permits the District to construct extensions to the water distribution component and the sewage collection component of the System payable from front foot assessments imposed on the benefited property. Usually, such extensions are constructed at the request of benefited property owners and represent a relatively small design, construction and development cost which is inadequate to justify separate bond financing (i.e., less than \$1,000,000 per project). It is the policy of the District to temporarily finance the costs of such projects from the District's operating and capital funds. Such costs will be aggregated and included in periodic bond issues once (i) the aggregate amount of such costs justify a bond issue and (ii) the timing of a bond issue correlates with the projected receipts of such assessments. This policy statement represents a declaration of the District's intent pursuant to Section 1.150-2(e) of the U.S. Treasury regulations adopted pursuant to the Internal Revenue Code of 1986, as amended, to reimburse the District for the temporary financing of the costs of these projects from the proceeds of tax exempt bonds issued in accordance with this policy. The Finance Manager of the District is hereby appointed the representative of the District for purposes of formalizing the District's reimbursement intent for individual projects; however, the failure of the Finance Manager to separately execute any reimbursement declaration with respect to any individual project covered by this policy shall not imply that the District does not intend to reimburse itself for the costs of such project from tax exempt bond proceeds in accordance with this policy.

E. If the District has any debt in the public market, the District shall seek to maintain or improve, if practicable, its current Bond rating so that the District's borrowing costs are minimized and credit is preserved. This shall include maintaining certain debt ratios at levels acceptable to Bond rating agencies.

If the District has any debt in the public market, the District shall maintain good communications with bond rating agencies regarding its financial condition. The District shall inform those agencies about the District's financial condition and policies, budget, capital improvement plans, and other relevant matters.

Debt Service Coverage Ratio: The Debt Service coverage ratio is the ratio of annual net revenues to the annual Debt Service requirement. Bond covenants in the Bond Resolution require that the District maintain and collect rates and charges so that the income therefrom is reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of the annual principal and interest requirements for all parity Bonds outstanding. To assure that this requirement and the overall financial goals and objectives of the District are met, the desired minimum targeted Debt Service coverage ratio for any given Fiscal Year shall exceed one hundred twenty percent (120%).

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**HiltonHeadPSD**  
Financial Policies

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The District shall seek level or declining debt repayment schedules, but may consider issuing debt that provides for a rapidly increasing Debt Service payments and balloon payments. Where such increasing or balloon payments have been determined appropriate, the Commission must adopt a plan that will result in the generation of sufficient revenues to meet the extraordinary payments.

F. The District will establish an appropriate mix of bonded debt and pay-as-you-go financing in the funding of its Capital Projects.

G. Total general obligation bonded debt will not exceed 8% of the assessed value of taxable property in the District without a referendum, as prescribed by Article X, Section 14 of the Constitution of the State of South Carolina.

H. The District shall not use long-term revenue or general obligation debt financing to support current operating expenditures.

I. The District will not issue notes to finance operating deficits.

J. **Financing Team.** The District often employs outside financial specialists to assist it in developing a Bond issuance strategy, preparing bond documents and marketing Bonds to investors. The key players in the District's financing transactions include its bond counsel, the underwriter and underwriter's counsel (on a negotiated sale), District representatives (the Finance Manager and other District representatives as may be appointed by the General Manager). Other outside firms, such as those providing paying agent/registrars, trustee, credit enhancement, auditing, or printing services, are retained as required. The financing team will meet periodically or when necessary to review the overall financing strategy of the District and make recommendations to the General Manager.

K. **Call provisions.** The District seeks to minimize the protection from optional redemption given to bondholders, consistent with its desire to obtain the lowest possible interest rates on its Bonds. The District's Bonds are generally subject to optional redemption. The District seeks early calls at low or no premiums because such features have allowed it in the past to refinance debt more easily for Debt Service savings when interest rates dropped. The District will annually evaluate optional redemption provisions for each issue to assure that the District does not pay unacceptably higher interest rates to obtain such advantageous calls.

L. While in the public debt market, the District acknowledges its responsibility to meet its continuing disclosure obligations on a timely basis. The Finance Manager shall be authorized to provide any continuing disclosure materials on the District's behalf to the Municipal Securities Rulemaking Board's Electronic Municipal Markets Access System (EMMA) or any other information repository.

**FP 5: Post-Issuance Tax Compliance Policies and Procedures For Tax-Exempt Bonds:**

**Purpose:**

The purpose of these Post-Issuance Tax Compliance Policies and Procedures (these "***Policies and Procedures***") is to establish policies and procedures in connection with the issuance of tax-exempt bonds (the "***Bonds***") issued by the District from time to time to maximize the likelihood that all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt status of the Bonds are met. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Internal Revenue Code of 1986, as amended (the "***Code***") and the Treasury Regulations promulgated thereunder (the "***Regulations***").

The District reserves the right to use its discretion as necessary and appropriate to amend or supplement these Policies and Procedures as circumstances warrant. All such amendments and supplements shall be reviewed by nationally recognized bond counsel ("***Bond Counsel***").

**Scope:**

The general policy of the District is to comply with the requirements of the Code, the Regulations, and South Carolina law to preserve the tax-exempt status of the Bonds. The District intends to implement and carry out the specific procedures set forth herein to ensure such compliance. To the extent additional procedures are required, the Finance Manager will be responsible for development and maintenance of such additional procedures to ensure and demonstrate such compliance. The General Manager shall, as necessary, designate one or more other individuals to assist the Finance Manager.

The Bonds are not and will not be part of any transaction or any series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, enabling the District to exploit the difference between tax-exempt and taxable interest rates to obtain a material financial advantage and overburdening the tax-exempt bond market. No device will be employed in connection with the issuance of the Bonds in order to gain a material financial advantage (based on arbitrage) apart from savings attributable to lower interest rates.

Generally, the General Manager, the Finance Manager, and anyone designated by the General Manager to assist the Finance Manager shall consult with Bond Counsel and other legal counsel and advisors, as needed, throughout the Bond issuance process to identify the use of the proceeds of the Bonds, the expected schedule for the expenditure of such proceeds, the expected compliance, if any, with any exemptions from arbitrage rebate requirements, and all other matters related to the information to be represented or certified by the District in all tax certificates (referred to herein as a "***Tax Certificate***"), Internal

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Revenue Service (“*IRS*”) forms, and/or other documents finalized at or before the issuance of the Bonds.

The District will provide training for the Finance Manager and anyone designated by the General Manager to assist the Finance Manager. Training may be in the form of a conference call with Bond Counsel to report on issues and questions that have arisen in connection with these Policies and Procedures and to receive a report on developments affecting the Code and Regulations and their enforcement that may be relevant to the development and implementation of these Policies and Procedures.

The Finance Manager shall provide a copy of these Policies and Procedures and any amendments or supplements to the auditors of the District and shall instruct such auditors to report to the General Manager and the Finance Manager any matters the auditors believe relevant to the matters addressed herein.

Nothing herein shall require or authorize the Finance Manager or anyone else to consult with any lawyer unless such consultation is protected by the attorney-client privilege.

## **Policy:**

A. General Recordkeeping - The District will retain sufficient records to support the continued tax-exempt status of any tax-exempt bonds it issues, including books, records, and other informational documents supporting the Bonds continued compliance with federal tax requirements.

The Finance Manager will maintain all records relating to the requirements of the Code and the representations, certifications and covenants set forth in any Tax Certificate executed in connection with any series of Bonds until the date three (3) years after the last principal amount of such series of Bonds has been paid.

If any series or a portion of any series of Bonds is refunded by tax-exempt obligations (“*Refunding Obligations*”), the District will maintain all records required to be retained until the later of the date three (3) years after the last principal amount of such series of Bonds has been paid or the date three (3) years after the last Refunding Obligations have been retired.

For all Bonds, the records that will be retained include, but are not limited to:

- (1) Basic records and documents relating to the Bonds;
- (2) Documentation evidencing expenditure of the proceeds of the Bonds, including, without limitation, construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with proceeds of

Bonds and record identifying the assets or portion of assets that are financed or refinanced with proceeds of Bonds, including a final allocation of Bond proceeds (*see* section entitled, “Final Expenditure of Bond Proceeds” herein);

(3) Documentation sufficient to show that all returns related to Bonds submitted to the IRS are correct;

(4) Documentation evidencing use of any projects financed with proceeds of the Bonds by public and private sources (i.e., copies of management contracts, output contracts, research agreements, leases, etc.);

(5) Documentation evidencing all sources of payment or security for the Bonds; and

(6) Documentation pertaining to any investment of proceeds of the Bonds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received from the investment proceeds, guaranteed investment contracts, and rebate calculations).

B. Investment and Arbitrage Compliance – The District will not take any action or fail to take any required action which will cause Bonds to be “*arbitrage bonds*,” as defined in the Code, and it will comply with the requirements of Section 148 of the Code regarding the investment of the Gross Proceeds of the Bonds and the rebate of excess earnings to the United States Government as required under the Regulations throughout the terms of the Bonds.

#### Investment of Bond Proceeds

The Finance Manager shall oversee the investment of any proceeds of the Bonds in accordance with the directions set forth in the Tax Certificate with consultation and direction from the General Manager. The Finance Manager will consult with Bond Counsel prior to entering into any guaranteed investment contracts.

#### Arbitrage

If the proceeds of any issue of Bonds (other than a minor portion and other than proceeds held in a reasonably required reserve fund) are not reasonably expected as of the date of issue to be spent on capital projects within a temporary period of three years, the Finance Manager will ensure that the proceeds are not invested at a yield materially higher than the yield on such issue of Bonds.

If the proceeds of any issue of Bonds are expected as of the date of issue to be spent on capital projects within a three-year temporary period, the proceeds may be invested at an unrestricted yield. The Finance Manager will ensure that such proceeds remaining on hand

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after the expiration of the three-year period will not be invested at a yield more than .125% (or 1/8<sup>th</sup> of a percentage point) above the yield of the Bonds.

The Finance Manager will maintain records documenting the allocations, earnings and investments relating to proceeds of the Bonds.

The Finance Manager will follow generally accepted accounting principles (“GAAP”) to track investments of Bond proceeds.

For each investment acquired with Gross Proceeds of the Bonds or otherwise allocated to the Bonds that was not acquired to carry out the governmental purpose of the Bonds, the Finance Manager shall record its purchase date, its purchase price (reduced by broker or dealer commissions or other administrative expenses, which shall also be stated), its Fair Market Value, accrued interest due on its purchase date, its face amount, its coupon rate, the frequency of its interest payments, its disposition price, accrued interest due on its disposition date, and its disposition date.

## Rebate

The Finance Manager shall at least annually consider whether any rebate calculation and/or payment is required. The District will retain the services of a rebate analyst (the “*Rebate Analyst*”) or other professionals who are necessary, in the judgment of the Finance Manager, to ensure that the requirements of the Code and Regulations regarding arbitrage rebate are met.

The Finance Manager will ensure that records of investment and expenditure of the proceeds of Bonds are timely delivered to the Rebate Analyst and that the Rebate Analyst prepares annual computation reports which advise the District of any rebatable arbitrage accrued with respect to such Bonds.

The Finance Manager will ensure that the Rebate Analyst timely prepares returns relating to payment of arbitrage rebate (currently on IRS Form 8038-T) and that such forms and any rebatable arbitrage are timely paid to the United States as required under Section 148(f)(4) of the Code. A rebate installment payment must be paid no later than 60 days after the end of every 5<sup>th</sup> bond year throughout the term of an issue of Bonds. The payment must be equal to at least 90% of the amount due as of the end of that 5<sup>th</sup> bond year. Upon redemption of an issue of Bonds, the District will make a payment of 100% of the amount due no later than 60 days after the discharge date.

Annual Examination and Report

In addition, if any expected deficiencies are identified, the Finance Manager shall, within one hundred twenty (120) days of the end of each fiscal year, prepare a written report on matters occurring within such fiscal year relevant to these Policies and Procedures. This report shall in reasonable detail set forth any issues relevant to these Policies and Procedures that occurred in such fiscal year, including calculation and payment of rebate, any defeasance or other payment of Bonds other than in the ordinary course of business and any review of contracts related to the sale, lease or use of Bond-financed property.

Monitoring Reserve Funds

If at any time any trustee or other fiduciary holds a debt service reserve or similar fund in connection with any Bonds, the Finance Manager shall annually review the status of such fund, including the use of any investment earnings thereon.

C. Expenditures and Assets - The District will not take any action or fail to take any action which will cause Bonds to be to be “*arbitrage bonds*,” as defined in the Internal Revenue Code (the “*Code*”), and it will comply with the requirements of Section 148 of the Code regarding the expenditure of the Gross Proceeds of the Bonds and the use of assets financed or refinanced with Gross Proceeds of the Bonds as required under the Regulations throughout the term of the Bonds.

Expenditure of Bond Proceeds

The Finance Manager will monitor all expenditures of Bond proceeds (including investment earnings). Within 150 days of the issuance of any Bonds and at least once each six months thereafter until the delivery of the final report described in the section entitled “Final Expenditure of Bond Proceeds” herein, the Finance Manager shall prepare a report on the expenditures to date of all proceeds of the Bonds, noting all material departures in both schedule and use from the original expectations for such expenditures as set forth in the Tax Certificate delivered upon the issuance of such Bonds, including whether or not any appropriate spending benchmarks for arbitrage rebate exceptions have been met. The Finance Manager will consult as appropriate with Bond Counsel.

Final Expenditure of Bond Proceeds

The Finance Manager shall be responsible for determining when all proceeds of any issuance of Bonds have been spent (other than those held in qualifying reserve or debt service funds) and shall take steps to close out with reasonable promptness all project and similar funds holding the proceeds of Bonds. If any proceeds together with investment earnings thereon (together “*Remaining Proceeds*”) remain after paying all expected costs of the projects financed, the Finance Manager shall consult with Bond Counsel as to

possible ways to apply such proceeds and their investment and use, with the goal of spending all Remaining Proceeds as promptly as is required by law.

Within 60 days of the final expenditure or other disposition of all Remaining Proceeds, the Finance Manager shall prepare a written report on the expenditure of all proceeds of the Bonds (inclusive of investment earnings), including the use of such proceeds and the schedule of such expenditures, together with any allocations or elections made in connection therewith. Such report also shall address whether rebatable arbitrage must be calculated and paid and on what schedule.

If a particular facility is only partially financed with proceeds of Bonds, the Finance Manager shall indicate in the report the percentages of each such facility attributable to equity, the proceeds of Bonds or other sources, including any permitted allocations or reallocations (which, to be valid, must be made within 12 months following completion of such facility).

#### Use of Bond Financed Facilities

An important goal of these Policies and Procedures is to ensure that there is no threat to the tax-exempt status of any Bonds because of impermissible private business use or private payment or “security” under the Regulations. Such threat can occur if more than 5% of the proceeds of any Bonds are utilized for facilities that are owned by or otherwise impermissibly used by any entity that is not an “*Exempt Entity*”. An Exempt Entity is an entity that is either a state or local governmental entity or an entity described in Section 501(c)(3) of the Code. The federal government is not an Exempt Entity. Such private business use can be created by sales, leases, special entitlements, management contracts and sponsored research agreements.

The Finance Manager shall prepare and regularly update a list of all facilities and equipment that have been financed in whole or in part with the proceeds of Bonds (“*Bond Financed Facilities*”).

At least annually, the Finance Manager shall review all uses of Bond Financed Facilities, including any sales, leases or other conveyance of rights to another person to use or control any portion of any Bond Financed Facility, contracts for sponsored research to be conducted in any Bond Financed Facility, management contracts with respect to any Bond Financed Facility or portion thereof, other uses known of any portion of a Bond Financed Facility by any person other than the District; or any amendments to or other changes in any of the foregoing.

The Finance Manager shall review and consult as appropriate with Bond Counsel as to whether any arrangement discovered pursuant to the preceding paragraph may create any private business use. If it does, the Finance Manager shall so advise the General Manager,

who shall, in conjunction with the Finance Manager, take such steps as are within his or her power and which he or she judges appropriate either (1) to alter the proposed contractual arrangement to eliminate any private business use, or (2) to monitor such private business use going forward.

The Finance Manager shall maintain a list of all Bond Financed Facilities determined to be subject to private business use and shall annually determine if such use is within permitted amounts. The Finance Manager shall consult with Bond Counsel if the Finance Manager believes that any such private business use has exceeded or may exceed permitted amounts and shall report such excess to the General Manager with a recommendation of steps that may be taken to limit the private business use or the consequences thereof (including, but not limited to, potential participation in the Voluntary Closing Agreement Program of the IRS or any successor or additional such programs (collectively, “VCAP”)).

Change in Use and Remedial Action.

In carrying out responsibilities outlined herein, the Finance Manager shall take steps, including conferring with Bond Counsel if appropriate, to determine if the District has taken any “deliberate action” with respect to the use or ownership of any Bond Financed Facilities resulting in a use of such facilities in an unqualified manner and, if so, to determine and implement on a timely basis appropriate remedial action under Section 1.141-12 of the Regulations.

Reimbursements

The Finance Manager will ensure that all reimbursement allocations to the District for expenditures made prior to any issue of Bonds will be made within eighteen months after the date the expenditure was made or, if later, eighteen months after the date on which the property resulting from the expenditure was placed in service, but in any event, within three years after the date the expenditure was paid.

Within one year after a reimbursement is made, the Finance Manager will not use the reimbursed funds to create a sinking fund without consulting with Bond Counsel prior to the creation of such sinking fund.

D. Any violations of the Code and/or the Treasury Regulations discovered by the District will be resolved on behalf of the District’s bondholders as quickly as possible through remedial measures or VCAP.

Upon discovering a violation of the Code, the Finance Manager will consult promptly with Bond Counsel and other legal counsel and advisors to determine a course of action to remediate such violation, if such counsel advises that a remedial action is necessary. If remedial action is available, the District will undertake to timely implement such remedial action. If remedial action is not available or the time limits for such remedial action have lapsed, the District will undertake to remedy the noncompliance pursuant to VCAP.

**FP 6: Capital Improvement Plan**

**Purpose:**

**The purpose of this section is to provide guidelines for implementing the CIP. The CIP is a multi-year planning instrument used by the District to identify needed Capital Projects as well as major maintenance and replacement requirements of the District and to coordinate the financing and timing of those projects.**

**Scope:**

This policy applies to the creation of the CIP which is comprised of both a major maintenance and replacement plan and a water and sewer master plan.

**Policy:**

**A. Relationship to Operating Budget**

- (1) The District's annual Operating Budget provides funding for recurring services with recurring revenues. While the Operating Budget does include maintenance funding for certain capital expenditures, the nature of such capital requires that they be planned for and replaced on a recurring basis.
- (2) Major capital requirements are dealt with separately in a capital planning process, culminating in the adoption of the CIP. These types of capital investments focus on the construction, replacement, betterment, development, and acquisition of major capital assets and may rely on long-term debt instruments for financing. Property tax millage, user fees, and front foot assessments revenues are typical sources allocated to the retirement of long-term debt.
- (3) The impact of the CIP on the annual Operating Budget is reflected in two areas:
  - a. Debt Service payments on any revenue and general obligation bonds that may be issued to finance capital improvements, and
  - b. Staffing and other operating expenses that may be required once a capital facility is completed.

B. General Provisions

- (1) The District has developed a multi-year CIP which will be updated and adopted by June 30<sup>th</sup> of each year. The District will make needed capital improvements in accordance with the CIP.
- (2) Capital investments usually exceed \$5,000 in cost.
- (3) The District will coordinate the development of the capital budget with the development of the Operating Budget. Future operating costs associated with new Capital Projects are included in Operating Budget forecasts.
- (4) The District will establish an appropriate mix of bonded debt and pay-as-you-go financing in the funding of Capital Projects.
- (5) Projects included in the CIP are consistent with the District's strategic plan.
- (6) Facilities whose construction or acquisition results in new or substantially increased operating costs will be considered only after an assessment indicates a clear need for the project and resources for funding the increased operating costs are available.
- (7) A quarterly status report on all active projects will be prepared by the Finance Manager of the District and presented to the Commission.
- (8) The District will follow the guidelines of its Purchasing Policy in the event of an emergency capital need.

C. Evaluation Criteria

- (1) The following criteria are used to evaluate the relative priority of a proposed Capital Project:
  - a. Consistency with the strategic plans and other long-term plans adopted by the Commission.
  - b. Return on investment (leverage).
  - c. Impact on tax base.
  - d. Geographical area of District served.
  - e. Impact on health, safety, and welfare of citizens.

- f. Availability of external funding sources.
- g. Community and economic development impact.

D. Debt Management

- 1. Capital Projects will be financed with Bonds for a time period not to exceed the expected useful life of the facility/equipment.
- 2. Total general obligation debt will not exceed 8% of the assessed value of the taxable property in the District, without a referendum, in accordance with state law.
- 3. Long-term debt financing will not be used to cover current operating expenditures.

**FP 7: Cash and Investment Management Policy**

**Purpose:**

It is the policy of the Commission that the Finance Manager shall maintain an effective program of cash and investment management and follow the legal requirements regarding depositories and collateral requirements. To that effect, the Finance Manager is both authorized and required to promulgate a written Statement of Cash and Investment Management Policy governing the District's cash management and investment activities, and to institute and administer such specific procedures and criteria as may be necessary to ensure compliance with the District's financial management policy.

**Scope:**

Specifically, this policy mandates pursuit of the following overall goals and objectives:

All aspects of cash management operations shall be designed to ensure the absolute safety and integrity of the District's financial assets. The overall financial objective is to provide the highest possible income support to the District and present a very low risk of loss of principal.

**Policy:**

**Cash Management**

Cash management activities shall be conducted in full compliance with prevailing state and federal regulations.

The District's cash management program seeks to achieve three objectives with regards to investments: safety of principal, adequate liquidity to meet daily cash needs, and a reasonable yield commensurate with the preservation of principal and liquidity. The following investment strategy has been designed to accomplish these objectives:

A. The District will invest in very creditworthy, highly liquid investments with maturities of one year or less and in intermediate-term securities of high credit quality with maturities no greater than five years. The District will only invest in those securities specified under Section 6-5-10 of the Code. These include collateralized money market accounts and certificates of deposits, U.S. Treasury Bills and Notes, high quality obligations of certain U.S. agencies and instrumentalities, and the local government investment pool. Any securities not included in Section 6-5-10 of the Code will not be eligible investments.

B. The primary objective of all District investment activity is the preservation of capital and safety of principal. Each investment transaction shall ensure that capital losses are avoided, whether from security default, sale of instruments prior to maturity or erosion of market value.

At all times, the District shall remain sufficiently liquid to meet cash flow requirements by matching investment maturities with forecasted cash flow requirements, investing in securities with active secondary markets, and maintaining appropriate portfolio diversification. The District will maintain accounts with financial institutions such as checking or money market accounts and/or repurchase agreements for current cash flow requirements and shall also position investments to provide liquidity for certain predictable obligations such as Debt Service payments.

There may be times when the District has more or less of its funds in particular investment vehicles due to cash flow needs, prevailing market conditions, and other factors. The cash flow needs of the district along with prevailing market conditions serve as a general guideline for making investment decisions. In this way, the portfolio will be able to take advantage of rising interest rates by re-investing maturing securities at higher yields. In falling rate environments, it will profit from having investments that were made at higher rates.

Following this discipline ensures that the District will always have sufficient cash available for daily needs, preserve its principal, and earn a competitive yield without assuming unacceptable risks.

### **Interest Earnings**

Interest earned from investments shall be distributed to the operating Fund or other District Funds from which the money was provided, with the exception that interest earnings received on the investment of proceeds of Bonds shall be attributed and allocated to either the related construction Fund or to the Debt Service Funds responsible for paying the principal and interest due on the particular Bond issue, as provided in the Bond Resolution.

### **Oversight**

The Finance Manager shall institute and administer such specific procedures and criteria relating to cash management issues in pursuit of ensuring the absolute safety and integrity of the District's financial assets, while optimizing financial return of those assets. Additionally, the Finance Manager with the assistance of the Commission and General Manager of the District will be responsible for oversight and will regularly examine and evaluate the District's Cash and Investment Management Policy and investment activities and recommended revisions to the Policy and operational rules and regulations.

## **FP 8: Contingency Planning**

### **Purpose:**

**The District will develop policies to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events.**

When emergencies or unexpected events occur, having a policy that can be applied, or at least serve as a starting point, for financial decisions and actions improves the ability of the District to take timely action and aids in the overall management of such situations. Policies on contingency planning are used as a general guide when an emergency or unexpected event occurs. A set of actions and strategies are identified for each type of situation. Examples of financial emergencies that require contingency plans are sudden and severe decreases in locally collected revenues and unexpected major capital maintenance requirements.

### **Scope:**

Development of a contingency plan in advance of such situations is viewed positively by the rating agencies when evaluating the District's credit quality. A contingency plan can also help expedite relief efforts when an emergency does occur and allow the District to recover funds more quickly or more effectively in the event of a natural disaster.

### **Policy:**

The following is a summary of the phase classifications and the corresponding actions to be taken.

An anticipated net reduction in available reserves or reduction in total operating and non-operating revenue in excess of 5% constitutes an alert status. The actions associated with these phases would best be described as follows:

#### **Alert**

- (1) Intensifying the review process for large items such as contract services, consulting services, and capital expenditures including capital improvements.
- (2) Closely scrutinizing hiring for vacant positions, delaying the recruitment process, and using temporary help to fill in where possible.
- (3) Utilizing available operating reserves to meet a temporary shortfall.

#### **Moderate**

- (1) Greater justification for large expenditures.

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- (2) Deferring capital expenditures.
- (3) Hiring to fill vacant positions only with special justification and authorization.
- (4) Closely monitoring and reducing expenditures for travel, seminars, retreats and bonuses.

## Major

- (1) Preparing a strategy for reduction in force.
- (2) Reducing the temporary work force.
- (3) Deferring merit wage increases.
- (4) Further reducing capital expenditures or temporarily eliminating capital improvements.
- (5) Instituting a hiring freeze.
- (6) Personnel cost-reduction strategies.
- (7) Eliminating programs.

In the event that an economic uncertainty is expected to last for consecutive years, the cumulative effect of the projected reduction in reserves will be used for determining the appropriate phase and corresponding actions.

These actions may require the following:

- (1) Temporary rate increase.
- (2) Increase *ad valorem* taxes.
- (3) Temporary borrowing (bond anticipation notes, tax anticipation notes).
- (4) Business interruption insurance depending on severity of situation.

**FP 8: Accounting Functions**

**Purpose:**

**The District will perform accounting functions that shall conform to the generally accepted accounting principles as applicable to governments.**

**Scope:**

The District will comply with prevailing federal, state, and local statutes and regulations. The District will also conform to generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA), and the Government Finance Officers Association (GFOA).

**Policy:**

In general, it will be the policy of the District to:

- A. Prepare and present regular reports that analyze, evaluate, and forecast the District's financial performance. This information will be made available to the public for their inspection.
- B. With available resources, the District will seek out and employ the assistance of qualified financial advisors and consultants in the management and administration of the District's financial functions.
- C. An independent audit will be performed and approved by the Board annually.
- D. The District will issue annual financial reports in accordance with Generally Accepted Accounting Principles (GAAP) as outlined in the Governmental Accounting, Auditing and Financial Reporting (GAAFR) publication.

The **basis of accounting** refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund type is accounted for on a cost of service measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

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Property taxes and availability charges are recognized when collected by the Treasurer of Beaufort County, South Carolina.

Fees and payments due under developer contracts are treated as capital contributions and are recognized in the period received. Tap fees are recognized as income in the period the customer connects to the system.

The annual independent auditor's report is conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. During the annual audit, the auditors meet regularly with the District's Commission to report the audit status and any misstatements or irregularities. Finally, supplemental required information is completed by management which includes the management's discussion and analysis, financial highlights, financial analysis of the District, budgetary highlights, and capital asset and debt administration.

**Internal Control:** In developing and maintaining the District's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control shall not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**FP 10: Grant Administration**

**Purpose:**

The definition of a grant for purposes of this policy is as follows: An award of financial assistance, in the form of money or property by a funding source including the federal government, state government, other local governments, non-profit agencies, and private businesses and citizens, that the District has the ability to accept or reject. The purpose of the grant procedures outlined in this document is to ensure proper oversight of all funds appropriated to the District, minimize the District's risk of non-compliance with grant requirements, and ensure proper administration and accounting of all grants.

**Scope:**

The general policy of the District is to comply with the requirements of all grant agencies. The District intends to implement and carry out the specific procedures set forth herein to ensure such compliance. To the extent additional procedures are required, the Finance Manager will be responsible for development and maintenance of such additional procedures to ensure and demonstrate such compliance. The General Manager shall, as necessary, designate one or more other individuals to assist the Finance Manager.

**Policy:**

It is the policy of the District to fully comply with all requirements contained in any grant, state, federal, and/or local fund agreements received by the District. In the event that the District does not have an internal policy that addresses a specific funding requirement or if the District's internal policy is not as stringent as the external funding requirement, it is the policy of the District to adhere to and fully comply with all terms, conditions and requirements for all applicable grant, state, federal, and/or local funding transactions.

Upon notice of a grant award, the Finance Manager will be responsible for reviewing the financial requirements of the grant award and ensuring that the District has the capability to comply with all requirements, including local matching requirements, prior to award acceptance.

The District may engage a third-party engineer or consultant to assist in developing, evaluating, documenting, and performing compliance related activities.

The District will maintain a financial management system capable of separately and accurately accounting for all grant receipt and disbursement transactions on an individual grant basis and enabling the separate reporting of all grant assets, obligations, unobligated balances, liabilities, revenues, and expenditures. This system will also allow for the

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comparison of grant receipts/expenditures to date to budgeted/approved grant amounts and to appropriately account for any local matching funds in accordance with the applicable grant agreement. Grant funds will only be spent on allowable transactions during the allowable grant time period as determined by the grant agreement. All expenditures will be approved by appropriate supervisory personnel. When practical, the time between receipt and disbursement of grant funds will be minimized. If appropriate, the District will establish a separate bank account for grant funds.

The District will comply with all reporting requirements of each grant agreement which may include relating financial information to performance or productivity. The District will also comply will all applicable single audit requirements.

All grant transactions will be supported by appropriate source documentation. At a minimum, grant records will include a copy of the grant award, grant agreement, grant receipt transactions, grant disbursement transactions, and reimbursement requests. All grant records will be maintained for the greater of five years following the finalization of the grant or the retention period required by the grant agreement.

**FP 11: Tower License Agreements**

**Purpose:**

The District has leased or licensed space on its water towers throughout its service area (the “Towers”) to various telecommunication companies (the “Companies”) so that the Companies can operate telecommunications equipment such as antennas, cables, generators and other equipment on the Towers. The District intends to continue this practice in the future and administrative efficiencies demand that the General Manager and/or the Finance Manager be authorized to execute and renew such license agreements as needed.

**Scope:**

The District has the authorization under its enabling legislation to “lease . . . any property or interest therein.” Through such authorization, the District has been licensing space on the Towers to the Companies for many years. The District utilizes its own licensing documents (the “Agreements”) in its negotiations with the Companies and mandates that the Agreements be used in all such negotiations. In order to maximize the efficiency in dealing with the Companies, the Commission believes that the General Manager and/or the Finance Manager should be authorized to execute and renew the Agreements on its behalf.

**Policy:**

The District understands that the licenses with the Companies represent a substantial revenue source for the District. In order to maximize the efficiency of negotiating this revenue source, the Commission authorizes the General Manager and/or the Finance Manager to execute and renew the Agreements as needed.



# **GM Monthly Report**



## HILTON HEAD PUBLIC SERVICE DISTRICT

To: Hilton Head PSD Commission  
From: Pete Nardi, General Manager  
Re: PSD Updates


June 22, 2023

Dear Commissioners, please see below the following updates:

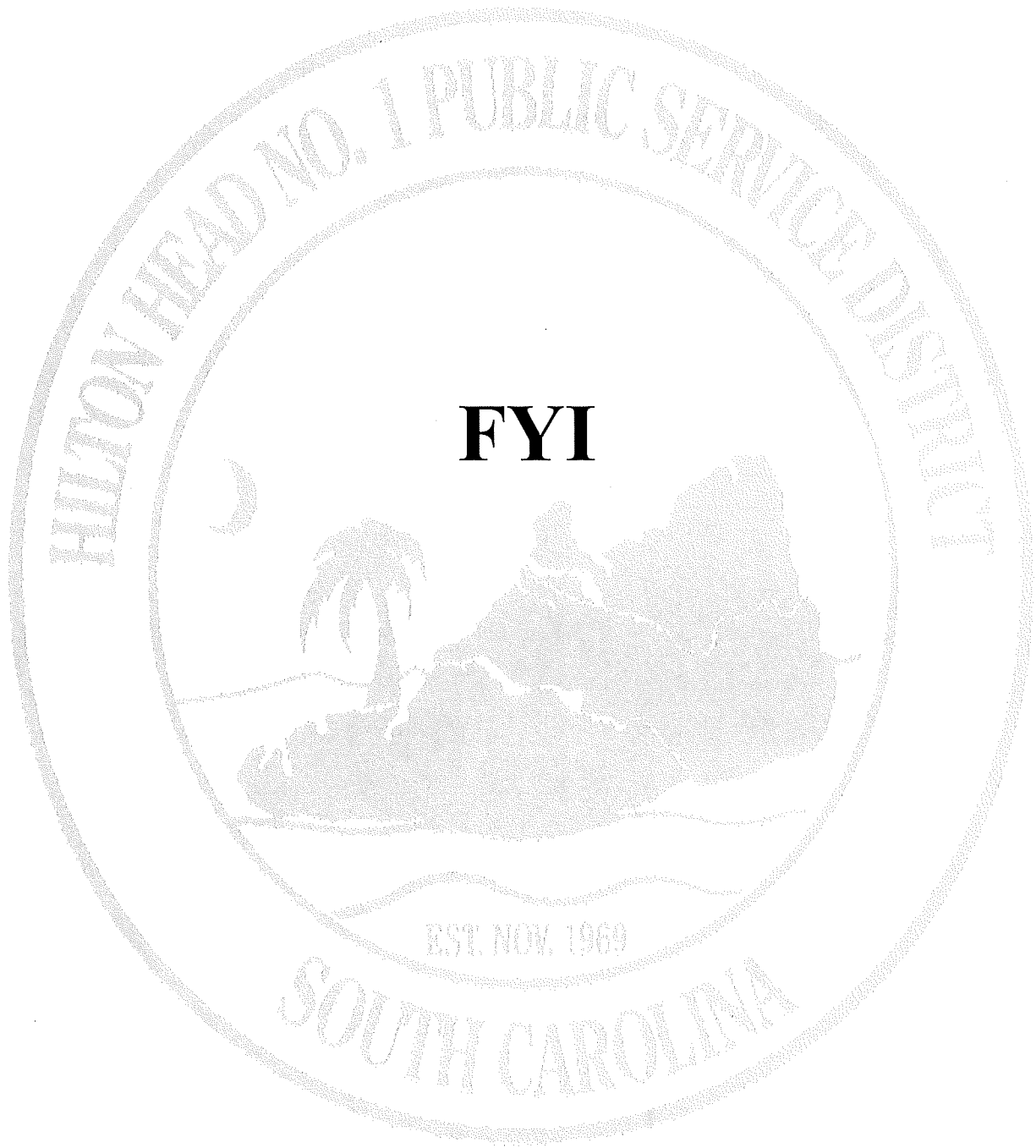
- We are experiencing water demand of approx. 6 million gallons a day (mgd), which is below normal for this time of year, due to wet weather. To date, we have withdrawn 14 mg less from our Aquifer Storage & Recovery (ASR) well versus the same time last year. We have had days where we have shut off the wholesale supply from BJWSA.
- Our Commission redistricting bill, Senate Bill 335 (S.335), has been signed into law by Governor McMaster. We are awaiting the designation of its Act number. Via our legal counsel, we will now commence discussions with the State Office of Revenue & Fiscal Affairs to prepare draft maps of the redistricting.
- U.S. 278 Corridor Project: The SCDOT this month has informed us that it is still awaiting approval to move forward with the project as the Town of Hilton Head is completing an additional independent review of the project. The DOT said it does not anticipate municipal approval until late this year. It is currently working on 30% design plans for the corridor and would anticipate them being finalized this fall.
- SCIP and ARPA Grant Projects Update:
  - Engineering estimates have been obtained to take our SCIP projects (RO Plant Buildout + ASR-2) through construction completion. Additional expenditure authorization is needed in order to proceed.
  - The Leg O'Mutton Booster Station project (Beaufort County ARPA allocation) has reached 60% design completion.
  - We met with the S.C. Rural Infrastructure Authority on June 21 in Yemassee to review our SCIP projects.
  - Our request for easements on Town-owned properties in order to complete our SCIP projects is slated for discussion in executive session at the July 18 HHI Town Council meeting.
- Vice Chair Jerry Cutrer and I are scheduled to meet June 27 with the Broad Creek Commission Chair and GM to continue discussions related to a purchased water agreement between the PSDs.
- I gave a presentation on the PSD's online water consumption portal on June 13 at the AWWA's Annual Conference. The PSD remains among a relatively small group of water utilities in North America that have implemented such portals.
- We have participated in the hurricane planning meetings this month with both the Town of Hilton Head Island and Beaufort County.
- The staff of all three island PSDs held a joint lunch-and-learn this month at South Island PSD. This was the third such gathering. We began the practice prior to COVID and it was subsequently interrupted.

As always, please do not hesitate to contact me if you have any questions.

All my best,

A handwritten signature in black ink, appearing to read "P. Nardi".

Pete Nardi  
General Manager  
Hilton Head PSD



OFFICE ADDRESS:  
Post Office Box 11867  
Columbia, South Carolina 29211  
(803) 734-3120  
E-mail: westonnewton@schouse.gov  
512 Blatt Building



HOME ADDRESS:  
83 Myrtle Island Road  
Bluffton, South Carolina 29910  
Cell: (843) 683-6111

**REPRESENTATIVE WM. WESTON J. NEWTON**  
THE HOUSE OF REPRESENTATIVES  
STATE OF SOUTH CAROLINA  
District No. 120 - Beaufort and Jasper Counties

COMMITTEE:  
Judiciary, Chairman

LEGISLATIVE DELEGATION OFFICES:  
Beaufort: (843) 255-2260 Fax: (843) 255-9425  
Jasper: (843) 726-6019 Fax: (843) 726-5068

May 23, 2023

The Honorable Frank Turano, Chair  
Pete Nardi, General Manager  
Hilton Head Public Service District  
21 Oak Park Drive  
Hilton Head Island, SC 29926

RE: SC Infrastructure Investment Program Grant Award

Dear Chairman Turano and Mr. Nardi:

Congratulations on receipt of a SC Infrastructure Investment Program grant award. I know this grant and your able administration of it will benefit our mutual constituents. I support and applaud your efforts in securing this funding and wish you much success in this specific endeavor and beyond.

If I may ever be of assistance, please do not hesitate to contact me. Again, congratulations on this fine achievement to strengthen our community's infrastructure.

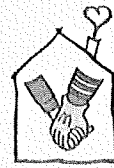
Sincerely,

A handwritten signature in cursive script that reads "Wm. Weston J. Newton".

Wm. Weston J. Newton

June 13, 2023

Patti Soltys  
51 Outpost Lane  
Hilton Head Island, SC 29928



Ronald McDonald  
House Charities®  
of the Coastal Empire

Keeping families close®

Dear Patti,

On behalf of the children and families served by Ronald McDonald House Charities® (RMHC®) of the Coastal Empire, *thank you for your generous donation of pop tabs from Hilton Head & Port Royal Communities and patrons/employees of the Water Commison.*

For children and their families, it will be the most important house they will ever visit. RMHC® helps families of seriously ill & injured children cope with the stress and expense of daily living while trying to be close and emotionally strong for their child. More than a room and a hot meal, RMH is a "Home Away from Home" for families faced with a child's medical crisis. It can be a quiet place to be alone, or a place of companionship, sharing, and emotional support. Your gift enables us to touch the lives of thousands of individuals through our programs, including the Savannah Ronald McDonald House®, the Ronald McDonald Family Rooms®, the Ronald McDonald Care Mobile® and the Ronald McDonald Hospitality Cart®.

Caring for these special families since 1987, RMHC® is located 176 steps from the Dwaine & Cynthia Willett Children's Hospital of Savannah. Additionally, RMH serves St. Joseph's/Candler Hospital and all area medical facilities serving the Coastal Empire. One of more than 383 Ronald McDonald Houses worldwide, each House is an independent non-profit, 501(c)(3) community organization. The Savannah House is governed by a 19-member Board of Directors and managed by a full-time staff of five. A community effort, the Ronald McDonald House's funding comes from fundraising events, donations (corporate, civic, and individual), as well as local McDonald's owner operators.

The Ronald McDonald House Family Rooms® are an outreach program of the Ronald McDonald House. Located in Memorial Health Hospital and St. Joseph's/Candler Hospital, these comfortable hospitality suite/resource centers offer families of hospitalized children light refreshments, the use of computers, TV, and laundry services. Most importantly, families are encouraged to simply take a much-deserved break while remaining steps away from their child's bedside.

We are proud to serve over 2,700 children each year in Beaufort, Hampton, and Jasper Counties (SC) on our state-of-the-art Ronald McDonald Care Mobile®, a mobile dental unit that provides free dental examinations and preventive treatments. Many of the children have never seen a dentist before their first Care Mobile visit and their smiles speak louder than words! Finally, in 2022 we added the Hospitality Cart Program- a Cart With Heart- which visits the kids and families at the Willett's Children's Hospital providing snacks, drinks, toiletries, clothing, and toys directly to their rooms.

Thank you for making a difference.

Sincerely,

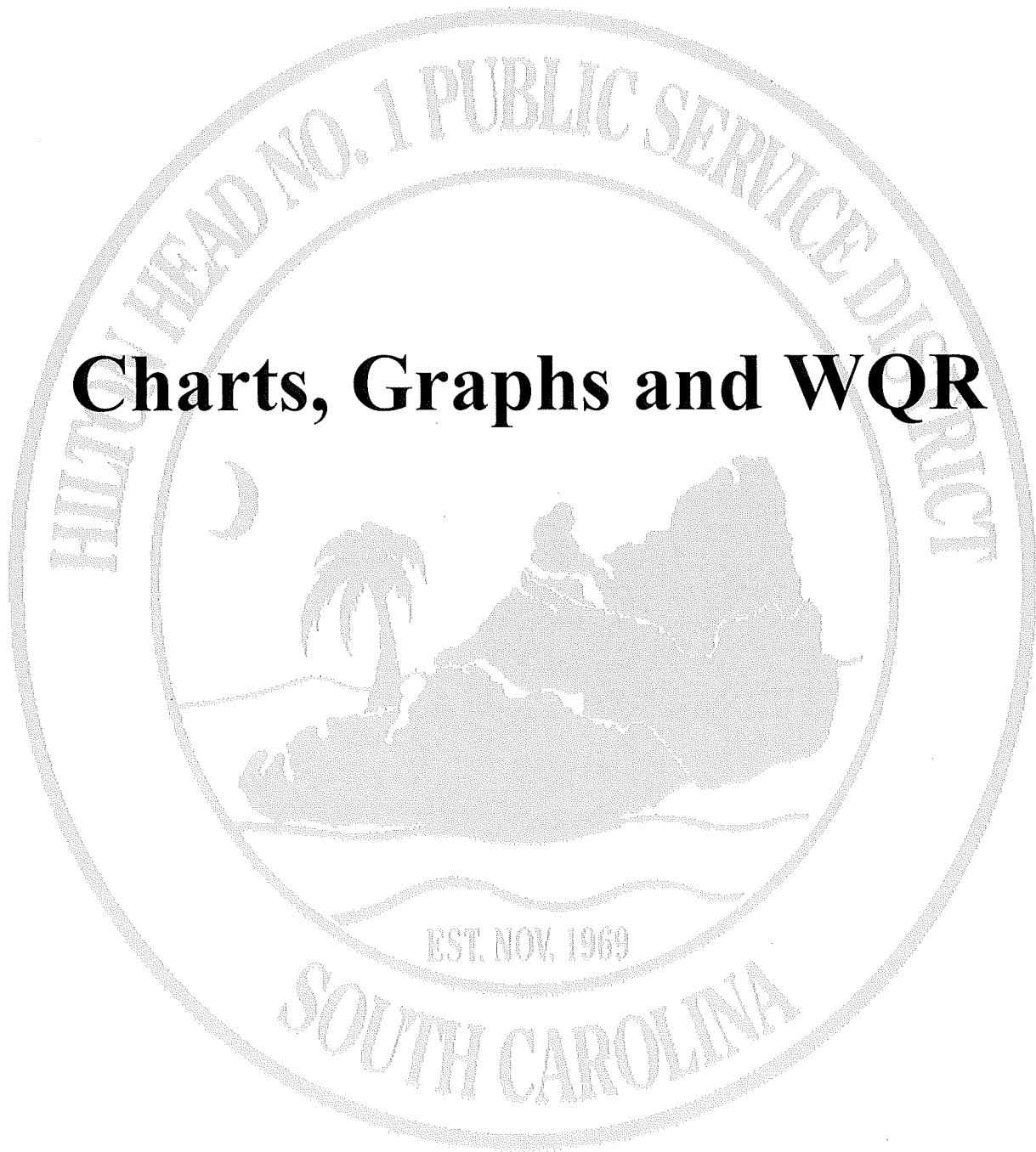
Bill Sorochak  
Executive Director

Ronald McDonald House Charities® (RMHC®) of the Coastal Empire is a 501(c)3 registered, nonprofit organization that operates solely on donations. Your contribution is tax deductible to the fullest extent of the law. Our tax ID# is 58-1630107. Please consult your tax advisor for additional information. Please visit our website to learn about what's new at RMHC: Please visit our website to learn about what's new at RMHC: [www.rmhc.coastalempire.org](http://www.rmhc.coastalempire.org).

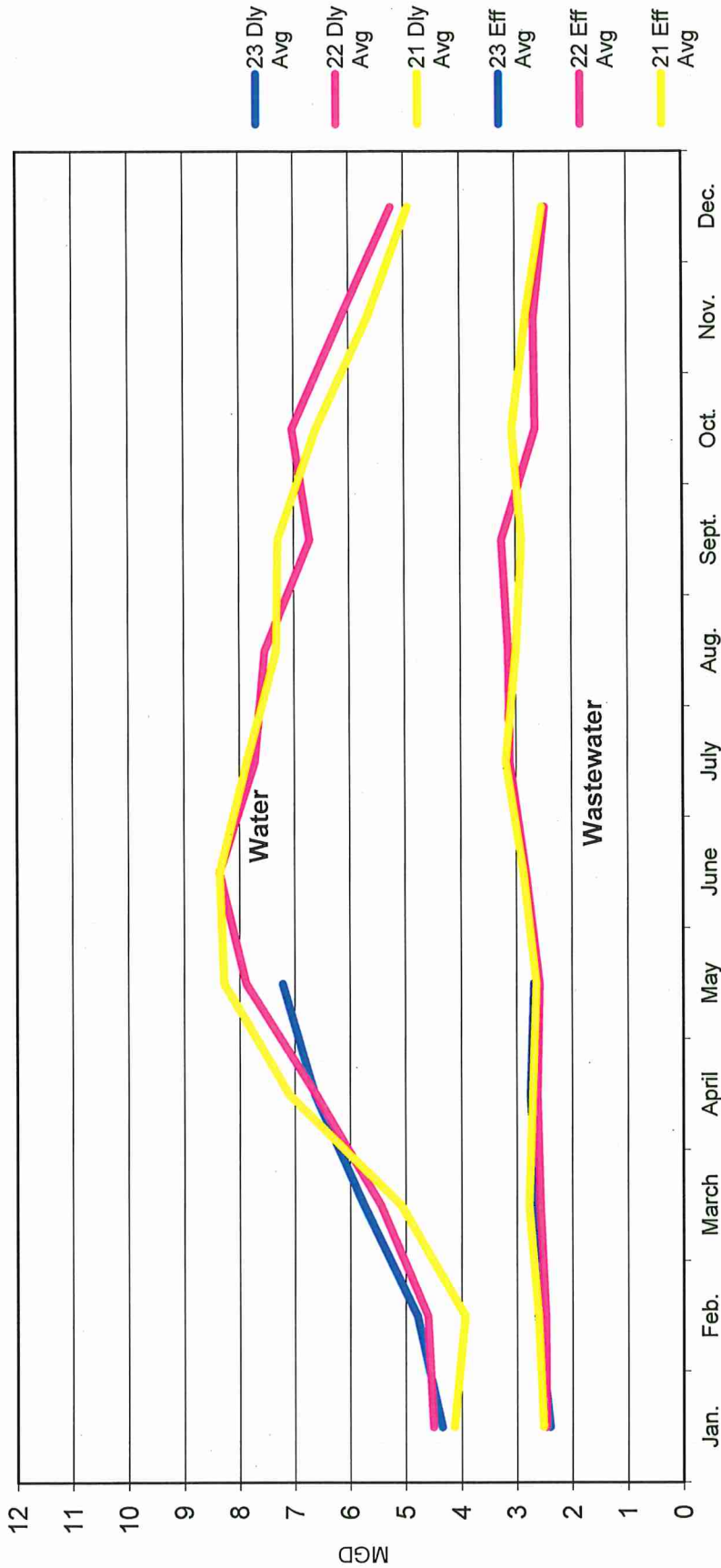
4710 Waters Avenue • Savannah, GA 31404 • 912-350-RMH1(7641) • Fax 912-350-2309 • [www.rmhc.coastalempire.org](http://www.rmhc.coastalempire.org)

The mission of Ronald McDonald House Charities of the Coastal Empire is to create, find and support programs that directly enhance the health and well-being of children and families.

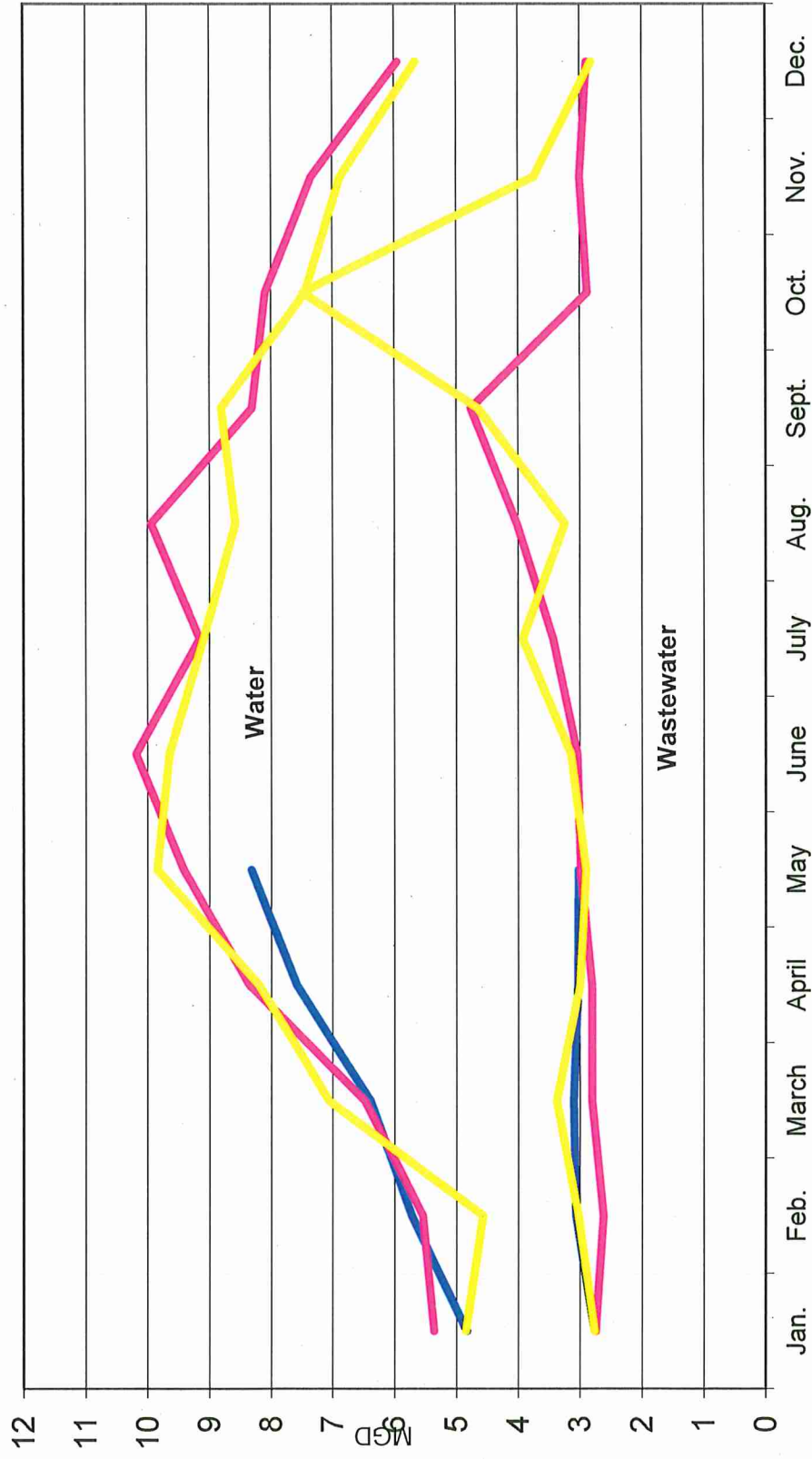
# Charts, Graphs and WQR



# Water and Wastewater Average Flows



# Water and Wastewater Peak Flow



- 23 Dly PK
- 22 Dly PK
- 21 Dly PK
- 23 Eff PK
- 22 Eff PK
- 21 Eff PK



May-23  
Monthly Water Quality Report

| Water Supply Source | MG Per Month |        |        |        |        |      |      |      |       |      |      |      | YTD | % of Supply YTD |        |
|---------------------|--------------|--------|--------|--------|--------|------|------|------|-------|------|------|------|-----|-----------------|--------|
|                     | Jan.         | Feb.   | March  | April  | May    | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |     |                 |        |
| Purchased           | 3.39         | 6.97   | 28.44  | 42.72  | 27.87  |      |      |      |       |      |      |      |     | 109.39          | 13.0%  |
| RO Plant            | 120.06       | 110.68 | 122.16 | 114.46 | 118.76 |      |      |      |       |      |      |      |     | 586.12          | 68.0%  |
| UFA Wells           | 12.07        | 14.21  | 23.08  | 23.45  | 25.30  |      |      |      |       |      |      |      |     | 98.11           | 11.0%  |
| ASR Recovery        | 0.00         | 0.00   | 0.00   | 17.34  | 47.72  |      |      |      |       |      |      |      |     | 65.06           | 8.0%   |
| Total               | 135.52       | 131.86 | 173.68 | 197.97 | 219.65 |      |      |      |       |      |      |      |     | 858.68          | 100.0% |

| System-wide Water Quality Testing Type of Test | Results by Month             |      |       |                                  |      |      |               |      |       |               |      |      |
|--|------------------------------|------|-------|----------------------------------|------|------|---------------|------|-------|---------------|------|------|
|  | Jan.                         | Feb. | March | April                            | May  | June | July          | Aug. | Sept. | Oct.          | Nov. | Dec. |
| Bacteriological                                | PASS                         | PASS | PASS  | PASS                             | PASS |      |               |      |       |               | PAS  |      |
| Chlorine (avg)                                 | 2.22                         | 2.29 | 2.27  | 2.13                             | 2.12 |      |               |      |       |               |      |      |
| Ph (avg)                                       | N/A                          | N/A  | N/A   | N/A                              | N/A  |      |               |      |       |               |      |      |
| Disinfection By-products (DBPs) (qtrly.)       | In Compliance                |      |       | In Compliance                    |      |      | In Compliance |      |       | In Compliance |      |      |
|  | 11 - 121 (WINTER - NO WELLS) |      |       | 14 - 260 (SUMMER - WELLS/ASR ON) |      |      | (WINTER)      |      |       |               |      |      |
| Hardness (range)                               |                              |      |       |                                  |      |      |               |      |       |               |      |      |

| Supply-specific Water Quality Ranges for This Month |                           |                                |                              |                        |  |
|---|---------------------------|--------------------------------|------------------------------|------------------------|--|
| Supply  | Average Chlorine Residual | Within Acceptable Range? (Y/N) | Average Chloride Level (ppm) | Average Hardness (ppm) |  |
| BJWSA (supply)                                      | 2.37                      | Y                              |                              |                        |  |
| RO Raw Water MFA Wells (range)                      | n/a                       | Y                              | 155-446                      | 104-216                |  |
| Finished RO Water                                   | 2.51                      | Y                              |                              |                        |  |
| Fire Station UFA                                    | 2.10                      | Y                              | 59                           | 140                    |  |
| Leg O' Mutton UFA                                   | 2.50                      | Y                              | 75                           | 200                    |  |
| Wild Horse UFA                                      | 2.34                      | Y                              | 53                           | 176                    |  |
| Seabrook UFA  | 2.37                      | Y                              | 110                          | 256                    |  |
| Union Cemetery UFA                                  | 2.00                      | Y                              | 260                          | 280                    |  |
| ASR (recovery)                                      | 2.32                      | Y                              | 29                           | 36                     |  |

### Customer Inquiries

| Type of Inquiry            | Number of Inquiries | Resolved? | Comments |
|----------------------------|---------------------|-----------|----------|
| Low Pressure               | 21                  | y         |          |
| Customer break/leak        | 18                  | y         |          |
| PSD break/leak             | 23                  | y         |          |
| Water Outage               | 4                   | y         |          |
| Odor/Taste/Color           | 2                   | y         |          |
| Miscellaneous              | 86                  | y         |          |
| Sewer issues & Inspections | 32                  | y         |          |
| <b>Total</b>               | <b>186</b>          |           |          |

### Other Water Quality Notes for This Month

5/11/2023 - Changed cartridge filters

5/26/2023 - Changed cartridge filters