

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

APRIL 2024 AGENDA PACKET CONTENTS

1. Agenda for the April 24, 2024, Regular Commission Meeting
2. Draft Minutes of the March 27, 2024, Regular Commission Meeting
3. Leg O' Mutton Booster Station Project Bid Acceptance Authorization (Action)
4. FY '25 Draft Budget Presentation
5. FY '25 Budget COSA Analysis
6. FY '24 3rd Quarter Management Report
7. Annual GM Performance Evaluation Process
 - 4.24.24 Directions to Commissioners
 - FY 2024 GM Evaluation Schedule
 - Hilton Head PSD Strategic Goals & Objectives
 - Attachment A to 5.24.23 GM Letter
 - PSD Strategic Goals & Objective – 3rd Qtr. FY 24 Management Report
 - FY 2024 General Manager's Highlights Memo
 - Template for FY 24 Commissioner Comments
8. General Manager's Monthly Report
9. Charts, Graphs and Water Quality Report



Agenda

HILTON HEAD PUBLIC SERVICE DISTRICT

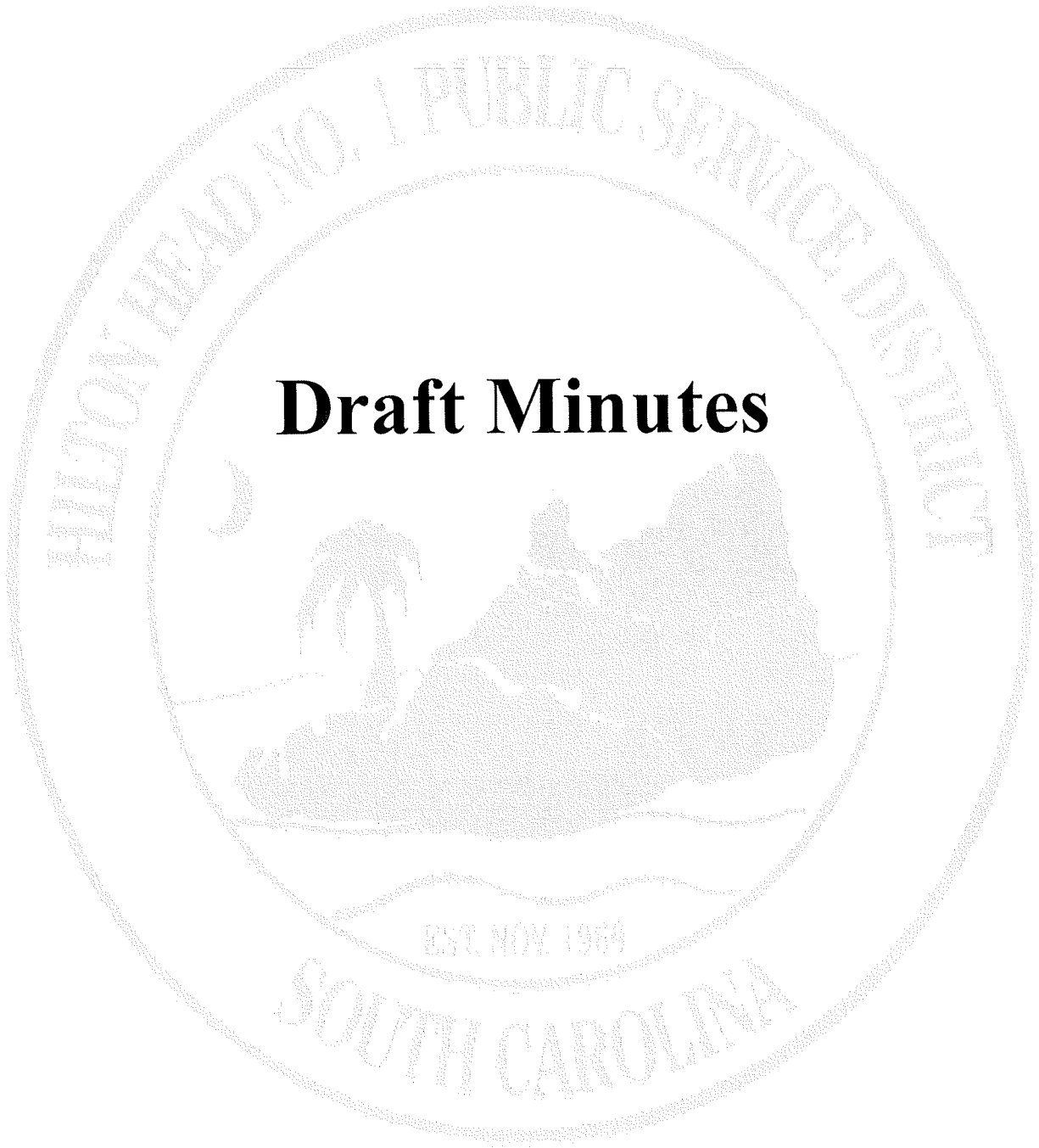
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www.hhpsd.com

AGENDA

Hilton Head Public Service District Commission
9 a.m.
April 24, 2024
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 Comment on Non-Agenda Items
- V. Adoption of Draft Minutes of the March 27, 2024, Regular Meeting
- VI. Leg O' Mutton Booster Station Project Bid Acceptance Authorization (Action)
- VII. FY '25 Draft Budget Presentation
- VIII. FY '25 Cost-of-Service Scenarios (Action)
- IX. FY '24 3rd Quarter Management Report
- X. Annual GM Performance Evaluation Process
- 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 MARCH 27, 2024

I. The meeting was called to order by Chairman Frank Turano at 9:01 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 |
| Ms. Sarah Hickman | Water Quality Supervisor |
| Mr. Brian Fedorick | WWTP Supervisor |
| Ms. Connie Whitehead | Commission Recording Secretary |

Visitors

None

III. Pledge of Allegiance

The Pledge of Allegiance was led by Mr. Frank Turano

IV. Public Comment on Non-Agenda Items

None

V. Adoption of Draft Minutes of the February 28, 2024, Commission Meeting

Action

- Mr. Paterno moved to adopt the minutes as presented. Mr. Marks seconded. The motion passed unanimously.

VI. S.C. DHEC & Water Environment Association of S.C. Awards Recognition

Key Discussion Points

- Water Quality Supervisor, Ms. Sarah Hickman, and Wastewater Treatment Plant Supervisor, Mr. Brian Fedorick were present for board recognition on two statewide awards.
- Ms. Hickman was recognized with the Water Environment Association of S.C.'s Crystal Crucible Award. This award recognizes individuals for significant contributions which promote professionalism, pride and distinguished ideals among those working in water and wastewater analysis.
- Under Mr. Fedorick's supervision, the PSD's Recycled Water Plant has again received DHEC's Facility of Excellence Award in recognition of environmental protection and regulatory compliance.
- Ms. Hickman was selected by the Water Environmental Federation to compete in a two-person team this May in the operations challenge at IFAT Munich, the world's leading trade fair for wastewater and environmental technologies.
- The board commended both Ms. Hickman and Mr. Fedorick on their achievements.

VII. Annual GM Performance Evaluation Process

Key Discussion Points

- Mr. Cutrer presented the revised GM Evaluation Timeline for board review and discussion. A copy is included in the agenda packet.
- Board evaluation comments are due May 8, and the Executive Committee is scheduled to meet May 15 at 3 p.m. to review the comments and develop their recommendations.

VIII. 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.
- Hilton Head PSD, Broad Creek PSD and BJWSA staff will meet April 2 to discuss the wholesale water rate. Hilton Head PSD staff anticipates an up to 25% rate increase. It is expected that BJWSA will have some board representation, and Mr. Nardi encourages any PSD commissioner who is available to attend.
- Mr. Turano requested that staff prepare for board review some options for self-insuring the underground piping that the State Revolving Fund will no longer insure.

IX. Adjournment

Action

- Mr. Bell moved to adjourn the meeting. Mr. Abdul-Malik seconded. The meeting adjourned at 9:59 a.m.



**Leg O' Mutton Booster
Station Bid**



HILTON HEAD PUBLIC SERVICE DISTRICT

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TELEPHONE 843-681-5525 – FAX 843-681-5052
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To: All Commissioners
From: Pete Nardi, General Manager
Re: Leg O’ Mutton Water Booster Station Project Low Bid Acceptance Authorization

April 3, 2024

Dear Commissioners:

For initial discussion at the Commission’s April 24, 2024 meeting, staff has prepared a summary of, and recommendations for, the Leg O’ Mutton Water Booster Station Project below.

Project Purpose & Estimated Completion Date

The Leg O’ Mutton Water Booster Station Project involves the installation of a Water Booster Station that will replace 40+year-old high-service pumps at the PSD’s Leg O’ Mutton site off Gardner Drive. This infrastructure pumps drinking water in the PSD’s water distribution system to maintain pressure in the southern portion of our service area. It is critical to our water quality, water pressure, and disaster recovery. The new Water Booster Station will be equipped with an emergency generator as part of the project. The PSD owns and operates two other Water Booster Stations at present, one located at our Reverse Osmosis Drinking Water Treatment Facility on Jenkins Island, and one at our Wild Horse Water Tower on Wild Horse Road.

The project is estimated for construction completion in summer 2025.

Project Funding

The project is funded in part by \$700,000 of a \$1-million direct allocation of American Rescue Plan Act funds from the Beaufort County government to the PSD for water infrastructure. The remaining \$300,000 of the \$1-million allocation will be used for an emergency generator at the Reverse Osmosis Plant. The PSD will need to fund the remaining cost of the Leg O’ Mutton project from other sources. At this time, it is anticipated that the balance of the funding will come from the PSD’s planned general obligation debt, which is secured by the full faith, credit, and taxing power of the PSD. Such debt will be repaid from the debt-service portion of the PSD’s property tax rate. In accordance with South Carolina law, the PSD, in 2023, obtained authorization from the Beaufort County Council, to issue up to \$23 million in general obligation debt within the next five years.

Project Bids

The project was put out for construction bids in 2024 in accordance with American Rescue Plan Act funding stipulations. Bids were opened on March 28. There were two bidders. The low responsible bidder was BRW Construction Group of Savannah, Ga., at a total amount of \$1,999,807.00. The next bid was in an amount of \$2,638,070.00. The low responsible bid itemized tabulation sheet is attached to this memo.

Recommendation

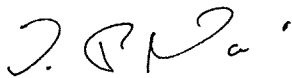
Staff recommends the Commission authorize acceptance of the low responsible bid of \$1,999,807.00 for the Leg O' Mutton Water Booster Station Project.

Upon Commission authorization of the bid, staff will continue work with the design engineer to identify any potential savings that can be achieved in the project prior to construction contract approval and notice to proceed to the contractor.

Approval of the construction contract will be brought before the Commission at its monthly meeting in May.

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

All my best,



J. Pete Nardi
General Manager
Hilton Head PSD

BID

| Item No. | Item Description | Unit | Unit Quantity | Unit Price | Total Bid Price |
|----------|--|------|---------------|---------------|-----------------|
| 1 | Mobilization (Not to Exceed 3% of Total Bid Price) | LS | 1 | \$ 60,000.00 | \$ 60,000.00 |
| 2 | Site Grading | LS | 1 | \$ 29,613.00 | \$ 29,613.00 |
| 3 | Construction Entrance | EA | 1 | \$ 11,409.00 | \$ 11,409.00 |
| 4 | Stand-by Diesel Generator Set and Automatic Transfer Switch (including concrete pad and foundation) | LS | 1 | \$ 242,029.00 | \$ 242,029.00 |
| 5 | Booster Pump Station Package with Enclosure (includes piping, fittings, valves, electrical, controls, accessories) | LS | 1 | \$ 886,900.00 | \$ 886,900.00 |
| 6 | Reinforced Concrete Slab and Foundation for Booster Pump Station | CY | 28 | \$ 2,461.11 | \$ 68,911.00 |
| 7 | 12" RJ Ductile Iron Site Piping | LF | 60 | \$ 480.28 | \$ 28,817.00 |
| 8 | 18" RJ Ductile Iron Site Piping | LF | 68 | \$ 656.09 | \$ 44,614.00 |
| 9 | 12" RJ 45 Degree Bend | EA | 3 | \$ 2,798.00 | \$ 8,394.00 |
| 10 | 18" RJ 45 Degree Bend | EA | 1 | \$ 15,559.00 | \$ 15,559.00 |
| 11 | 12" RJ 90 Degree Bend | EA | 1 | \$ 1,282.00 | \$ 1,282.00 |
| 12 | 18" RJ 90 Degree Bend | EA | 1 | \$ 6,487.00 | \$ 6,487.00 |
| 13 | 18" x 18" Tee (including cut into existing 18" piping) | EA | 1 | \$ 26,344.00 | \$ 26,344.00 |
| 14 | 10" x 18" Tee | EA | 1 | \$ 3,587.00 | \$ 3,587.00 |
| 15 | 10" x 10" Tee | EA | 1 | \$ 20,933.00 | \$ 20,933.00 |
| 16 | 10" Gate Valve | EA | 1 | \$ 4,839.00 | \$ 4,839.00 |
| 17 | 18" Gate Valve | EA | 1 | \$ 18,709.00 | \$ 18,709.00 |
| 18 | Connect to Existing 12" Blind Flange | EA | 1 | \$ 12,205.00 | \$ 12,205.00 |
| 19 | Electrical Improvements | LS | 1 | \$ 252,126.00 | \$ 252,126.00 |
| 20 | New Ammonia Feed Equipment and Associated Building Modifications | LS | 1 | \$ 129,476.00 | \$ 129,476.00 |

RECOMMENDATION OF AWARD

April 16, 2024

Mr. Pete Nardi, General Manager
Hilton Head Public Service District
21 Oak Park Dr
Hilton Head Island, South Carolina 29926

**RE: HHPSD
Leg O Mutton Booster Pump Station Replacement
WKD Project Number 2023.05.57.00.CA
Bid Tabulation and Recommendation**

Dear Mr. Nardi:

Enclosed is the Certified Bid Tabulation for the subject project. The two bidders were BRW Construction Group, LLC and Babcock Construction, LLC.

During our review of the bids that were submitted for the project, no errors were noted.

Based on the information we have received at this time, we recommend that the HPSD award the contract in the amount of \$1,999,807.00 to BRW Construction Group, LLC to perform the subject work. In our professional judgement the low bid is reasonable based on an evaluation in conjunction with the engineering estimates for this project and other recent bids for similar projects.

Further, we have enclosed the original bid forms for all contractors.

We appreciate the opportunity to provide this service for the HHPSD, and we are available to answer any questions you may have.

Sincerely,

W. K. Dickson & Co., Inc.

David Bennett

David Bennett, PE

Mr. Pete Nardi
April 16, 2024
Page 2

Enclosure

BRW Construction Group, LLC Bid Form
Babcock Construction, LLC Bid Form



FY '25 Draft Budget

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HiltonHeadPSD

FY'25 Draft Budget



Prepared by the Finance Department

April 2024

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FY'25 Draft Budget

Prepared by the Finance Department

April 2024

Table of Contents

| | |
|---|----|
| Executive Summary | 1 |
| FY'25 Operations and Maintenance Budget..... | 16 |
| FY'25 Capital Improvement Plan..... | 39 |
| Cash Flow and Future Projections | 47 |
| FY'25 Schedule of Rates, Fees, and Deposits | 51 |

On the cover: Photo by Jack Alderman of an alligator in the Whooping Crane Pond Conservancy. Hilton Head PSD recycles approximately 1 billion gallons of highly treated wastewater into reclaimed water for wetland habitat renourishment and golf course irrigation.

Executive Summary

A. Letter of Transmittal

The Hilton Head PSD staff is pleased to present to the PSD Commissioners the fiscal year 2025 (FY'25) Operating & Maintenance (O&M) Budget and the FY'25 Capital Improvement Plan (CIP). Staff believes the budgets are consistent with the Commission's budget directives and strategic planning efforts.

The upcoming FY'25 is projected to be a busy year devoted to tackling large capital projects. These projects are fueled by a combination of infrastructure funding grants, projects of other agencies which will impact the District, and routine aging infrastructure needs. In anticipation of these projects, and in line with a declining General Obligation (GO) debt schedule, the District sought and received authorization from Beaufort County Council during FY'24 to issue up to \$23 million in GO debt over the next five years to support funding these projects.

The District successfully applied for a \$10 million South Carolina Infrastructure Investment Program (SCIIP) grant to expand its Reserve Osmosis (RO) treatment plant capacity and build a second Aquifer Storage and Recovery (ASR) well. The District believes these projects will significantly meet its future water supply for the near term while providing additional resiliency and improving water quality. The initial expected local matching funds for both projects was estimated at \$7 million by the District's engineers at the time of grant application. However, while the District has seen a cool down on inflation in some of its larger operating expense areas, such as biosolids and chemicals, it is now experiencing significant inflationary pressures in its capital projects. Based on recent experience with other capital projects, the District may need to spend significantly more than this estimate to complete these projects. During FY'24, the District was tentatively approved for a low-interest loan of up to \$2.59 million from the State Revolving Fund (SRF) for the engineering portion of the local matching funds. The District expects to finalize this loan during FY'25. The District anticipates receiving construction bids for the SCIIP projects in June 2024. After receipt of the final bid amounts, the District staff plans to propose a second GO debt issuance for these projects as well as other larger projects.

During FY'23, the District successfully petitioned Beaufort County (BC) for a \$1,000,000 allocation of its American Rescue Plan Act (ARPA) infrastructure funding to replace and upgrade the Leg O Mutton (LOM) booster pump station and to contribute towards an emergency generator at the RO plant. The RO plant generator will be included as a part of the RO Plant Expansion SCIIP project discussed above. The existing LOM booster pump station has reached the end of its 40-year life and is one of the PSD's most crucial water distribution system assets. The LOM Booster Pump Station project was a prime example of significant inflation in construction bidding. The engineering construction estimate was \$1.5 million, and the low bid came in at \$2.0 million. The preliminary engineering costs on this project are included in the approved SRF loan discussed above. The District expects to fund the remaining matching funds necessary through the second proposed GO debt issuance.

The District has also been informed that the South Carolina Department of Transportation (SCDOT) US 278 Hilton Head Island bridge replacement project may commence during the upcoming fiscal year. This project is expected to require the relocation of the District's 24''

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HiltonHeadPSD
FY'25 Budget

purchased water transmission pipeline that is buried in the vicinity of the bridges to Hilton Head Island. This may also impact other smaller water and sewer mains in the area. Under the current SC Utility Relocation Act, the District expects that up to 4.5% of the overall bridge replacement project budget will be reimbursable to the District and Broad Creek PSD who are joint owners of the pipeline. However, the final project budget is unknown at this time as well as the overall cost of the relocation. The District expects that it will have to incur engineering costs up front during FY'25 and then request reimbursement from the SCDOT for those costs. An estimate of those engineering costs and related reimbursements have been included in this budget. Even if all costs related to this project are ultimately fully reimbursed by the SCDOT, this project will require a significant amount of District staff time to administer.

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. This budget proposes a cash funded CIP of approximately \$11.3 million. When the grant funded and reimbursable projects discussed above are removed, the proposed ongoing CIP budget comes to \$3.8 million. Additionally, District staff has identified a number of larger projects it would like to consider using the remaining \$23 million GO bond authorization to fund in upcoming years

Inflation and supply chain issues continued to significantly impact the District's operations. As noted above, inflationary pressures shifted from the areas of biosolids and chemicals to capital and maintenance expenses during FY'24. In FY'25, the District also expects to see significant, inflationary increases in health insurance and its wholesale purchased water expense. This FY'25 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 continues 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 and a merit increase pool 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 nor plan for. Cool, rainy weather will generally negatively affect the District's revenues while warm, dry weather will often have the opposite effect. Cool, rainy weather in FY'24 to date has negatively affected our water consumption revenues. Consumption levels for the FY'25 budget are based on the previous 12 months 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.

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HiltonHeadPSD
FY'25 Budget

The FY'25 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 19,700 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 250 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, 13,500 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'25. The following general standards are used in budget preparation:

1. General Rate Review – Rates, charges and fees underwent a comprehensive Cost of Service Analysis (COSA) as part of the FY'25 budgeting process to ensure rates are sufficient to provide revenues to meet the District's FY'25 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.

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HiltonHeadPSD
FY'25 Budget

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

| | FY'25 Budget | FY'24 Projected | Variance (FY'24 Proj. to FY'25 Budget) | | FY'24 Budget |
|---|---------------------|---------------------|---|----------------|---------------------|
| | | | Increase (Decrease) | % Change | |
| Total Operating Revenue | \$ 15,828,900 | \$ 15,036,100 | \$ 792,800 | 5.3% | \$ 15,166,100 |
| Total Operating Expenses with Depreciation | 18,627,900 | 17,477,700 | 1,150,200 | 6.6% | 17,967,100 |
| Change in Net Position from Operations | (2,799,000) | (2,441,600) | (357,400) | 14.6% | (2,801,000) |
| Total Non-Operating Revenue | 4,233,200 | 4,591,400 | (358,200) | -7.8% | 3,941,600 |
| Total Non-Operating Expenses | 515,400 | 602,600 | (87,200) | -14.5% | 602,700 |
| Non-Operating Income/Expenses - Net | 3,717,800 | 3,988,800 | (271,000) | -6.8% | 3,338,900 |
| Increase / Decrease in Net Position before Capital Contributions | 918,800 | 1,547,200 | (628,400) | -40.6% | 537,900 |
| Total Capital Contributions | 7,820,000 | 1,263,100 | 6,556,900 | 519.1% | 320,000 |
| Change in Net Position | \$ 8,738,800 | \$ 2,810,300 | \$ 5,928,500 | 211.0% | \$ 857,900 |
| Total CIP Budget Cash Flow | (11,295,000) | (3,374,000) | (7,921,000) | 234.8% | (3,050,000) |
| Add: Non Cash Depreciation Expense | 5,250,000 | 5,187,600 | 62,400 | 1.2% | 5,190,000 |
| Less: Existing Debt Service Payments | (3,853,000) | (4,014,500) | 161,500 | -4.0% | (4,014,500) |
| Other Debt Related Adjustments | 515,400 | 602,600 | (87,200) | -14.5% | 602,700 |
| FFA Assessments, net | 132,000 | 95,000 | 37,000 | 38.9% | 205,000 |
| Total Non-CIP Other Cash Flow Adjustments | 2,044,400 | 1,870,700 | 173,700 | 9.3% | 1,983,200 |
| Project. Change in Cash Flow before Project. SRF Debt | \$ (511,800) | \$ 1,307,000 | \$ (1,818,800) | -139.2% | \$ (208,900) |
| Add: Projected SRF Loan Issuance Less Bond Issuance Cost | 2,547,500 | - | - | | |
| Less: SCIP/ARPA SRF Engineering Funded by SRF Loan | (110,000) | (1,630,000) | - | | |
| Less: Projected SRF Loan Debt Service | (79,500) | - | - | | |
| Less: Remaining GO Available for 2nd GO Issuance | (382,800) | (217,700) | - | | |
| Project. Change in Unrestricted Cash Flow w/ Project. SRF | \$ 1,463,400 | \$ (540,700) | | | \$ (208,900) |

D. Budget Highlights

The FY'25 Budget highlights are:

- Operating Revenues are budgeted at \$15,828,900 which is a \$792,800 or 5.3% increase from FY'24 projections. This increase is the result of proposed water and sewer rate increases and a small growth projection.
- Operating Expenses are budgeted at \$18,627,900 which is a \$1,150,200 or 6.6% increase from FY'24 projections. Some key highlights include:
 - The staff level is budgeted at 43.5 which is an increase from the FY 24 budgeted level of 41. 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. Additionally, the State Health Plan anticipates a 12.3% employer rate increase.

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HiltonHeadPSD
FY'25 Budget

- Inflationary increases are anticipated in most areas but particularly in purchased water expenses. The District has been notified by its wholesale water provider to expect a rate increase between 17% and 38%; this budget anticipates a 25% wholesale rate increase.
3. Non-Operating Revenues are budgeted at \$4,233,200 which is a \$358,200 or 7.8% decrease from FY'24 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. The decrease to projections is primarily related to conservatively estimating interest income at 3.25% which is lower than the 5.5% the District is currently receiving. This ensures that the District does not overly rely on an unpredictable revenue source to fund its operations should market conditions deteriorate in the upcoming year.
 4. Non-Operating Expenses are budgeted at \$515,400 which is a \$87,200 or 14.5% decrease from FY'24 projections. This category relates to debt service and is based on current debt schedules and the anticipated FY'25 SRF GO Loan for the engineering portion of the SCIIP and ARPA allocations. This budget does not include any anticipated debt service or bond issuance costs on the additional second FY'25 GO debt issuance that is anticipated to be issued during the upcoming year to fund the remaining matching portion of SCIIP and ARPA allocation match. This will be presented to the Commission separately at a later date when a better estimate of the amount and structure of the debt can be determined.
 5. Capital Contributions include capacity fee payments, grant allocations, and other capital contributions. The capacity fees are budgeted conservatively. FY'24 projections include the receipt of three larger developer payments. 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 occur as planned. The \$1,000,000 BC ARPA allocation is anticipated to be used in the upcoming year on the Leg O Mutton Booster Pump and RO Generator projects in accordance with the terms of the allocation. The SCIIP Grant revenue is estimated at \$5,000,000 or 50% completion in the upcoming year. Other capital contributions anticipates that the SCDOT US 278 bridge project will begin in the upcoming year and the District will incur engineering fees related to the project. The project is anticipated to be recorded as a capital project with the offsetting reimbursements from the SCDOT reported in this line item.
 6. Change in Net Position – The overall change in net position for FY'25 is budgeted at \$8,738,800 versus a projection of \$2,810,300 and a prior year budget of \$857,900. This large increase is mostly related to the \$7,550,000 budgeted for grant revenue and capital contributions which will offset related capital projects.
 7. CIP Budget Cash Flow – The CIP budgeted cash flow for FY'25 is \$11,295,000 which is a \$7,921,000 or 235% increase from the projected CIP cash flow of \$3,374,000. The increase in FY'25 project is mainly related to the inclusion of the SCIIP, ARPA, and SC

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HiltonHeadPSD
FY'25 Budget

DOT projects that will be offset by the budgeted capital contribution revenue discussed above. The FY'24 projected CIP cash flow is higher than the FY'24 budgeted CIP cash flow due to the carryover of FY'23 CIP projects. This budget anticipates that any budgeted CIP projects that are not completed at FY'24 year-end will be carried over into FY'25 for completion. The District will also spend approximately \$1,630,000 in FY'24 and \$110,000 in FY'25 in engineering costs related to the SCIIP/ARPA projects which were approved by way of special Commission authorization actions in August 2022 and June 2023. These engineering costs are anticipated to be reimbursed by the FY'25 SRF GO Loan in FY'25.

8. System Debt – Total existing FY'25 debt payments of \$3,853,000 consist of \$3,615,100 of principal and \$237,900 of interest (Interest expense is calculated on an accrual basis). Anticipated debt service on the projected SRF Loan is estimated at \$79,500 consisting of \$52,400 of principal and \$27,100 of interest. While staff expects to recommend an additional debt issuance during FY'25, 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 on this additional, second GO debt issuance even though it is expected that this issuance will occur during FY'25. The remaining GO available for 2nd GO issuance shows the amount of GO revenue not used by the existing and proposed SRF debt that will be used for debt service on this second issuance.
9. Cash Flow is projected to decrease approximately \$511,800 as a result of this budget before considering the expected FY'25 SRF loan issuance. The anticipated FY'25 SRF loan issuance would fund the engineering expenses incurred on the SCIIP and BC ARPA projects. Most of these engineering expenses are expected to be incurred by FY'24 year-end so their reimbursement through the loan is expected to increase cash flow during the upcoming fiscal year. Additionally, when the District spends the \$1,000,000 BC ARPA allocation, these funds will be released from restricted cash. Overall cash will not change, but the unrestricted cash will increase as the restricted cash decreases. With these adjustments, unrestricted cash flow is anticipated to increase approximately \$1.46 million as a result of this budget while leaving around \$382,800 of GO revenue available for the expected secondary FY'25 GO debt issuance. The District is anticipating that the current FY'24 will result in a decrease in unrestricted cash of approximately \$540,700 versus a budgeted decrease of \$208,900. Large capacity fee payments and high interest income rates during FY'24 allowed the district to fund around \$1.6 million of SCIIP and BC ARPA engineering costs without experiencing a similarly significant decline in cash flow.

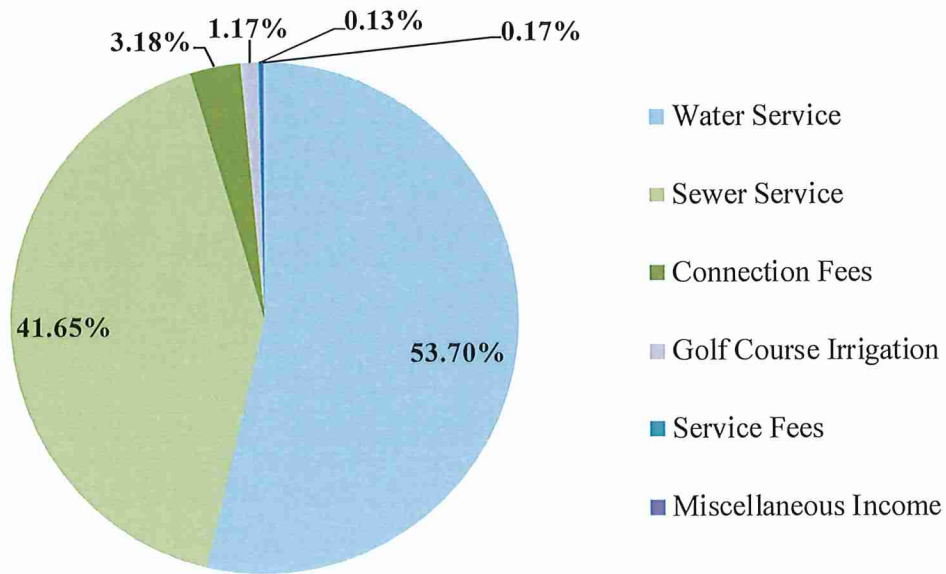
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HiltonHeadPSD
FY'25 Budget

E. Operating Revenues

The FY'25 budgeted operating revenues are listed below:

| Operating Revenues | FY 2025 | % Total |
|---------------------------------|----------------------|-------------|
| Water Service | \$ 8,500,300 | 53.70% |
| Sewer Service | 6,592,800 | 41.65% |
| Connection Fees | 503,400 | 3.18% |
| Golf Course Irrigation | 185,000 | 1.17% |
| Service Fees | 20,100 | 0.13% |
| Miscellaneous Income | 27,300 | 0.17% |
| Total Operating Revenues | \$ 15,828,900 | 100% |



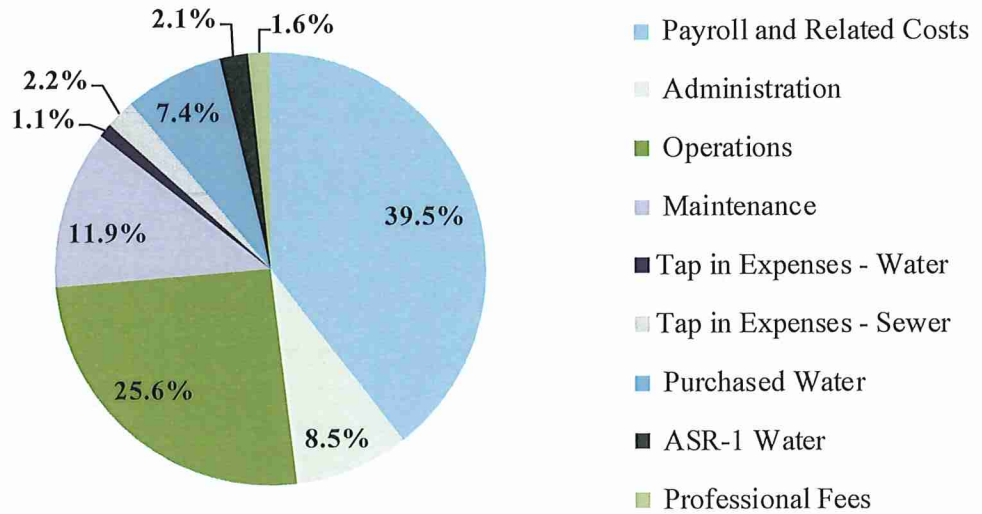
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HiltonHeadPSD
FY'25 Budget

F. Operating Expenses

The FY'25 operating expenses excluding depreciation are listed below:

| Total Operating Expenses before Depreciation | FY 2025 | % Total |
|--|----------------------|-------------|
| Payroll and Related Costs | \$ 5,285,400 | 39.5% |
| Administration | 1,143,600 | 8.5% |
| Operations | 3,426,900 | 25.6% |
| Maintenance | 1,595,700 | 11.9% |
| Tap in Expenses - Water | 141,000 | 1.1% |
| Tap in Expenses - Sewer | 297,600 | 2.2% |
| Purchased Water | 987,900 | 7.4% |
| ASR-1 Water | 285,300 | 2.1% |
| Professional Fees | 214,500 | 1.6% |
| Total Operating Expenses before Depreciaton | \$ 13,377,900 | 100% |



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HiltonHeadPSD
FY'25 Budget

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'25 budget is in compliance with the necessary requirement and estimated at 219%.

| | FY'24 Projected | FY'25 Budget |
|--|--------------------|--------------------|
| Net Income (loss) before capital contributions per Financial Statements | \$ 1,547,200 | \$ 918,800 |
| Capacity Fees | 1,213,100 | 270,000 |
| Add: Depreciation | 5,187,600 | 5,250,000 |
| Amortization | 325,500 | 209,200 |
| Bond Issuance Cost | - | 42,500 |
| Interest Expense (Bonds) | 273,500 | 260,100 |
| Assessments - Debt Service | 205,000 | 212,000 |
| Less: Property Taxes – GO Debt Service | <u>(1,731,600)</u> | <u>(1,763,100)</u> |
| Net Earnings Available for Debt Service | 7,020,300 | 5,399,500 |
| Debt Service on Revenue Bonds | 2,461,000 | 2,468,300 |
| Coverage of Debt Service by Net Earnings | 285% | 219% |
| Debt Coverage without Capacity Fees | 236% | 208% |

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HiltonHeadPSD
FY'25 Budget

H. Bond Debt Service

As of June 30, 2024, the District's total future debt service requirement will be \$19,823,228. This District is anticipating adding \$3,178,468 of additional debt during FY'25 with a general obligation SRF note for the engineering only portion of the ARPA and SCIP Grant projects which has been tentatively approved by the SRF at \$2,589,929. For FY'25, the projected principal payments total \$3,667,578 while the projected interest payments are \$264,929 including the anticipated new SRF loan. The District anticipates issuing a second GO debt issuance to cover the remaining local matching expenses for the SCIP/ARPA projects. The amount and structure of the second issuance could not be estimated as of the date of this report so it is not reflected below or anticipated in the budgeted debt service numbers. The proposed secondary issuance will be brought to the Commission for review and approval at a later date.

| Fiscal Year 2025 Debt Service | | | | |
|---------------------------------------|-------------------|---------------------|----------------------|-----------------------|
| <u>Revenue Debt</u> | <u>Interest</u> | <u>Principal</u> | <u>Total P&I</u> | <u>Revenue Source</u> |
| Series SRF 2014 B | 17,327 | 144,020 | 161,347 | User Fees |
| Series 2017A | 8,023 | 33,910 | 41,933 | FFA |
| Series 2020 B | 136,488 | 1,245,000 | 1,381,488 | User Fees/ FFA |
| Series 2020 C | 7,990 | 850,000 | 857,990 | User Fees |
| Series 2023 FFA | 9,207 | 16,323 | 25,529 | FFA |
| Revenue Sub Total | 179,035 | 2,289,253 | 2,468,287 | |
| Finance Purchase Vehicles | 2,962 | 80,921 | 83,883 | User Fees |
| General Obligation Debt | | | | |
| Series 2020 GO Bonds | 55,875 | 1,245,000 | 1,300,875 | GO Funded |
| <i>New Debt - Series SRF 2025 A</i> | <i>27,057</i> | <i>52,405</i> | <i>79,462</i> | <i>GO Funded</i> |
| General Obligation Sub Total | 82,932 | 1,297,405 | 1,380,337 | |
| Total Principal & Interest | \$ 264,929 | \$ 3,667,578 | \$ 3,932,507 | |

| Future Debt Service as of June 30, 2024 | | | | |
|--|---------------------|----------------------|----------------------|-----------------------|
| <u>Revenue Debt</u> | <u>Interest</u> | <u>Principal</u> | <u>Total P&I</u> | <u>Interest Rates</u> |
| Series SRF 2014 B | 109,247 | 1,786,582 | 1,895,829 | 1.00% |
| Series 2017 A | 37,219 | 298,243 | 335,462 | 2.69% |
| Series 2020 B | 491,866 | 11,280,000 | 11,771,866 | 1.21% |
| Series 2020 C | 7,990 | 850,000 | 857,990 | 0.94% |
| Series 2023 FFA | 58,972 | 221,851 | 280,823 | 4.15% |
| Revenue Sub Total | 705,294 | 14,436,676 | 15,141,970 | |
| Finance Purchase Vehicles | 2,962 | 80,921 | 83,883 | Various |
| General Obligation Debt | | | | |
| Series 2020 GO Bonds | 127,375 | 4,470,000 | 4,597,375 | 1.25% |
| <i>New Debt - Series SRF 2025 A</i> | <i>588,539</i> | <i>2,589,929</i> | <i>3,178,468</i> | <i>2.10%</i> |
| General Obligation Sub Total | 715,914 | 7,059,929 | 7,775,843 | |
| Total Debt | \$ 1,424,170 | \$ 21,577,526 | \$23,001,696 | |

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

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HiltonHeadPSD
FY'25 Budget

Future Annual Debt Service Payments:

| Fiscal Year | Annual Debt Service Requirements | | | Total |
|-------------|----------------------------------|---------------------|------------------|----------------------|
| | Revenue | GO | FP - Vehicles | |
| 2025 | 2,468,287 | 1,380,337 | 83,883 | 3,932,507 |
| 2026 | 2,435,233 | 1,499,235 | - | 3,934,469 |
| 2027 | 2,430,004 | 1,537,986 | - | 3,967,991 |
| 2028 | 2,434,534 | 736,048 | - | 3,170,583 |
| 2029 | 2,153,700 | 158,923 | - | 2,312,624 |
| 2030 | 2,080,952 | 158,923 | - | 2,239,876 |
| 2031 | 228,809 | 158,923 | - | 387,733 |
| 2032 | 228,809 | 158,923 | - | 387,733 |
| 2033 | 186,876 | 158,923 | - | 345,800 |
| 2034 | 186,877 | 158,923 | - | 345,801 |
| 2035 | 186,876 | 158,923 | - | 345,800 |
| 2036 | 121,011 | 158,923 | - | 279,934 |
| 2037 | - | 158,923 | - | 158,923 |
| 2038 | - | 158,923 | - | 158,923 |
| 2039 | - | 158,923 | - | 158,923 |
| 2040 | - | 158,923 | - | 158,923 |
| 2041 | - | 158,923 | - | 158,923 |
| 2042 | - | 158,923 | - | 158,923 |
| 2043 | - | 158,923 | - | 158,923 |
| 2044 | - | 158,923 | - | 158,923 |
| 2045 | - | 79,461 | - | 79,461 |
| | <u>\$15,141,970</u> | <u>\$ 7,775,843</u> | <u>\$ 83,883</u> | <u>\$ 23,001,696</u> |

Revenue Debt:

Series 2014 SRF – On July 25, 2014, the District executed a loan with the South Carolina State Revolving Loan Fund (SRF) in the amount of \$2,924,430 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 24, 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 by the Beaufort County Treasurer to the owners in the areas that were connected over a 20-year period.

DRAFT

HiltonHeadPSD
FY'25 Budget

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 1.24% 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 25, 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.

DRAFT

HiltonHeadPSD
FY'25 Budget

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 2025A SRF GO - 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 received approval from Beaufort County Council during FY'24 to issue up to \$23 million in GO debt over the next five years. During FY'24, the District applied to the State Revolving Fund for a loan to cover the local matching portion of the SCIP Grant and ARPA allocation which would be funded from this \$23 million GO authorization. The District has been tentatively approved for a loan up to \$2,589,929 for the engineering only portion of the match. At the time of budget preparation, the District had submitted a completed loan application to the SRF and was awaiting a loan agreement. Under the assumption that this loan agreement goes through, this budget estimates reaching the full loan amount during the first half of FY'25 and beginning quarterly repayments on this loan during the second half of FY'25 at the current SRF rate of 2.1%. If the loan agreement does not go through, these costs will need to be considered in the second proposed issuance below.

Series 2025B GO Debt – 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 the 4.0 to 4.6 GO millage range it has levied over the last ten years. The District has received bids on the BC ARPA LOM project which indicated it would need to fund an additional \$1.3 million in local match. The District expects to receive bids on the SCIP Grant Projects in June 2024. Once those bids are received, staff will prepare a proposed project list and work with its financial advisors to present debt structure options for Commission approval. Given the

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HiltonHeadPSD
FY'25 Budget

uncertainty surrounding the final SCIP bid amounts 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 or make estimates of the debt repayment structure. The District also has enough debt coverage to consider a revenue bond, if necessary.

I. Capital Improvement Plan (CIP)

The CIP for FY'25 is divided into separate categories for ease of explanation. The 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'25 column have been identified which staff believes should be completed within the next 12 months. The Commission is only approving the FY'25 projects as a part of this budget. Years 2026 through 2029 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.

Cash funded FY'25 projects total \$11,295,000 as follows:

| <u>FY'25 CIP Rate Funded Projects</u> | |
|--|-----------------------------|
| Wastewater Treatment Plant | \$ 1,465,000 |
| Collection System | 975,000 |
| Distribution System | 8,330,000 |
| Facility & Equipment | 525,000 |
| Total Rate Funded CIP Projects | <u>\$ 11,295,000</u> |

The FY'25 CIP plan also shows potential projects for which the District might seek debt financing during FY'25. 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 upcoming years. Staff expects to bring a separate analysis to the Commission for consideration during FY'25 with recommendations on what debt funded projects to pursue in FY'25.

J. Cash Flow, Operating Reserve Targets & Five-Year Projections

Projected FY'24 overall cash flow is anticipated to decrease by \$323,000; unrestricted cash flow is projected to decrease \$540,700 from \$12,392,700 to \$11,852,000 when factoring in changes in the GO debt restricted cash. The FY'25 budget projects an overall cash increase of \$846,200 to \$15,112,500; unrestricted cash is projected to increase by \$1,463,400 to \$13,315,400 due to the release of the cash restricted by the BC ARPA allocation offset by the anticipated change in GO debt restricted cash. This restricted GO cash balance will be used when structuring the second proposed GO bond issuance.

DRAFT

HiltonHeadPSD
FY'25 Budget

This budget also includes an analysis of the unrestricted cash balance projected by this budget in relation to the District's Financial Policy regarding Unreserved and Reserved Funds. The projected unrestricted cash balance represents 363 days cash on hand which approximates the upper emergency reserve target of 12 months cash on hand. Further funding this unrestricted reserve in future years would represent progress towards the capital reserve target which would allow the District to fund larger capital projects on a cash basis instead of necessitating debt issuances.

A five-year projection based on FY'25 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'25 budget at this time. Projections for years 2026 through 2029 are only provided to show a high-level review of the District's current expected long term financial position at currently proposed rates. Additionally, several larger CIP projects are listed in the cash CIP projections for years 2026 through 2029 which may be included as a part of a future debt issuance instead of funded through cash.

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HiltonHeadPSD
FY'25 Budget

Statement of Revenues, Expenses, and Changes in Net Position FY'25 Operating & Maintenance Budget

| | FY'25 Budget | FY'24 Projected | Variance (FY'24 Project. to FY'25 Budget) | | FY'24 Budget |
|---|-------------------|--------------------|--|--------------|-------------------|
| | | | Increase (Decrease) | % Change | |
| TOTAL OPERATING REVENUES | | | | | |
| Water Service | \$ 8,500,300 | \$ 8,032,300 | 468,000 | 5.8% | \$ 8,222,600 |
| Sewer Service | 6,592,800 | 6,275,900 | 316,900 | 5.0% | 6,292,700 |
| Water Tap In Fees | 187,800 | 161,000 | 26,800 | 16.6% | 187,800 |
| Sewer Connection Fees | 315,600 | 316,400 | (800) | -0.3% | 248,400 |
| Golf Course Irrigation | 185,000 | 203,400 | (18,400) | -9.0% | 156,000 |
| Service Fees | 20,100 | 20,000 | 100 | 0.5% | 20,100 |
| Miscellaneous Income | 27,300 | 27,100 | 200 | 0.7% | 38,500 |
| Total Operating Revenue | 15,828,900 | 15,036,100 | 792,800 | 5.3% | 15,166,100 |
| OPERATING EXPENSES | | | | | |
| Payroll and Related Expenses | | | | | |
| Salaries | 3,501,600 | 3,168,200 | 333,400 | 10.5% | 3,322,800 |
| Commission Honorarium | 81,000 | 80,500 | 500 | 0.6% | 81,000 |
| FICA | 271,000 | 243,800 | 27,200 | 11.2% | 257,300 |
| Group Insurance | 652,800 | 557,500 | 95,300 | 17.1% | 610,500 |
| Retirement | 615,500 | 534,400 | 81,100 | 15.2% | 575,100 |
| Workman's Comp | 47,400 | 44,100 | 3,300 | 7.5% | 56,100 |
| Training/Continuing Education | 78,000 | 75,400 | 2,600 | 3.4% | 65,400 |
| Uniforms | 38,100 | 37,400 | 700 | 1.9% | 30,000 |
| Total Payroll and Related Expenses | 5,285,400 | 4,741,300 | 544,100 | 11.5% | 4,998,200 |
| Administration | | | | | |
| Bad Debts | 15,000 | 14,500 | 500 | 3.4% | 22,200 |
| Bank/Bond Administration Fees | 138,000 | 134,100 | 3,900 | 2.9% | 130,500 |
| Billing and Accounting | 53,700 | 52,300 | 1,400 | 2.7% | 48,900 |
| Communications | 152,400 | 145,700 | 6,700 | 4.6% | 158,400 |
| Dues and Subscriptions | 21,800 | 20,900 | 900 | 4.3% | 18,600 |
| Insurance Other than Group or Vehicle | 284,700 | 270,600 | 14,100 | 5.2% | 345,000 |
| License and Permits | 70,500 | 68,400 | 2,100 | 3.1% | 71,300 |
| Office Supplies | 28,200 | 27,700 | 500 | 1.8% | 25,800 |
| Computer Software and Supplies | 148,200 | 121,300 | 26,900 | 22.2% | 142,700 |
| Personnel Support | 28,800 | 27,900 | 900 | 3.2% | 29,400 |
| Postage | 78,000 | 75,600 | 2,400 | 3.2% | 77,400 |
| Public Education | 35,700 | 34,600 | 1,100 | 3.2% | 34,800 |
| Recruitment and Advertising | 12,000 | 11,600 | 400 | 3.4% | 5,700 |
| Special Functions | 25,000 | 17,400 | 7,600 | 43.7% | 27,900 |
| Utilities | 51,600 | 50,100 | 1,500 | 3.0% | 54,900 |
| Total Administration | 1,143,600 | 1,072,700 | 70,900 | 6.6% | 1,193,500 |

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HiltonHeadPSD
FY'25 Budget

| | Variance (FY'24 Project. to FY'25 Budget) | | | | |
|---------------------------------------|--|--------------------|------------------------|--------------|------------------|
| | FY'25 Budget | FY'24 Projected | Increase (Decrease) | % Change | FY'24 Budget |
| Operations | | | | | |
| Biosolids Disposal | 504,000 | 471,600 | 32,400 | 6.9% | 492,000 |
| Operations Chemicals | 1,168,300 | 1,131,200 | 37,100 | 3.3% | 1,140,100 |
| Lab Chemicals and Supplies | 31,100 | 30,100 | 1,000 | 3.3% | 24,300 |
| Fuel, Power and Utility | 1,421,900 | 1,395,100 | 26,800 | 1.9% | 1,402,800 |
| Other Supplies and Materials | 23,700 | 22,700 | 1,000 | 4.4% | 29,400 |
| Quality Analysis | 18,000 | 17,700 | 300 | 1.7% | 15,000 |
| Safety | 30,000 | 29,000 | 1,000 | 3.4% | 39,600 |
| SCADA Communications (Alarms) | 43,200 | 42,700 | 500 | 1.2% | 37,200 |
| Tools and Small Equipment | 35,300 | 34,400 | 900 | 2.6% | 41,700 |
| Vehicle Fuel | 95,400 | 90,200 | 5,200 | 5.8% | 102,900 |
| Vehicles Insurance | 26,000 | 24,300 | 1,700 | 7.0% | 24,600 |
| Vehicle Maintenance | 30,000 | 28,200 | 1,800 | 6.4% | 31,500 |
| Total Operations | <u>3,426,900</u> | <u>3,317,200</u> | <u>109,700</u> | <u>3.3%</u> | <u>3,381,100</u> |
| Maintenance | | | | | |
| ASR Maintenance | 4,800 | 4,800 | - | 0.0% | 9,600 |
| Biosolids Maintenance | 4,800 | 4,800 | - | 0.0% | 9,600 |
| Meter Device Maintenance | 20,100 | 19,700 | 400 | 2.0% | 40,200 |
| Effluent System Maintenance | 32,400 | 19,600 | 12,800 | 65.3% | 37,800 |
| Equipment Maintenance | 39,000 | 40,000 | (1,000) | -2.5% | 37,200 |
| Facilities Maintenance | 105,600 | 99,200 | 6,400 | 6.5% | 94,500 |
| Generator Maintenance | 24,600 | 23,900 | 700 | 2.9% | 23,700 |
| Operations Grounds Maintenance | 69,900 | 66,700 | 3,200 | 4.8% | 69,900 |
| Hydrant Maintenance | 79,200 | 78,000 | 1,200 | 1.5% | 63,000 |
| Lift Station Maintenance | 400,500 | 396,400 | 4,100 | 1.0% | 333,300 |
| Plant Maintenance - WWTP | 76,500 | 74,900 | 1,600 | 2.1% | 75,000 |
| RO Maintenance | 102,000 | 97,700 | 4,300 | 4.4% | 106,800 |
| SCADA Maintenance | 34,200 | 33,000 | 1,200 | 3.6% | 43,200 |
| Water System Maintenance | 168,000 | 126,600 | 41,400 | 32.7% | 210,000 |
| Sewer System Maintenance | 225,000 | 219,500 | 5,500 | 2.5% | 225,000 |
| Tower & Tank Maintenance | 164,100 | 158,600 | 5,500 | 3.5% | 160,800 |
| Well Maintenance | 45,000 | 50,600 | (5,600) | -11.1% | 42,000 |
| Total Maintenance | <u>1,595,700</u> | <u>1,514,000</u> | <u>81,700</u> | <u>5.4%</u> | <u>1,581,600</u> |
| Tap in and Connection Expenses | | | | | |
| Water Tap In Expenses | 141,000 | 121,100 | 19,900 | 16.4% | 141,000 |
| Sewer Connection Expenses | 297,600 | 304,700 | (7,100) | -2.3% | 225,600 |
| Total Connection Expenses | <u>438,600</u> | <u>425,800</u> | <u>12,800</u> | <u>3.0%</u> | <u>366,600</u> |
| Water Expenses | | | | | |
| Purchased Water | 987,900 | 790,200 | 197,700 | 25.0% | 812,000 |
| ASR Water | 285,300 | 274,300 | 11,000 | 4.0% | 267,100 |
| Total Water Expenses | <u>1,273,200</u> | <u>1,064,500</u> | <u>208,700</u> | <u>19.6%</u> | <u>1,079,100</u> |

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HiltonHeadPSD
FY'25 Budget

| | Variance (FY'24 Project. to FY'25 Budget) | | | | FY'24 Budget |
|---|--|---------------------|------------------------|---------------|--------------------|
| | FY'25 Budget | FY'24 Projected | Increase (Decrease) | % Change | |
| Professional Fees | | | | | |
| Professional Fees - Accounting | 30,600 | 27,100 | 3,500 | 12.9% | 30,600 |
| Professional Fees - Engineering | 75,000 | 81,900 | (6,900) | -8.4% | 75,000 |
| Professional Fees - Legal | 38,700 | 35,200 | 3,500 | 9.9% | 46,200 |
| Professional Fees - Other | 70,200 | 10,400 | 59,800 | 575.0% | 25,200 |
| Total Professional Fees | 214,500 | 154,600 | 59,900 | 38.7% | 177,000 |
| Total Operating Expenses before Depreciation | 13,377,900 | 12,290,100 | 1,087,800 | 8.9% | 12,777,100 |
| Operating Income before Depreciation | 2,451,000 | 2,746,000 | (295,000) | -10.7% | 2,389,000 |
| Depreciation | 5,250,000 | 5,187,600 | 62,400 | 1.2% | 5,190,000 |
| Total Operating Expenses with Depreciation | 18,627,900 | 17,477,700 | 1,150,200 | 6.6% | 17,967,100 |
| Change in Net Position from Operations | (2,799,000) | (2,441,600) | (357,400) | 14.6% | (2,801,000) |
| Non-Operating Revenue | | | | | |
| Property Taxes - GO Bond Levy | 1,763,100 | 1,731,600 | 31,500 | 1.8% | 1,515,000 |
| Property Taxes - Operations Levy | 1,290,000 | 1,268,600 | 21,400 | 1.7% | 1,160,000 |
| Gain on Disposition of Assets | 15,000 | 53,400 | (38,400) | -71.9% | 126,000 |
| Interest Income | 390,000 | 771,700 | (381,700) | -49.5% | 390,000 |
| Interest Income - Assessments | 49,500 | 55,800 | (6,300) | -11.3% | 60,000 |
| Rental Income | 88,400 | 87,700 | 700 | 0.8% | 87,600 |
| Tower Lease Income | 605,100 | 590,400 | 14,700 | 2.5% | 570,900 |
| Tower Lease Interest Income | 32,100 | 32,200 | (100) | -0.3% | 32,100 |
| Total Non-Operating Revenue | 4,233,200 | 4,591,400 | (358,200) | -7.8% | 3,941,600 |
| Non-Operating Expenses | | | | | |
| Interest Expense - Vehicles | 3,600 | 3,600 | - | 0.0% | 3,600 |
| Interest Expense - Bonds | 260,100 | 273,500 | (13,400) | -4.9% | 273,600 |
| Bond Defeasance Amortization | 209,200 | 325,500 | (116,300) | -35.7% | 325,500 |
| Bond Issuance Cost | 42,500 | - | 42,500 | 0.0% | - |
| Total Non-Operating Expenses | 515,400 | 602,600 | (87,200) | -14.5% | 602,700 |
| Non-Operating Income/Expenses - Net | 3,717,800 | 3,988,800 | (271,000) | -6.8% | 3,338,900 |
| Increase / Decrease in Net Position | | | | | |
| before Capital Contributions | 918,800 | 1,547,200 | (628,400) | -40.6% | 537,900 |
| Capital Contributions | | | | | |
| Sewer Capacity Fees | 156,000 | 689,700 | (533,700) | -77.4% | 156,000 |
| Water Capacity Fees | 114,000 | 523,400 | (409,400) | -78.2% | 114,000 |
| SCIP Grant | 5,000,000 | - | 5,000,000 | 0.0% | - |
| BC ARPA Allocation | 1,000,000 | - | 1,000,000 | 0.0% | - |
| Capital Contributions | 1,550,000 | 50,000 | 1,500,000 | 3000.0% | 50,000 |
| Total Capital Contributions | 7,820,000 | 1,263,100 | 6,556,900 | 519.1% | 320,000 |
| Change in Net Position | \$ 8,738,800 | \$ 2,810,300 | \$ 5,928,500 | 211.0% | \$ 857,900 |

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HiltonHeadPSD
FY'25 Budget

Operating Revenues

| | Proposed | | Variance | | FY'24 Budget |
|---------------------------------|-------------------|--------------------|---------------------|-------------|-------------------|
| | FY25 Draft Budget | FY24 Projected 8+4 | Increase (Decrease) | % Change | |
| TOTAL OPERATING REVENUES | | | | | |
| 1 Water Service | \$ 8,500,300 | \$ 8,032,300 | 468,000 | 5.8% | \$8,222,600 |
| 2 Sewer Service | 6,592,800 | 6,275,900 | 316,900 | 5.0% | 6,292,700 |
| 3 Water Tap In Fees | 187,800 | 161,000 | 26,800 | 16.6% | 187,800 |
| 4 Sewer Connection Fees | 315,600 | 316,400 | (800) | -0.3% | 248,400 |
| 5 Service Fees | 20,100 | 20,000 | 100 | 0.5% | 20,100 |
| 6 Golf Course Irrigation | 185,000 | 203,400 | (18,400) | -9.0% | 156,000 |
| 7 Miscellaneous Income | 27,300 | 27,100 | 200 | 0.7% | 38,500 |
| Total Operating Revenue | 15,828,900 | 15,036,100 | 792,800 | 5.3% | 15,166,100 |

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 \$15,828,900. This budget includes the following volumetric rate and base rate increases:

| | FY 2024 | FY 2025 | | FY 2024 | FY 2025 |
|--|-----------------|----------------------|---|-----------------|----------------------|
| | Current | Revised Rate | | Current | Revised Rate |
| Water Base Rate per Unit: | | | Sewer Base Rate per Unit: | | |
| Residential Customers | 16.50 | 17.00 | Residential Customers | 18.50 | 19.00 |
| Commercial Customers | 21.50 | 22.00 | Commercial Customers | 18.50 | 19.00 |
| Residential Water Rates per 1,000 Gallons: | FY 2024 Current | FY 2025 Revised Rate | Commercial Water & Irrigation Rates per 1,000 Gallons: | FY 2024 Current | FY 2025 Revised Rate |
| Block 1 - 0 to 10,000 Gal | 1.52 | 1.58 | Block 1 - 0 to 10,000 Gal | 1.69 | 1.69 |
| Block 2 - 10,001 to 20,000 Gal | 2.11 | 2.24 | Block 2 - 10,001 to 20,000 Gal | 2.11 | 2.24 |
| Block 3 - 20,001 to 30,000 Gal | 2.54 | 2.79 | Block 3 - 20,001 to 30,000 Gal | 2.54 | 2.79 |
| Block 4 - All Over 30,000 Gal | 3.38 | 3.72 | Block 4 - All Over 30,000 Gal | 3.38 | 3.72 |
| Residential Irrigation Rates per 1,000 Gallons: | FY 2024 Current | FY 2025 Revised Rate | Residential & Commercial Sewer Rates per 1,000 Gallons: | FY 2024 Current | FY 2025 Revised Rate |
| Block 1 - 0 to 10,000 Gal | 2.11 | 2.24 | Residential sewer usage is capped at 10,000 gallons per month. There is no cap on commercial sewer usage. | 2.16 | 2.31 |
| Block 2 - 10,001 to 20,000 Gal | 2.11 | 2.24 | | | |
| Block 3 - 20,001 to 30,000 Gal | 2.54 | 2.79 | | | |
| Block 4 - All Over 30,000 Gal | 3.38 | 3.72 | | | |

Major/selected variances are as follows:

1. Water Service revenues are based on the above rate changes, current customer counts, the rolling 12 months billed consumption as of February 2024 of approximately 1.957 billion gallons, and a growth component of 0.75%. This consumption estimate is one of the most variable estimates in this budget document. Weather patterns can greatly affect consumption due to irrigation demand. A particularly cool, rainy year could lead to the PSD missing budgeted numbers while a very dry, hot year could lead to us exceeding the numbers. The current fiscal year has been rainy and cool so consumption may improve if weather conditions are warmer or drier in FY'25.
2. Sewer Service revenues are based on the above rate changes, current customer counts, the rolling 12 months billed consumption as of February 2024 of approximately 1.094 billion gallons, and a growth component of 1%. 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 150 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 approximately the same level as the FY'24 projection. The customer service team continues to regularly communicate with non-payors to keep penalties down. 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. While this revenue can be weather dependent, it is also dependent upon the operations of a small number of customers and, as such, can be highly variable depending on their management and operating practices.
7. Miscellaneous Income is budgeted at \$27,300 and consists mostly of capital credits from the District's electricity provider.

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HiltonHeadPSD
FY'25 Budget

Payroll and Related Expenses

| | Proposed | | Variance | | FY'24 Budget |
|---------------------------------|-----------------------|------------------------|------------------------|--------------|------------------|
| | FY'25 Draft Budget | FY'24 Projected 8+4 | Increase (Decrease) | % Change | |
| Payroll | | | | | |
| 1 Salaries | 3,501,600 | 3,168,200 | 333,400 | 10.5% | 3,322,800 |
| 2 Commission Honorarium | 81,000 | 80,500 | 500 | 0.6% | 81,000 |
| 3 FICA | 271,000 | 243,800 | 27,200 | 11.2% | 257,300 |
| 4 Group Insurance | 652,800 | 557,500 | 95,300 | 17.1% | 610,500 |
| 5 Retirement | 615,500 | 534,400 | 81,100 | 15.2% | 575,100 |
| 6 Workman's Comp | 47,400 | 44,100 | 3,300 | 7.5% | 56,100 |
| 7 Training/Continuing Education | 78,000 | 75,400 | 2,600 | 3.4% | 65,400 |
| 8 Uniforms | 38,100 | 37,400 | 700 | 1.9% | 30,000 |
| Total Payroll | 5,285,400 | 4,741,300 | 544,100 | 11.5% | 4,998,200 |

Line Item Definitions – Payroll and Related Expenses

Payroll and Related Expenses

- | | |
|----------------------------------|--|
| 1. Salaries | Salaries, on-call, overtime, and goal payments for district employees as well as any payments for any temporary employee contract labor. |
| 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 12.3% employer rate increase effective January 2025. |
| 5. Retirement | Retirement is calculated at 18.41% of total projected retirement eligible salaries. |
| 6. Workman's Comp | Based on expected premiums calculated by the state based on the prior calendar year's salary and claims. |
| 7. Training/Continuing Education | Continuing education for entire staff (Seminars, Operator/ Technician Exams, GIS, AWWA, etc.) including travel, meals, lodging and associated costs. |
| 8. Uniforms | Shirts, pants, shorts, jackets, and caps. |

**Proposed FY'25 Budget
Variance Summary**

Payroll and Related Costs:

The budgeted FY'25 staffing level is 43.5 full time employees (FTEs) which is an increase of 2.5 FTEs from the FY'24 budgeted staffing level of 41 FTEs. At the time of budget preparation, the current staff level is 37 FTEs. The District is planning to fill positions in the areas of purchasing, metering, asset management, WWTP operation and field services. Additionally, our Customer Service Supervisor is retiring midway through the upcoming year; the 0.5 is to hire a new CSR while her replacement is being trained. 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. Only including minimal vacancy allowances also shows what the projected level of staffing is anticipated to cost going forward. 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 \$5,285,400 reflecting a \$544,100 increase compared to the FY'24 projections. Selected/major variances are as follows:

1. Salaries for the FY'25 budget are \$3,501,600. This is a \$333,400 increase compared to the FY'24 projection of \$3,168,200 and a \$178,800 increase compared to the FY'24 budget. For FY'25, 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. 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'25 budget is \$652,800. This is a \$95,300 increase compared to the FY'24 projection of \$557,500. The SC Public Employee Benefit Authority enacted a 3.7% employer rate increase in January 2024 and the District has been notified of an additional anticipated 12.3% employer rate increase that is expected beginning January 2025.
5. Retirement for the FY'25 budget is \$615,500 which is a \$81,100 increase compared to the FY'24 projection of \$534,400. This line item is based on budgeted salaries at the required SC State Retirement System employer contribution rate which will remain at 18.41% in FY'25.

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HiltonHeadPSD
FY'25 Budget

Administration Expenses

| | Proposed | | Variance | | FY'24 Budget |
|--|-----------------------|------------------------|------------------------|-------------|------------------|
| | FY'25 Draft Budget | FY'24 Projected 8+4 | Increase (Decrease) | % Change | |
| Administration | | | | | |
| 9 Bad Debts | 15,000 | 14,500 | 500 | 3.4% | 22,200 |
| 10 Bank/Bond Administration Fees | 138,000 | 134,100 | 3,900 | 2.9% | 130,500 |
| 11 Billing and Accounting | 53,700 | 52,300 | 1,400 | 2.7% | 48,900 |
| 12 Communications | 152,400 | 145,700 | 6,700 | 4.6% | 158,400 |
| 13 Dues and Subscriptions | 21,800 | 20,900 | 900 | 4.3% | 18,600 |
| 14 Insurance Other than Group or Vehicle | 284,700 | 270,600 | 14,100 | 5.2% | 345,000 |
| 15 License and Permits | 70,500 | 68,400 | 2,100 | 3.1% | 71,300 |
| 16 Office Supplies | 28,200 | 27,700 | 500 | 1.8% | 25,800 |
| 17 Computer Software and Supplies | 148,200 | 121,300 | 26,900 | 22.2% | 142,700 |
| 18 Personnel Support | 28,800 | 27,900 | 900 | 3.2% | 29,400 |
| 19 Postage | 78,000 | 75,600 | 2,400 | 3.2% | 77,400 |
| 20 Public Education | 35,700 | 34,600 | 1,100 | 3.2% | 34,800 |
| 21 Recruitment and Advertising | 12,000 | 11,600 | 400 | 3.4% | 5,700 |
| 22 Special Functions | 25,000 | 17,400 | 7,600 | 43.7% | 27,900 |
| 23 Utilities | 51,600 | 50,100 | 1,500 | 3.0% | 54,900 |
| Total Administration | 1,143,600 | 1,072,700 | 70,900 | 6.6% | 1,193,500 |

Line Item Definitions – Administration Expenses

- 9. Bad Debts Write off of un-collectible receivables.
- 10. Bank/Bond Administration Fees Monthly fees for credit card processing and maintaining operating and trust accounts.
- 11. Billing and Accounting Monthly fees associated with producing customer statements, lockbox processing fees, e-box processing fees, and printing forms.
- 12. Communications Telephone lines, answering service, cell phones, tablets, radios, cable, internet, etc.
- 13. Dues and Subscriptions Yearly dues for professional industry organizations (i.e. AWWA, GFOA, SCRWA, WEASC, WEF, etc.).
- 14. Insurance Other than Group or Vehicle General Tort Liability, Building and Property, Surety Bond, Data Processing, Cyber Insurance, Inland Marine, Business Interruption.
- 15. Licenses and Permits SC DHEC Fees, Lab License, Property Tax Fees, Staff License renewals.
- 16. Office Supplies Includes all office supplies needed for administrative operations such as pens, paper, ink, and minor furniture such as chair replacements.

Line Item Definitions – Administration Expenses (continued)

| | |
|------------------------------------|--|
| 17. Computer Software and Supplies | Software and hardware upgrades, annual accounting/AMI/GIS software maintenance fees, computer supplies, computer repairs, etc. |
| 18. Personnel Support | Annual health screening, flu shots, DOT physicals, kitchen supplies, community room supplies, etc. as well as 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. |
| 19. Postage | Postage for mailing monthly statements and customer communications, shipping charges, postage meter lease and supplies. |
| 20. Public Education | Customer newsletters and outreach, public notices, emergency notices, annual report, etc. |
| 21. Recruitment and Advertising | Costs such as newspaper and online advertising, travel and per diems for replacement of vacant positions and legal noticing. |
| 22. Special Functions | Special events, staff meetings, commission meetings and reimbursable expenses, costs of Commission elections as required by state law, and community support. |
| 23. Utilities | Electricity, water, sewer, for the Administration building. |

**Proposed FY'25 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 \$1,143,600 reflecting a \$70,900 increase compared to the FY'24 projections. Major/selected variances are as follows:

**Proposed FY'25 Budget
Variance Summary (Continued)**

Administration Expense (continued):

14. Insurance other than group or vehicle is budgeted at \$284,700 for FY'25 which is a \$14,100 increase from the FY'24 projections. The SC insurance reserve fund (IRF) recommended budgeting a 3-5% increase for FY'25. The PSD is also expecting an increase in its cyber insurance policy. In FY'24, IRF discontinued the policy on underground assets for all insured entities, which included the District's fire hydrants, water transmission/distribution mains including the 24" wholesale water main, gravity sewer mains, and reclaimed water system lines. This policy carried an annual premium of around \$74,000 which is the primary reason for the reduction from the FY'24 budgeted number in this line item. District staff was not able to find a comparable policy, so this risk is currently self-insured through the District's unrestricted operating cash balance. Staff intends to remain in touch with other entities throughout the state to monitor whether a comparable policy emerges in the market.
17. Computer software and supplies is budgeted at \$148,200 which is a \$26,900 increase from the FY'24 projections. This includes an allowance for software maintenance fees of an asset management software package. Staff is still evaluating software packages to ensure that the package purchased meets the District's long-term needs and staffing availability. This item may be carried forward into a future year.
22. Special Functions is budgeted at \$25,000 which is a \$7,600 increase from the FY'24 projection of \$17,400. This includes the anticipated cost of the November 2024 Commissioner election, \$5,000 for community support and \$15,000 for PSD meetings and functions.

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HiltonHeadPSD
FY'25 Budget

Operations Expenses

| | Proposed | | Variance | | FY'24 Budget |
|----------------------------------|-----------------------|------------------------|------------------------|-------------|------------------|
| | FY'25 Draft Budget | FY'24 Projected 8+4 | Increase (Decrease) | % Change | |
| Operations | | | | | |
| 24 Biosolids Disposal | 504,000 | 471,600 | 32,400 | 6.9% | 492,000 |
| 25 Operations Chemicals | 1,168,300 | 1,131,200 | 37,100 | 3.3% | 1,140,100 |
| 26 Lab Chemicals and Supplies | 31,100 | 30,100 | 1,000 | 3.3% | 24,300 |
| 27 Fuel, Power and Utility | 1,421,900 | 1,395,100 | 26,800 | 1.9% | 1,402,800 |
| 28 Other Supplies and Materials | 23,700 | 22,700 | 1,000 | 4.4% | 29,400 |
| 29 Quality Analysis | 18,000 | 17,700 | 300 | 1.7% | 15,000 |
| 30 Safety | 30,000 | 29,000 | 1,000 | 3.4% | 39,600 |
| 31 SCADA Communications (Alarms) | 43,200 | 42,700 | 500 | 1.2% | 37,200 |
| 32 Tools and Small Equipment | 35,300 | 34,400 | 900 | 2.6% | 41,700 |
| 33 Vehicle Fuel | 95,400 | 90,200 | 5,200 | 5.8% | 102,900 |
| 34 Vehicles Insurance | 26,000 | 24,300 | 1,700 | 7.0% | 24,600 |
| 35 Vehicle Maintenance | 30,000 | 28,200 | 1,800 | 6.4% | 31,500 |
| Total Operations | 3,426,900 | 3,317,200 | 109,700 | 3.3% | 3,381,100 |

Line Item Definitions – Operations Expenses

- | | | |
|-----|-------------------------------|--|
| 24. | Biosolids Disposal | Hauling and disposal of sludge. |
| 25. | Operations Chemicals | Sodium hypochlorite, granular chlorine, ammonia, re-agent pillows, lime, sulfur dioxide, polymers, degreasers. |
| 26. | 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. |
| 27. | Fuel, Power and Utility | Electricity, diesel, propane for treatment plants, wells, lift stations, RO Plant, ASR, etc. |
| 28. | Other Supplies and Materials | Miscellaneous operating expense items such as batteries, marking paint, tape, cleaner, etc. |
| 29. | Quality Analysis | Quality analysis testing. |
| 30. | 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. |
| 31. | SCADA Communications (Alarms) | Monthly cost of network service for SCADA (Supervisory Control and Data Acquisitions System) communications equipment. |

Line Item Definitions – Operations Expenses (continued)

- | | | |
|-----|---------------------------|--|
| 32. | 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. |
| 33. | Fuel – Vehicles | Gasoline and diesel fuel for PSD’s fleet of vehicles. |
| 34. | Insurance – Vehicles | Liability, collision and comprehensive insurance for fleet vehicles. |
| 35. | 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 as well as vehicle management expenses. |

Proposed FY'25 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 \$3,426,900 reflecting a \$109,700 increase compared to the FY'24 projections. Major/selected variances include:

- 24. Biosolids disposal is budgeted at \$504,000 for FY'25 which is a \$32,400 increase from the FY'24 projection of \$471,600 to allow for continued anticipated landfill rate increases.
- 25. Operations chemicals are budgeted at \$1,168,300 for FY'25. This is a \$37,100 increase from the FY'24 projection of \$1,131,200. While inflation on chemicals slowed from the double digit levels seen during prior years, chemical costs have continued to see smaller inflationary increases.
- 27. Fuel, power, and utility are budgeted at \$1,421,900 for FY'25 which is a \$26,800 increase from FY'24 projections. Palmetto Electric Cooperative (PEC) recently announced a rate increase on small commercial accounts which is anticipated to affect some of the District’s electricity accounts. At the time of budget preparation, PEC did not have an estimate of whether there would be a rate increase that might affect large commercial accounts, which make up the majority of the PSD’s electricity usage. As this is such a large expense for the District, a rate increase here could significantly increase this line item.

Maintenance Expenses

| | Proposed | | Variance | | FY'24 Budget |
|-----------------------------------|-----------------------|------------------------|------------------------|-------------|------------------|
| | FY'25 Draft Budget | FY'24 Projected 8+4 | Increase (Decrease) | % Change | |
| Maintenance | | | | | |
| 36 ASR Maintenance | 4,800 | 4,800 | - | 0.0% | 9,600 |
| 37 Biosolids Maintenance | 4,800 | 4,800 | - | 0.0% | 9,600 |
| 38 Meter Device Maintenance | 20,100 | 19,700 | 400 | 2.0% | 40,200 |
| 39 Effluent System Maintenance | 32,400 | 19,600 | 12,800 | 65.3% | 37,800 |
| 40 Equipment Maintenance | 39,000 | 40,000 | (1,000) | -2.5% | 37,200 |
| 41 Facilities Maintenance | 105,600 | 99,200 | 6,400 | 6.5% | 94,500 |
| 42 Generator Maintenance | 24,600 | 23,900 | 700 | 2.9% | 23,700 |
| 43 Hydrant Maintenance | 79,200 | 78,000 | 1,200 | 1.5% | 63,000 |
| 44 Operations Grounds Maintenance | 69,900 | 66,700 | 3,200 | 4.8% | 69,900 |
| 45 Lift Station Maintenance | 400,500 | 396,400 | 4,100 | 1.0% | 333,300 |
| 46 Plant Maintenance - WWTP | 76,500 | 74,900 | 1,600 | 2.1% | 75,000 |
| 47 RO Maintenance | 102,000 | 97,700 | 4,300 | 4.4% | 106,800 |
| 48 SCADA Maintenance | 34,200 | 33,000 | 1,200 | 3.6% | 43,200 |
| 49 Water System Maintenance | 168,000 | 126,600 | 41,400 | 32.7% | 210,000 |
| 50 Sewer System Maintenance | 225,000 | 219,500 | 5,500 | 2.5% | 225,000 |
| 51 Tower & Tank Maintenance | 164,100 | 158,600 | 5,500 | 3.5% | 160,800 |
| 52 Well Maintenance | 45,000 | 50,600 | (5,600) | -11.1% | 42,000 |
| Total Maintenance | 1,595,700 | 1,514,000 | 81,700 | 5.4% | 1,581,600 |

Line Item Definitions –Maintenance Expenses

- | | |
|--------------------------------------|---|
| 36. ASR Maintenance | Repairs and preventative maintenance for the ASR wells. |
| 37. Biosolids Maintenance | Repairs and preventative maintenance for the centrifuge, conveyor system, polymer system, and motor control system. |
| 38. Meter Device Maintenance | Repair and/or replacement of meter boxes/lids, touch readers, smartpoints, damaged meters, base stations and antennas. |
| 39. Effluent System Maintenance | Repairs and preventative maintenance to the effluent system. |
| 40. 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. |
| 41. Facilities Maintenance | Administrative building landscaping services, pest control, air conditioner service, dumpster disposal, janitorial supplies and services, and building repairs and maintenance. |
| 42. Generator Maintenance | Repairs and preventative maintenance to the administration building, WWTP, wells, and lift station emergency generators. |
| 43. Hydrant Maintenance | Repairs, testing, and preventative maintenance for hydrants. |
| 44. Operations - Grounds Maintenance | Contracted landscaping services at lift stations, wells, RO plant, WWTP, etc. |

Line Item Definitions – Maintenance Expenses (continued)

| | |
|------------------------------|---|
| 45. Lift Station Maintenance | Trouble shooting, repairs, and preventative maintenance at lift stations (pumps, electrical, float switches, etc.) and customer LPS systems. |
| 46. Plant Maintenance - WWTP | Repairs and preventative maintenance on filter blowers, digester blowers, aeration blowers, equalization basin blowers, screw pumps, WWTP buildings, etc. |
| 47. RO Maintenance | Repairs and preventative maintenance at the RO facility and wells. |
| 48. SCADA Maintenance | Repairs, replacements, and maintenance of SCADA system including level indicators, radios, & antennas. |
| 49. 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. |
| 50. 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. |
| 51. 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. |
| 52. Well Maintenance | Materials and services to repair chlorinators, thermal valves, pumps, motors, and meters. Also includes infrared and vibration analysis. |

**Proposed FY'25 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'25 budget is \$1,595,700 reflecting a \$81,700 increase compared to the FY'24 projections.

**Proposed FY'25 Budget
Variance Summary (continued)**

Maintenance (continued):

Note: Many of the maintenance expense items can fluctuate significantly from year to year making them difficult to estimate. Depending on line item specific factors, 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). This area should also be considered in conjunction with the System Rehab line items on the CIP budget as that is where repairs and replacements that meet the District's capitalization threshold (i.e. are over \$5,000 and extend the useful life of an asset) are reported.

Major/selected variances include:

39. Effluent System Maintenance is budgeted at \$32,400 for FY'25 which is an increase of \$12,800 from FY'24 projections. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.

49. Water System Maintenance is budgeted at \$168,000 for FY'25 which is a \$41,500 increase from the FY'24 projection of \$126,600. 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>Proposed</u> | | <u>Variance</u> | | |
|---------------------------------------|---------------------|----------------------|-------------------|---------------|----------------|
| | FY'25 | FY'24 | Increase | % | FY'24 |
| | <u>Draft Budget</u> | <u>Projected 8+4</u> | <u>(Decrease)</u> | <u>Change</u> | <u>Budget</u> |
| Tap in and Connection Expenses | | | | | |
| 53 Water Tap In Expenses | 141,000 | 121,100 | 19,900 | 16.4% | 141,000 |
| 54 Sewer Connection Expenses | <u>297,600</u> | <u>304,700</u> | <u>(7,100)</u> | -2.3% | <u>225,600</u> |
| Total Connection Expenses | 438,600 | 425,800 | 12,800 | 3.0% | 366,600 |
| Water Expenses | | | | | |
| 55 Purchased Water | 987,900 | 790,200 | 197,700 | 25.0% | 812,000 |
| 56 ASR Water | <u>285,300</u> | <u>274,300</u> | <u>11,000</u> | 4.0% | <u>267,100</u> |
| Total Water Expenses | 1,273,200 | 1,064,500 | 208,700 | 19.6% | 1,079,100 |

Line Item Definitions – Tap in and Water Expenses

- | | |
|---------------------------------|---|
| 53. 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. |
| 54. Connection Expenses – Sewer | Expenses associated with sewer connections which are offset by Sewer Connection Fees. |
| 55. Purchased Water | Water that is purchased from BJWSA. |
| 56. ASR Water | Water withdrawn from the ASR well. |

Proposed FY'25 Budget Variance Summary

Tap in and Water Expenses:

- 53/54. 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.
- 55./56. Purchased Water / ASR Water – Purchased Water expense has been budgeted at \$987,900, a \$197,700 increase from FY'24 projections. ASR water has been budgeted at \$285,300, an \$11,000 increase from FY'24 projections.

**Proposed FY'25 Budget
Variance Summary**

Tap in and Water Expenses: (continued)

- 55/56. Water Expenses for FY'25 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 \$2.26 per thousand gallons of water purchased during peak periods. BJWSA has notified the PSD that its cost of service model shows that a significant rate increase is necessary to fully cover the cost of providing water to the District. At the time of budget preparation, the best available range they could provide was 17% to 38%. This budget anticipates a 25% increase which would equate to a wholesale rate of \$2.82. Should the actual increase be higher, the District could end up over budget in this area.

The off-peak rate for FY'24 (generally October through February) is \$1.07 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. ASR Water is valued at the off-peak rate and a 4.0% increase has been anticipated as a part of this budget which estimates the new off-peak rate at \$1.11.

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HiltonHeadPSD
FY'25 Budget

Professional Fees and Depreciation Expense

| | Proposed | FY'24 | Variance | % | FY'24 |
|---|--------------------|--------------------|------------------|---------------|--------------------|
| | FY'25 | Projected 8+4 | Increase | Change | Budget |
| | Draft Budget | Projected 8+4 | (Decrease) | | Budget |
| Professional Fees | | | | | |
| 57 Professional Fees - Accounting | 30,600 | 27,100 | 3,500 | 12.9% | 30,600 |
| 58 Professional Fees - Engineering | 75,000 | 81,900 | (6,900) | -8.4% | 75,000 |
| 59 Professional Fees - Legal | 38,700 | 35,200 | 3,500 | 9.9% | 46,200 |
| 60 Professional Fees - Other | 70,200 | 10,400 | 59,800 | 575.0% | 25,200 |
| Total Professional Fees | <u>214,500</u> | <u>154,600</u> | <u>59,900</u> | <u>38.7%</u> | <u>177,000</u> |
| | | | | | |
| Total Operating Expenses | <u>13,377,900</u> | <u>12,290,100</u> | <u>1,087,800</u> | <u>8.9%</u> | <u>12,777,100</u> |
| | | | | | |
| Operating Income before Depreciation | <u>2,451,000</u> | <u>2,746,000</u> | <u>(295,000)</u> | <u>-10.7%</u> | <u>2,389,000</u> |
| | | | | | |
| 61 Depreciation | 5,250,000 | 5,187,600 | 62,400 | 1.2% | 5,190,000 |
| | | | | | |
| Total Operating Expenses with Depreciation | <u>18,627,900</u> | <u>17,477,700</u> | <u>1,150,200</u> | <u>6.6%</u> | <u>17,967,100</u> |
| | | | | | |
| Change in Net Assets from Operations | <u>(2,799,000)</u> | <u>(2,441,600)</u> | <u>(357,400)</u> | <u>14.6%</u> | <u>(2,801,000)</u> |

Line Item Definitions – Professional Fees and Depreciation

| | |
|-------------------------------------|--|
| 57. Professional Fees - Accounting | Annual audit and financial consultant fees. |
| 58. Professional Fees - Engineering | Professional engineering services. |
| 59. Professional Fees - Legal | General counsel/labor law/contract issues. |
| 60. Professional Fees - Other | Various miscellaneous studies and consulting. |
| 61. Depreciation | An allocation of the useful life of capital purchases. |

Proposed FY'25 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'25 budget of \$214,500 reflects a \$59,900 increase compared to the FY'24 projections. Major/selected variances include:

57. Professional fees accounting is budgeted at expected annual audit and financial consulting needs. 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. This budget does not anticipate hitting this spending threshold prior to the end of FY'24 so the cost of a single audit is not anticipated in the FY'25 budget.
58. Professional fees engineering is budgeted at \$75,000 for FY'25 in anticipation of continued developer work, condition studies, and other miscellaneous consulting needs.
59. Professional fees legal is budgeted at \$38,700 in consideration of SCIIP, ARPA, SCDOT, other infrastructure funding, and/or future water supply legal needs.
60. Professional fees other is budgeted at \$70,200. District staff is proposing that the District undergo a rate study in FY'24 to perform an updated review of the District's current rate structure including a review of its reclaimed water rates. The District's last rate study was conducted in FY'18.

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'25 is \$5,250,000, an increase of \$62,400 from the FY'24 projections based on staff's projection of anticipated depreciation on capital additions.

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HiltonHeadPSD
FY'25 Budget

Non-Operating Revenue

| Non-Operating Revenue | Proposed | | Variance | | FY'24 Budget |
|-------------------------------------|-----------------------|------------------------|------------------------|--------------|------------------|
| | FY'25 Draft Budget | FY'24 Projected 8+4 | Increase (Decrease) | % Change | |
| 62 Property Taxes - GO Bond Levy | 1,763,100 | 1,731,600 | 31,500 | 1.8% | 1,515,000 |
| 63 Property Taxes - Operations Levy | 1,290,000 | 1,268,600 | 21,400 | 1.7% | 1,160,000 |
| 64 Gain on Disposition of Assets | 15,000 | 53,400 | (38,400) | -71.9% | 126,000 |
| 65 Interest Income | 390,000 | 771,700 | (381,700) | -49.5% | 390,000 |
| 66 Interest Income - Assessments | 49,500 | 55,800 | (6,300) | -11.3% | 60,000 |
| 67 Rental Income | 88,400 | 87,700 | 700 | 0.8% | 87,600 |
| 68 Tower Lease Income | 605,100 | 590,400 | 14,700 | 2.5% | 570,900 |
| 69 Tower Lease Interest Income | 32,100 | 32,200 | (100) | -0.3% | 32,100 |
| Total Non-Operating Revenue | 4,233,200 | 4,591,400 | (358,200) | -7.8% | 3,941,600 |

Proposed FY'25 Budget Variance Summary

Non-Operating Revenue:

62./63. The FY'24 assessed values of the District were estimated by the staff at \$422.9 million based on collections to date. 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 \$1,763,100 for FY'25 to meet our general obligation debt payment requirements. This budget sets the GO Debt millage rate at 4.1 mills, which is the same as the FY'24 millage rate. The Operations Levy is set at 3.0 mills, the same level as FY'24, and is estimated at \$1,290,000 for FY'25. 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.

64. Gain on Disposition of Assets is a conservative estimate related to the replacement of vehicles. The CIP budget includes an allowance for additional vehicles. Some vehicles may be used for new staff positions as opposed to replacing a current vehicle. Additionally, if the timing of the purchase of vehicles is delayed, this line item would also be anticipated to be delayed. The decrease in the FY'25 budget is related to the fact that the PSD also sold a vacuum truck in FY'24.

65. Interest Income is based on balances of our operating and restricted accounts invested in interest bearing investments. Interest is estimated 3.25%. The District is currently earning in excess of 5.5% 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.

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HiltonHeadPSD
FY'25 Budget

- 66. 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.

- 67. 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).

- 68. Tower Lease Income is generated from the cellular companies that have leased space on the District's water towers. Projections for FY'25 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

| | Proposed FY'25 Draft Budget | FY'24 Projected 8+4 | Variance Increase (Decrease) | % Change | FY'24 Budget |
|---|-----------------------------------|------------------------|------------------------------------|---------------|------------------|
| Non-Operating Expenses | | | | | |
| 70 Interest Expense - Vehicles | 3,600 | 3,600 | - | 0.0% | 3,600 |
| 71 Interest Expense - Bonds | 260,100 | 273,500 | (13,400) | -4.9% | 273,600 |
| 72 Bond Defeasance Amortization | 209,200 | 325,500 | (116,300) | -35.7% | 325,500 |
| 73 Bond Issuance Cost | 42,500 | - | 42,500 | 0.0% | - |
| Total Non-Operating Expenses | 515,400 | 602,600 | (87,200) | -14.5% | 602,700 |
| Non-Operating Income/Expenses - Net | 3,717,800 | 3,988,800 | (271,000) | -6.8% | 3,338,900 |
| Increase / Decrease in Net Assets before capital Contributions | 918,800 | 1,547,200 | (628,400) | -40.6% | 537,900 |

Proposed FY'25 Budget Variance Summary

Non-Operating Expenses:

Interest Expense and Bond Defeasance Amortization – The FY'25 budget is based on the District's annual debt service schedules for all outstanding debt as well as an estimate of the interest and bond issuance costs for the anticipated FY'25 SRF loan using the assumption that repayments will begin halfway through the fiscal year. As previously noted, staff anticipates a second GO issuance will be completed during FY'25 which will result in additional interest and bond issuance costs that are not reflected in this budget. Staff anticipates presenting these additional amounts as a part of the financing plan when this issuance is brought to the Commission for approval at a later date.

Summary of Capital Contributions

| Capital Contributions | Proposed | | Variance | | FY'24 Budget |
|---|-----------------------|------------------------|------------------------|---------------|-------------------|
| | FY'25 Draft Budget | FY'24 Projected 8+4 | Increase (Decrease) | % Change | |
| 74 Sewer Capacity Fees | 156,000 | 689,700 | (533,700) | -77.4% | 156,000 |
| 75 Water Capacity Fees | 114,000 | 523,400 | (409,400) | -78.2% | 114,000 |
| 76 SCIIP Grant | 5,000,000 | - | 5,000,000 | 0.0% | - |
| 77 BC ARPA Allocation | 1,000,000 | - | 1,000,000 | 0.0% | - |
| 78 Capital Contributions | 1,550,000 | 50,000 | 1,500,000 | 0.0% | 50,000 |
| Total Developer Contributions of Systems | 7,820,000 | 1,263,100 | 6,556,900 | 519.1% | 320,000 |
| Change in Net Assets | \$ 8,738,800 | \$ 2,810,300 | \$ 5,928,500 | 211.0% | \$ 857,900 |

Proposed FY'25 Budget Variance Summary

Developer Contribution of Systems:

- 74./75. Water and Sewer Capacity Fees: These are payments received from new taps/connections to the system. Sewer capacity fees are budgeted at \$156,000 and water capacity fees are budgeted at \$114,000 using a conservative estimate of new connections. The FY'24 capacity fee projection includes three large development capacity fee payments. The District does not budget in anticipation of any large developer capacity fee payments as the timing of these are often tenuous and there is no guarantee that any known potential development will materialize.
76. SCIIP Grant is budgeted at \$5,000,000. Staff estimates that 50% of the grant money will be earned during the upcoming fiscal year. This is offset by a related CIP project in the CIP budget. Should more be earned than anticipated, these will offset each other.
77. BC ARPA Allocation is budgeted at \$1,000,000 as staff estimates the full amount will be earned in FY'25. Per the subrecipient agreement, \$300,000 of this will fund and offset the RO Expansion CIP project for the RO Generator and \$700,000 of this will fund and offset the LOM Booster Pump replacement CIP project.
78. Capital Contributions anticipates the continuance of the joint hydrant program with the Town of Hilton Head whereby the Town will reimburse the District for 50% of the cost of jointly planned new hydrants up to a maximum of \$50,000. This offsets the Hydrant CIP item.

The remaining \$1,500,000 budget for FY'25 anticipates the commencement of the engineering for the SCDOT US 278 bridge 24" transmission main relocation project. This figure was derived by estimating that engineering would total approximately 15% of the construction amount which was tentatively estimated at \$15,000,000. The District's 67% share of this totals roughly \$1,500,000. Under the SC Utility Relocation

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HiltonHeadPSD
FY'25 Budget

Act, the District anticipates that it will need to fund the entire amount of the engineering up-front and then request reimbursement for it from the SCDOT. Any costs that are not like-for-like versus the existing infrastructure will be borne solely by the PSDs. As the newly relocated line will represent an asset of the District greater than \$5,000 and extend the life of any previously reported asset, the District anticipates reporting the expenses related to this project as a capital asset. Accordingly, these expenses are shown as a CIP project on the CIP budget. The related offsetting reimbursements will be reported in this line item.

| Acronyms | |
|-----------------|---|
| AMI | Automated Metering Infrastructure |
| ARPA | American Rescue Plan Act |
| ASR | Aquifer Storage and Recovery |
| BC ARPA | Beaufort County American Rescue Plan Act Allocation |
| BIC | Bond Issuance Costs |
| 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) |
| GFOA | Government Finance Officers Association |
| 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 |

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HiltonHeadPSD
FY'25 Budget

FY'25 Rate/Cash Funded Capital Improvement Plan Budget

| CIP Projects | | | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|--|-------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| CIP Rate/Cash Funded Projects (Amounts in 000's) | | Priority Ranking | | | | | |
| WWTP | | | | | | | |
| Band Screen | New chain and rehab of existing band screen | 1 | 40.0 | | | | |
| Reuse Water System | Upgrades, improvements, etc. to the reuse water system including new flow meters, valves, piping, etc. | 2 | 100.0 | 105.0 | 110.0 | 115.0 | 120.0 |
| Return Activated Sludge (RAS) Building | Install new isolation valve | 3 | 75.0 | | | | |
| Filter Building Blowers | Replace 1 of 2 filter blowers. Blowers run during backwash | 4 | 40.0 | | | | |
| RAS Pump | Replace 2 RAS Building pumps | 5 | 60.0 | 60.0 | | | |
| Nutrient Monitoring | Probes that monitor Ammonia and Nitrate in the Aeration Basin | 6 | 55.0 | | | | |
| Transfer Pump Building | Electrical repairs and improvements | 7 | 30.0 | | | | |
| Clarifier | Coating and refurbishment of Clarifier #1 Gear Box and Arm | 8 | 30.0 | | | | |
| Grit Chamber | Sandblast and Coat Bridge #2 | 9 | 35.0 | | 50.0 | | |
| Paint Buildings and Tank | Paint & resurface buildings and tanks (filter building) | 10 | 50.0 | | | | |
| Influent Screen | Back up to band screen. | 11 | 750.0 | | | | |
| System Rehab | Replace valves, actuators, motors, parts, etc. | * | 200.0 | 225.0 | 250.0 | 250.0 | 275.0 |
| Clarifier | Wier cleaning system | | | 50.0 | 50.0 | 50.0 | |
| Warehouse | Build new warehouse building | | | 1,200.0 | | | |
| Sludge Building | Replace metal shed sludge handling building | | | | | 800.0 | |
| TOTAL WWTP | | | \$ 1,465.0 | \$ 1,640.0 | \$ 460.0 | \$ 1,215.0 | \$ 395.0 |
| Wastewater Collection System | | | | | | | |
| Gravity Main Line Refurbishment | Gravity sewer main line repairs and relining | 1 | 350.0 | 400.0 | 400.0 | 400.0 | 450.0 |
| Lift Stations - Rehab | Rehab and pumps | * | 300.0 | 325.0 | 350.0 | 375.0 | 400.0 |
| Lift Stations - Control Panels | Place control panels | * | 100.0 | 105.0 | 110.0 | 115.0 | 120.0 |
| District Funded MSP Projects | District Funded MSP Projects | * | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| System Rehab | Replace pipes, manholes, laterals, equipment as dictated by inspections | * | 200.0 | 225.0 | 250.0 | 250.0 | 250.0 |
| Royal James L/S | Install Screening Devices | | | 175.0 | | | |
| TOTAL COLLECTION SYSTEM | | | \$ 975.0 | \$ 1,255.0 | \$ 1,135.0 | \$ 1,165.0 | \$ 1,245.0 |
| Water Production/Distribution System | | | | | | | |
| RO Plant | Replace actuator on Booster Pump #3 | 1 | 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 | * | 500.0 | 525.0 | 550.0 | 575.0 | 600.0 |
| US 278 Bridge Relocation Project | Engineering for Relocation of 24" Main | R | 1,500.0 | | | | |
| Leg O Mutton Booster Pump Station | Construction Costs from BC ARPA Allocation | R | 700.0 | | | | |
| RO Well 4 & Plant Expansion / ASR 2 | Construction Costs from SCIP Grant/BC ARPA | R | 5,300.0 | 5,000.0 | | | |
| Ground Storage Tanks, Wells, Booster Stations | VFD's, PLC's | * | 75.0 | 80.0 | 80.0 | 80.0 | 80.0 |
| System Rehab | Replace valves, equipment, RO membranes etc. | * | 100.0 | 105.0 | 110.0 | 115.0 | 125.0 |
| TOTAL DISTRIBUTION SYSTEM | | | \$ 8,330.0 | \$ 5,865.0 | \$ 895.0 | \$ 885.0 | \$ 920.0 |
| Facilities and Equipment | | | | | | | |
| SCADA Improvements | Upgrade Processors at Wild Horse & Seabrook | 1 | 80.0 | 95.0 | 95.0 | 95.0 | 115.0 |
| SCADA Improvements - Ashmore | Ashmore Upgrades | 2 | 50.0 | | | | |
| Operations Equipment - Water | Line locator equipment | 3 | 25.0 | | | | |
| Operations Equipment - Sewer | Camera to inspect gravity sewer lines | 4 | 35.0 | | | | |
| Operations Equipment | Shoring and Well Points | 5 | 25.0 | | | | |
| Vehicles | Fleet replacements | 6 | 250.0 | 250.0 | 250.0 | 250.0 | 250.0 |
| Admin Building | Building Improvements, furniture, 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 |
| Admin Building - AC | Admin Building Cooling Tower | | | | 300.0 | | |
| Excavator | Mini Excavator | | | | 75.0 | | |
| TOTAL FACILITIES AND EQUIPMENT | | | \$ 525.0 | \$ 405.0 | \$ 780.0 | \$ 405.0 | \$ 425.0 |
| TOTAL RATE/CASH FUNDED CIP PROJECTS | | | \$ 11,295.0 | \$ 9,165.0 | \$ 3,270.0 | \$ 3,670.0 | \$ 2,985.0 |
| * These are ongoing projects to be performed and completed on an as needed basis. As such, they have not been given a ranking. | | | | | | | |
| R These projects are funded by reimbursements from the SCDOT, BC ARPA Allocation, and SCIP Grant | | | | | | | |

FY'25 Rate Related CIP Projects Funded from User Fees

Wastewater Treatment Plant

| | |
|--|--------------------|
| Band Screen | \$40,000 |
| <ul style="list-style-type: none"> • New chain and rehab of the band screen. | |
| Reuse Water System | \$100,000 |
| <ul style="list-style-type: none"> • Replace flow meters, valves, and piping at Palmetto Hall, Cypress Conservancy, and Bear Creek. | |
| RAS Pump Building | \$75,000 |
| <ul style="list-style-type: none"> • Replace the isolation valve at the RAS pump building. | |
| Filter Building Blowers | \$40,000 |
| <ul style="list-style-type: none"> • Replace 2nd of 2 filter blowers. | |
| RAS Pumps | \$60,000 |
| <ul style="list-style-type: none"> • Replace RAS Pump (4 pumps / 1 per year). | |
| Nutrient Monitoring | \$55,000 |
| <ul style="list-style-type: none"> • New probes that monitor Ammonia and Nitrate in the aeration basins. | |
| Transfer Pump Building | \$30,000 |
| <ul style="list-style-type: none"> • Electrical rehab work. | |
| Clarifier | \$30,000 |
| <ul style="list-style-type: none"> • Coating and rehab of clarifier #1 gear box & arm. | |
| Grit Chamber | \$35,000 |
| <ul style="list-style-type: none"> • Sandblast and coat grit chamber #2. | |
| Paint Buildings and Tanks | \$50,000 |
| <ul style="list-style-type: none"> • Paint and resurface WWTP buildings and tanks (filter building). | |
| Influent Screen | \$750,000 |
| <ul style="list-style-type: none"> • New equipment that will act as a back up to the existing band screen. | |
| System Rehab | \$200,000 |
| <ul style="list-style-type: none"> • Replace valves, actuators, motors, parts, etc. | |
| Total Wastewater Treatment Plant | \$1,465,000 |

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HiltonHeadPSD
FY'25 Budget

Wastewater Treatment Plant (continued)

| WWTP (Amounts in 000's) | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|------------------|------------------|-----------------|------------------|-----------------|
| Band Screen | 40.0 | - | - | - | - |
| Reuse Water System | 100.0 | 105.0 | 110.0 | 115.0 | 120.0 |
| Return Activated Sludge (RAS) Building | 75.0 | - | - | - | - |
| Filter Building Blowers | 40.0 | - | - | - | - |
| RAS Pump | 60.0 | 60.0 | - | - | - |
| Nutrient Monitoring | 55.0 | - | - | - | - |
| Transfer Pump Building | 30.0 | - | - | - | - |
| Clarifier | 30.0 | - | - | - | - |
| Grit Chamber | 35.0 | - | 50.0 | - | - |
| Paint Buildings and Tank | 50.0 | - | - | - | - |
| Influent Screen | 750.0 | - | - | - | - |
| System Rehab | 200.0 | 225.0 | 250.0 | 250.0 | 275.0 |
| Clarifier | - | 50.0 | 50.0 | 50.0 | - |
| Warehouse | - | 1,200.0 | - | - | - |
| Sludge Building | - | - | - | 800.0 | - |
| | \$1,465.0 | \$1,640.0 | \$ 460.0 | \$1,215.0 | \$ 395.0 |

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HiltonHeadPSD
FY'25 Budget

Wastewater Collection System

- Gravity Main Line Refurbishment.....\$350,000**
 - Reline 25” and 30” metal pipe in Indigo Run.

- Lift Station Rehab\$300,000**
 - Major rehab and part replacements to PSD lift stations including Boys & Girls Club and Yacht Club stations.

- Lift Station Control Panels\$100,000**
 - Lift Station control panel replacements including the Spa and Hickory Forest stations.

- District Funded MSP Projects.....\$25,000**
 - Continued District funding of remaining unserved MSP Projects.

- System Rehab.....\$200,000**
 - Replace equipment, pipes, manholes, laterals as dictated by inspections.

- Total Collection System\$975,000***

| Collection System (Amounts in 000's) | 2025 | 2026 | 2027 | 2028 | 2029 |
|--------------------------------------|-----------------|------------------|------------------|------------------|------------------|
| Gravity Main Line Refurbishment | 350.0 | 400.0 | 400.0 | 400.0 | 450.0 |
| Lift Stations - Rehab | 300.0 | 325.0 | 350.0 | 375.0 | 400.0 |
| Lift Stations - Control Panels | 100.0 | 105.0 | 110.0 | 115.0 | 120.0 |
| District Funded MSP Projects | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| System Rehab | 200.0 | 225.0 | 250.0 | 250.0 | 250.0 |
| Royal James L/S | - | 175.0 | - | - | - |
| Total | \$ 975.0 | \$1,255.0 | \$1,135.0 | \$1,165.0 | \$1,245.0 |

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HiltonHeadPSD
FY'25 Budget

Water Distribution System

- Reverse Osmosis Plant.....\$40,000**
- Replace actuator on Booster Pump #3.
- 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.....\$500,000**
- Change out customer meters. The District has over 13,500 water meters which equates to 900 change outs a year assuming a 15-year lifespan.
- US 278 Bridge Relocation Project\$1,500,000**
- Estimate of PSD's portion of engineering expenses related to the relocation of the 24" purchased water transmission main for the SCDOT US 278 bridge replacement project. The PSD anticipates being reimbursed for these costs under the utility relocation act. Accordingly, this project is offset by a budgeted capital contribution in the FY'25 Operating & Maintenance budget.
- Leg O Mutton Booster Pump Station.....\$700,000**
- This represents and is offset by the BC ARPA allocation in the capital contribution section of the FY'25 Operating & Maintenance Budget. The total construction bid for this project came in at \$2,000,000. The remaining matching funds of \$1,300,000 as well as a 10% administrative & contingency allowance for a remaining total of \$1,500,000 is anticipated to be funded by a second GO debt issuance. See page 46.
- RO Well #4 & Plant Expansion / ASR 2\$5,300,000**
- This represents and is offset by the \$5,000,000 SCIIP Grant and \$300,000 of the BC ARPA allocation in the capital contribution section of the FY'25 Operating & Maintenance Budget. It was estimated that 50% of these projects would be completed in FY'25. There will be additional matching funds necessary to complete these projects which are anticipated to be funded by a second GO debt issuance. See page 46.
- Ground storage tank, well pumps & controls\$75,000**
- VFD's, PLC's, etc.

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HiltonHeadPSD
FY'25 Budget

System Rehab\$100,000

- Replace valves, pumps, piping, equipment, RO membranes, etc.

Total Distribution System\$8,330,000

| Distribution System (Amounts in 000's) | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|------------------|------------------|-----------------|-----------------|-----------------|
| RO Plant | 40.0 | 40.0 | 40.0 | - | - |
| Fire Hydrants | 115.0 | 115.0 | 115.0 | 115.0 | 115.0 |
| Metering System | 500.0 | 525.0 | 550.0 | 575.0 | 600.0 |
| US 278 Bridge Relocation Project | 1,500.0 | - | - | - | - |
| Leg O Mutton Booster Pump Station | 700.0 | - | - | - | - |
| RO Well 4 & Plant Expansion / ASR 2 | 5,300.0 | 5,000.0 | - | - | - |
| Ground Storage Tanks, Wells, Booster Stations | 75.0 | 80.0 | 80.0 | 80.0 | 80.0 |
| System Rehab | 100.0 | 105.0 | 110.0 | 115.0 | 125.0 |
| | \$8,330.0 | \$5,865.0 | \$ 895.0 | \$ 885.0 | \$ 920.0 |

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HiltonHeadPSD
FY'25 Budget

Facilities and Equipment

- SCADA Improvements.....\$80,000**
 - Upgrade the processors at Wild Horse & Seabrook sites.
- SCADA Improvements - Ashmore.....\$50,000**
 - Upgrade SCADA systems at Ashmore site.
- Operations Equipment - Water.....\$25,000**
 - Line location equipment.
- Operations Equipment - Sewer.....\$35,000**
 - Camera to inspect gravity sewer lines.
- Operations Equipment.....\$25,000**
 - Purchasing shoring and well point equipment.
- Vehicles.....\$250,000**
 - Funding for four to six new fleet vehicles. Vehicle prices have risen dramatically during the past fiscal years and many governmental incentive programs have been reduced.
- Admin Building.....\$30,000**
 - General major repairs, furniture, and fixtures for the administrative building.
- Technology.....\$30,000**
 - General computer equipment.
- Total Facilities and Equipment.....\$525,000**

| Facilities and Equipment (Amounts in 000's) | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| SCADA Improvements | 80.0 | 95.0 | 95.0 | 95.0 | 115.0 |
| SCADA Improvements - Ashmore | 50.0 | - | - | - | - |
| Operations Equipment - Water | 25.0 | - | - | - | - |
| Operations Equipment - Sewer | 35.0 | - | - | - | - |
| Operations Equipment | 25.0 | - | - | - | - |
| Vehicles | 250.0 | 250.0 | 250.0 | 250.0 | 250.0 |
| Admin Building | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Technology | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Admin Building - AC | - | - | 300.0 | - | - |
| Excavator | - | - | 75.0 | - | - |
| | \$ 525.0 | \$ 405.0 | \$ 780.0 | \$ 405.0 | \$ 425.0 |

Total FY'25 Rate/Cash Funded CIP Projects \$11,295,000

NOTE: The District will also carry over any unfinished FY'24 CIP projects into FY'25 for completion.

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HiltonHeadPSD
FY'25 Budget

FY'25 Potential Debt Funded Projects

Staff has compiled the following list of larger projects for which it may recommend debt financing during FY'25. 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 working with District engineers to bid out the SCIIP Grant projects. The SCIIP grant application estimated a \$7,000,000 local match but overall construction inflation may necessitate a much higher match; \$8,500,000 has been estimated below. This does not include the preliminary engineering costs which are anticipated to be funded by an SRF Loan in the upcoming fiscal year. Once the District receives the bids, 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. This includes the \$750,000 band screen project which is included in the FY'25 project list. Should this project be funded by a debt issuance, it would increase the cash flow projection for the year. A list of these potential projects and priority rankings can be found below. The WWTP projects have been submitted to the SRF for consideration for future SRF funding.

| CIP Projects - Potential Water Debt Projects (Amounts in 000's) | | Est. Project Total |
|---|---|--------------------|
| SCIIP Grant Matching Funds | ASR-2, RO Well 4/ Expansion, RO Generator | \$ 8,500.0 |
| BC ARPA Matching Funds | LOM Booster Pump Station | 1,500.0 |
| TOTAL | | \$10,000.0 |

| CIP Projects - Potential WWTP Debt Projects (Amounts in 000's) | | Priority Ranking | Est. Project Total |
|--|-------------------------------------|------------------|--------------------|
| WWTP Screw Pumps | Replacement of 3 Screw Pumps | 1 | \$ 3,500.0 |
| WWTP Influent Screen | Back-up to Band Screen | 2 | 750.0 |
| WWTP Warehouse & Garage | Replace Warehouse & Garage Building | 3 | 1,200.0 |
| WWTP Sludge Building | Replace Sludge Building | 4 | 800.0 |
| Collections - Royal James Lift Station | Tank, Pump, and Site Upgrade | 5 | 3,250.0 |
| TOTAL | | | \$ 9,500.0 |

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 separate financing plan for the grant matching fund projects and any other projects it recommends pursuing during FY'25 to the Commission after it receives the SCIIP bids.

Cash Flow and Five-Year Projections

Cash Flow

The table below shows a summary of FY'23 actual cash flow, FY'24 projected cash flow, and FY'25 budgeted cash flow. Cash is currently projected to decrease by approximately \$323,000 for FY'24 and increase by approximately \$846,200 for FY'25 based on budgeted numbers. Unrestricted cash is projected to decrease by approximately \$540,700 in FY'24 and increase by approximately \$1,463,400 in FY'25 due to projected changes in GO restricted cash and a release of restricted cash when the BC ARPA projects are completed.

| | Actual FY 2023 | Projected FY 2024 | Budgeted FY 2025 |
|---|----------------------|----------------------|----------------------|
| Preliminary Cash Flow Projections | | | |
| Beginning Cash on Hand | \$ 13,504,600 | \$ 14,589,300 | \$ 14,266,300 |
| (Projected) Change in Net Position | 1,649,600 | 2,810,300 | 8,738,800 |
| Less Financed Assessments Capacity and Tap Fees | (186,500) | (110,000) | (80,000) |
| Accrual Changes | (566,000) | - | - |
| Add Depreciation | 5,140,500 | 5,187,600 | 5,250,000 |
| Add Amortization / Bond Defeasance | 325,500 | 325,500 | 209,200 |
| Add Interest Expense | 312,300 | 277,100 | 263,700 |
| Add Assessment Collections | 222,200 | 205,000 | 212,000 |
| Add Proceeds/ Less use of Restricted Capital Grant | 1,000,000 | - | (1,000,000) |
| Add Debt Proceeds | 235,000 | - | 2,590,000 |
| - Debt Payments including anticipated FY'25 SRF | (3,961,700) | (4,014,500) | (3,932,500) |
| - Capital Improvement Projects (transfer & additions) | (3,086,200) | (5,004,000) | (11,405,000) |
| (Projected) Cash on Hand | <u>\$ 14,589,300</u> | <u>\$ 14,266,300</u> | <u>\$ 15,112,500</u> |
| | | | |
| | Actual FY 2023 | Projected FY 2024 | Budgeted FY 2025 |
| Composition of Cash | | | |
| Restricted Cash on hand for Debt Service | \$ 875,800 | \$ 875,800 | \$ 875,800 |
| Restricted Cash on hand for Capital Grant | 1,000,000 | 1,000,000 | - |
| Restricted Cash on hand for Debt Service - GO Debt Levy | 320,800 | 538,500 | 921,300 |
| Unrestricted Cash | <u>12,392,700</u> | <u>11,852,000</u> | <u>13,315,400</u> |
| Total Cash on Hand | <u>\$ 14,589,300</u> | <u>\$ 14,266,300</u> | <u>\$ 15,112,500</u> |
| | | | |
| (Projected) Change related to Cash on Hand | <u>\$ 1,084,700</u> | <u>\$ (323,000)</u> | <u>\$ 846,200</u> |

You will notice that the actual FY'23 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'24 projection, FY'25 budget, and future year projections do not attempt to project these timing-related accrual differences. In particular, FY'24 CIP projects that are not completed by the fiscal year end, may be carried over into FY'25 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 Operating Reserve Targets

The District's Financial Policy for Unreserved and Reserved Funds states that "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 operating reserve investment and/or cash accounts and used for the purpose of floating the District's operations throughout each applicable Fiscal Year, which currently runs from July 1 to June 30." The policy further states that "to prepare for emergencies or contingencies, the target balance of operating reserve funds is six months to one year of the total budgeted operating expenses, net of depreciation. 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."

The emergency and contingency portion of this policy anticipates maintaining appropriate cash levels to ensure the District is poised to mitigate potential risks, handle cash flow timing variances, and take advantage of potential opportunities that may arise. Some examples of items that might necessitate use of this reserve include:

- Economic or social conditions which negatively impact the District's revenue.
- Self-funding repairs and replacements to the District's underground assets which were dropped by the South Carolina Insurance Reserve Fund.
- Self-funding repairs and replacements to uninsured lower value assets such as fences where insurance premiums are prohibitively high.
- Recovering from natural disasters or other emergency situations. While the District may receive FEMA or insurance reimbursement for such items, it is often necessary to pay the expenses up front and await reimbursement which may take many months.
- Emergency repairs to District assets caused by wear and tear that are not covered by insurance. While the District aims to preventatively plan for and budget routine maintenance, with such a large volume of high valued assets there is always a risk of unanticipated failure. This is particularly true for underground assets which cannot be inspected as frequently as above ground assets.
- The availability of matching funding to apply for grant opportunities as well as the ability to pay grant or otherwise reimbursable expenses up front and await reimbursement.

Staff would recommend funding this emergency reserve at its upper target 12-month level first and then applying any remaining unrestricted cash to the capital portion of the reserve. Having a fully funded emergency reserve lowers the likelihood of needing a mid-year or large year over year rate increase due to unusual or emergency situations. It also increases the District's ability to take advantage of opportunities that require up-front cash flow.

Funding the capital portion of this policy would allow the District to plan to pay for larger capital projects out of cash instead of needing a debt issuance for larger projects. The list of potential wastewater treatment plant debt projects on page 46 would be examples of the types of larger projects that could be funded by cash if the capital portion of this reserve were fully funded.

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HiltonHeadPSD
FY'25 Budget

An analysis of the targets set by this policy and the anticipated unrestricted cash projected by this budget follow:

| | | Days | Balance Based |
|---|------------------------|-------------|-------------------|
| | | Cash on | on FY'25 |
| Financial Policy Targets: | | Hand | Budget |
| Minimum Operating Reserve | 4 Months | 120 | 4,459,300 |
| Lower Contingency Operating Reserve Target | 6 Months | 183 | 6,688,950 |
| Upper Contingency Operating Reserve Target | 12 Months | 365 | 13,377,900 |
| Lower Capital Operating Reserve Target | 1 Year Depreciation | 143 | 5,250,000 |
| Upper Capital Operating Reserve Target | 2 Years Depreciation | 286 | 10,500,000 |
| Combined Lower Contingency & Capital Target | 6 Mo + 1 Year Deprec | 326 | 11,938,950 |
| Combined Upper Contingency & Capital Target | 12 Mo + 2 Years Deprec | 651 | 23,877,900 |
| <i>Unrestricted Cash from Proposed FY'25 Operating Budget</i> | | <i>363</i> | <i>13,315,400</i> |
| <i>Amount from the Proposed FY'25 Operating Budget Available for Capital if Contingency Reserve is set at Upper 12 Month Target</i> | | <i>(2)</i> | <i>(62,500)</i> |

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'24 and FY'25 are based on the current year projections and budget. Water and Sewer revenues for FY'26 – FY'29 are projected based on a 0.75% water customer growth rate and a 1.0% 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 0-4% 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 46.

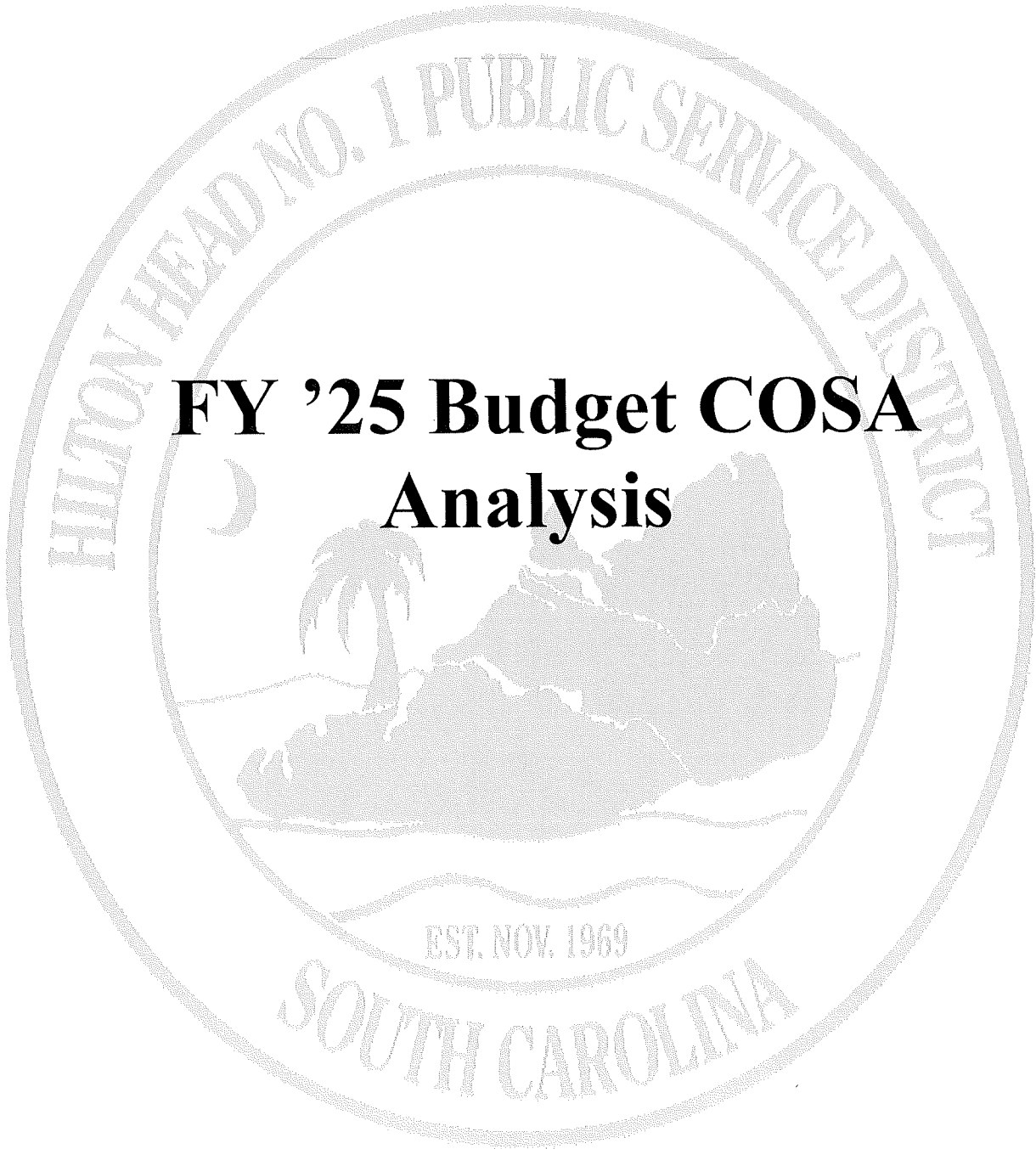
| | Projected FY'24 | Budget FY'25 | Projection FY'26 | Projection FY'27 | Projection FY'28 | Projection FY'29 |
|---|----------------------|----------------------|-----------------------|----------------------|-----------------------|---------------------|
| Total Operating Revenue | \$ 15,036,100 | \$ 15,828,900 | \$ 15,930,800 | \$ 16,033,900 | \$ 16,138,000 | \$ 16,242,900 |
| Total Operating Expenses with Depreciation | 17,477,700 | 18,627,900 | 18,959,600 | 19,301,400 | 19,653,500 | 20,016,400 |
| Change in Net Position from Operations | (2,441,600) | (2,799,000) | (3,028,800) | (3,267,500) | (3,515,500) | (3,773,500) |
| Total Non-Operating Revenue | 4,591,400 | 4,233,200 | 4,020,200 | 4,109,900 | 3,360,100 | 2,836,300 |
| Total Non-Operating Expenses | 602,600 | 515,400 | 454,600 | 407,800 | 359,900 | 321,300 |
| Non-Operating Income/Expenses - Net | 3,988,800 | 3,717,800 | 3,565,600 | 3,702,100 | 3,000,200 | 2,515,000 |
| Increase in Net Position before Capital Contributions | 1,547,200 | 918,800 | 536,800 | 434,600 | (515,300) | (1,258,500) |
| Total Capital Contributions | 1,263,100 | 7,820,000 | 5,320,000 | 320,000 | 320,000 | 320,000 |
| Change in Net Position | \$ 2,810,300 | \$ 8,738,800 | \$ 5,856,800 | \$ 754,600 | \$ (195,300) | \$ (938,500) |
| Total CIP Budget Cash Flow | (3,374,000) | (11,295,000) | (9,165,000) | (3,270,000) | (3,670,000) | (2,985,000) |
| Add: Non Cash Depreciation Expense | 5,187,600 | 5,250,000 | 5,250,000 | 5,250,000 | 5,250,000 | 5,250,000 |
| Less: Debt Service Payments | (4,014,500) | (3,932,500) | (3,935,500) | (3,969,000) | (3,171,600) | (2,313,600) |
| Add: Projected SRF Debt Issuance Less BIC | | 2,547,500 | | | | |
| Less: SCIIP ARPA Engineering | (1,630,000) | (110,000) | | | | |
| Less: GO Cash Change | (217,700) | (382,800) | | | | |
| Other Debt Related Adjustments | 602,600 | 515,400 | 454,600 | 407,800 | 359,900 | 321,300 |
| FFA Assessment, net | 95,000 | 132,000 | 132,000 | 132,000 | 132,000 | 132,000 |
| Total Non-CIP Other Cash Flow Adjustments | 23,000 | 4,019,600 | 1,901,100 | 1,820,800 | 2,570,300 | 3,389,700 |
| Projected Change in Unrestricted Cash Flow | \$ (540,700) | \$ 1,463,400 | \$ (1,407,100) | \$ (694,600) | \$ (1,295,000) | \$ (533,800) |
| Projected Beginning Unrestricted Cash | 12,392,700 | 11,852,000 | 13,315,400 | 11,908,300 | 11,213,700 | 9,918,700 |
| Projected Ending Unrestricted Cash | \$ 11,852,000 | \$ 13,315,400 | \$ 11,908,300 | \$ 11,213,700 | \$ 9,918,700 | \$ 9,384,900 |
| Projected Days Cash on Hand | 352 | 363 | 317 | 291 | 251 | 232 |
| Projected Net Earnings Available for Debt Service | 7,020,300 | 5,399,500 | 5,223,100 | 5,035,400 | 4,839,500 | 4,634,900 |
| Parity Revenue Debt Service | 2,461,000 | 2,468,300 | 2,435,200 | 2,430,000 | 2,434,500 | 2,153,700 |
| Projected Debt Coverage with Capacity Fees | 285% | 219% | 214% | 207% | 199% | 215% |
| Projected Debt Coverage without Capacity Fees | 236% | 208% | 203% | 196% | 188% | 203% |

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HiltonHeadPSD
FY'25 Budget

FY' 25 Schedule of Rates, Fees, and Deposits

| | | | |
|---|----------------------|--|------------------|
| Water & Irrigation Monthly Base Rate per Unit: | | Sewer Base Monthly Rate per Unit: | |
| Residential Customers | 17.00 | Residential Customers | 19.00 |
| Commercial Customers | 22.00 | Commercial Customers | 19.00 |
| Residential Water | | Residential & Commercial Sewer | |
| Monthly Usage Rates per 1,000 Gallons: | | Monthly Usage Rates per 1,000 Gallons: | |
| Block 1 - 0 to 10,000 Gal | 1.58 | 2.31 | |
| Block 2 - 10,001 to 20,000 Gal | 2.24 | Residential sewer usage is capped at 10,000 gallons per month. | |
| Block 3 - 20,001 to 30,000 Gal | 2.79 | There is no cap on commercial sewer usage. | |
| Block 4 - All Over 30,000 Gal | 3.72 | Reclaimed Golf Course Irrigation | |
| Commercial Water & Irrigation | | Non-pressurized Usage Rate per 1,000 Gallons | |
| Monthly Usage Rates per 1,000 Gallons: | | Pressurized Usage Rate per 1,000 Gallons | |
| Block 1 - 0 to 10,000 Gal | 1.69 | Meter Install Fees (Existing Service Line) | |
| Block 2 - 10,001 to 20,000 Gal | 2.24 | 3/4" Meter | 1,180.00 |
| Block 3 - 20,001 to 30,000 Gal | 2.79 | 1" Meter | 1,500.00 |
| Block 4 - All Over 30,000 Gal | 3.72 | 2" Meter and Backflow | 3,440.00 |
| Residential Irrigation | | Any other size | |
| Monthly Usage Rates per 1,000 Gallons: | | Time & Materials | |
| Block 1 - 0 to 10,000 Gal | 2.24 | Meter Install Fees (No Existing Service Line) | |
| Block 2 - 10,001 to 20,000 Gal | 2.24 | 3/4" Meter | 1,390.00 |
| Block 3 - 20,001 to 30,000 Gal | 2.79 | 1" Meter | 1,710.00 |
| Block 4 - All Over 30,000 Gal | 3.72 | Any other size | Time & Materials |
| Other Fees & Charges | | Sewer Lateral Installation Fees | |
| Grease Trap Inspection Fee | 100.00 | Greater of \$1,200 or | |
| Backflow Inspection Fee | 175.00 | Time & Materials | |
| Sewer Connection Fee | 150.00 | Capacitv Fees (per unit): | |
| Hydrant Meter Set Fee | 200.00 | Water Capacity (House) | 2,400.00 |
| Late Fees | Greater of \$5 or 2% | Water Capacity (Mobile Home) | 1,800.00 |
| Returned Payment Fees | 15.00 | Sewer Capacity | 3,040.00 |
| Reconnection Fee | 35.00 | Deposits: | |
| Meter Tampering | 50.00 | Residential Deposit | 100.00 |
| System/Meter Damage | Time & Materials | Contractor Deposit | 100.00 |
| | | Commercial Deposit | 200.00 |
| | | Hourly Labor Rate for time and materials and for | |
| | | work performed for outside agencies | |
| | | | 65.00 |



**FY '25 Budget COSA
Analysis**



21 Oak Park Drive
PO Box 21264
Hilton Head Island, SC 29925
www.hhpsd.com

To: Board of Commissioners
Pete Nardi – General Manager

From: Amy Graybill – Finance Manager

Subject: Preliminary Cost of Service Analysis (COSA) – Revenue Requirements and Rate Structure Review

Date: April 24, 2024

Background

The following document contains the preliminary COSA models for discussion.

Cost of Service Assumptions

1. Water and Sewer revenues are based on the FY'25 draft budget which utilizes customer counts as of March 2024 and a growth rate of 0.75% for water and 1.0% for sewer.
2. For FY'26 through FY'29, water customer growth is projected at 0.75% and sewer customer growth is projected to be 1.0%.
3. Customer consumption levels for the FY'25 budget were based on the rolling 12 months of billed consumption as of February 2024 of approximately 1.957 billion gallons which is lower than FY'23 and FY'22 billed consumption of approximately 1.987 and 2.087 billion gallons, respectively. Rainy, cool weather has led to lower consumption than budgeted for FY'24 to date. For FY '25 through FY'29, the consumption is calculated to grow in accordance with the customer growth noted above.
4. These cost-of-service analyses do not attempt to predict consumption reductions that might occur as a result of increasing the upper tiers to encourage water efficiency. Staff has no basis to determine if or what amount of consumption reduction might occur as a result of the upper tier increases.
5. Preliminary FY'25 budget estimates were also utilized for the FY'26 through FY'29 other revenues and expenditures. Various growth rates between 0% - 4% were used based on the line-item history. Most expenses were projected to grow at 2%.
6. Revenue and expense line items that were not specifically related to water or sewer service were allocated on the basis of customer counts.

7. Depreciation is not used as it is a non-cash item. Instead, the rate funded Capital Improvement Plan (CIP) found at Appendix I is included for fiscal years 2025 through 2029. As with revenue and expenses, projects that were not specifically related to water or sewer were allocated on the basis of customer counts.
8. General obligation (GO) debt is paid by the GO property tax levy which is a part of non-operating revenues. The millage rate is set each year at an amount expected to cover the GO debt service. All GO debt projects were water related.
9. Rate related revenue debt principal and interest payments are allocated based on the actual revenue debt's relationship to water service or sewer service. Front Foot Assessment debt and related principal and interest collections have been allocated 100% to sewer for the purposes of this analysis.
10. This analysis does not include any consideration of larger CIP or future water supply projects that were listed as potential debt funded projects on page 46 of the FY'25 budget. An analysis of the impact and financing options for these projects will be brought at a later date when more information is available.

Rates and Scenario Discussion

In fiscal year 2018, Willdan Financial Services (Willdan) performed a rate study for the District. The District supports the Willdan concept of moving toward uniform water volumetric tier charges (eventual elimination of difference between residential and commercial water volume rates) using a five-year phased in approach. For FY'24, this plan was finalized except for the first residential tier which was modestly increased but not to the full level of the first commercial tier. For FY'25, staff is recommending another moderate increase to the first residential tier to bring it closer to the first commercial tier. Additionally, to continue to encourage water efficiency, staff is recommending increasing the remaining upper tiers on an inclining basis (i.e. higher increases in the higher tiers). Copies of published rate structures for the closest three neighboring utilities have been attached as Appendix III for your reference; these would not include any rate increases scheduled to go into effect 07/01/2024. The increases to the upper tiers will bring the PSD's upper tiers more in line with other area utilities and encourage water conservation. In addition to these water tier changes, a base rate adjustment for both water and sewer as well as an increase in the sewer volumetric tier is being proposed to position the District to combat the intense inflation experienced over the past few years including increases in biosolids, chemicals, parts, construction, and the absorption of significant BJWSA wholesale rate increases.

Given the above, staff is presenting the following scenarios for Commission consideration. Please note that the Commission is only selecting an option for FY'25 at this time. FY'26 – 29 are presented to provide a high-level guide of the PSD's five-year financial picture based on the rates adopted for FY'25 and current expectations. While some of these future years show larger deficits, staff will be re-evaluating the current needs and proposed projects in each of the upcoming years as a part of future budgeting processes and may suggest rate adjustments or moving the timing of anticipated capital projects in those years as considered appropriate. The Commission should also keep in mind that GO debt issuance(s) will be proposed during FY'25 to fund the matching funds for the SCIP grant received, the LOM ARPA allocation, and/or other larger CIP projects. If some of these other larger projects cannot be undertaken through a debt issuance, it may be necessary to find a way to rate fund them in the upcoming years.

- **Scenario 1 –**

- *Increase 1st residential tier \$0.06/1,000 gallons from \$1.52 to \$1.58 to continue migration towards the 1st commercial tier.*
- *Increase 2nd residential and commercial tier \$0.13/1,000 gallons from \$2.11 to \$2.24 (this increases this tier from 25% higher than the 1st commercial tier to 33% higher).*
- *Increase 3rd residential and commercial tier \$0.25/1,000 gallons from \$2.54 to \$2.79 (this increases this tier from 50% higher than the 1st commercial tier to 65% higher).*
- *Increase 4th residential and commercial tier \$0.34/1,000 gallons from \$3.38 to \$3.72 (this increases this tier from 100% higher than the 1st commercial tier to 120% higher).*
- *Increase the sewer volumetric rate \$0.15/1,000 gallons from \$2.16 to \$2.31.*

This option presents a budget which projects a deficit of \$738,400 before consideration of any FY'25 GO debt issuances. It is anticipated that this deficit, and all other deficits shown for all scenarios, would be funded by reimbursement of previously incurred engineering expenses on the SCIIP and ARPA projects through the anticipated FY'25 SRF GO Loan.

- **Scenario 2 –**

- *All of the volumetric increases from Scenario 1*
- *Increases both the water and sewer monthly base rate per unit by \$0.50.*

This option presents a projected deficit of \$511,800 before any anticipated FY'25 GO debt issuances. This reduces the amount of the projected deficit by \$226,600 from Scenario 1. As base rate revenues are not consumption dependent, these revenues will be generated regardless of any reduced consumption due to poor weather or other customer behavior changes.

- **Scenario 3 –**

- *All of the volumetric increases from Scenario 1*
- *Increases both the water and sewer monthly base rate per unit by \$1.00.*

This option presents a projected deficit of \$285,300 before any anticipated FY'25 GO debt issuances. This reduces the amount of the projected deficit by another \$226,500 from Scenario 2 for a total reduction of \$453,100 from Scenario 1 in a non-consumption driven manner.

- **Scenario 4 – No change.**

This option presents the cost of service if no rate increases are implemented for FY'25 and shows a deficit of \$1,180,900. This is a reduction of \$442,500 from Scenario 1, \$669,100 from Scenario 2, and \$895,600 from Scenario 3.

All FY'25 deficits are anticipated to be offset by receiving reimbursement for previously expended engineering costs on grant projects through the anticipated FY'25 SRF loan issuance. An analysis of FY'25 including those projected FY'25 SRF cash flows is included with each scenario. Should the SRF loan not close as anticipated, the District will need to consider other funding options. Debt coverage also remains well above the required 1.20 under all scenarios.

Recommendation

Staff is recommending Scenario 2 which includes inclining volumetric water tier increases per Appendix II, increases the sewer volumetric rate \$0.15 per thousand gallons, and increases both the water and sewer base rate per unit by \$0.50 each. The proceeds from the anticipated FY'25 SRF Loan are expected to absorb the deficit of \$511,900 shown under this scenario resulting in a projected increase in unrestricted cash of approximately \$1,463,300. However, if the FY'25 SRF loan does not close as anticipated, staff will need to consider alternative funding options. The inclining water volumetric tier increases under this scenario continue to encourage water efficiency while the water and sewer base rate increases and sewer volumetric tier increases guarantee additional revenue. The proposed increases allow the District to counteract the significant inflationary pressures it has encountered, to ensure it is attracting and retaining talent in this difficult job market with limited workforce housing, and to continue to perform needed preventative maintenance and capital projects to its vital water and sewer infrastructure.

The following pages contain the preliminary COSA models for review, a comparison of the proposed rate structures and monthly bills they would generate at different consumption levels, and the current published rate structures of the other three local public service districts.

Scenario 1 – Inclining volumetric increases to tier blocks 2-4, increase 1st residential tier \$0.06 per 1,000 gallons, increase sewer volumetric tier \$0.15 per 1,000 gallons.

This scenario includes inclining water volumetric increases as found in Appendix II. The sewer volumetric rate also increases from \$2.16 to \$2.31 per 1,000 gallons.

| Category | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| Water Operating Revenues | \$ 8,595,000 | \$ 8,642,200 | \$ 8,689,700 | \$ 8,737,600 | \$ 8,785,900 |
| Sewer Operating Revenues | 7,007,000 | 7,060,700 | 7,114,900 | 7,169,700 | 7,225,000 |
| Total Operating Revenues | 15,602,000 | 15,702,900 | 15,804,600 | 15,907,300 | 16,010,900 |
| Water Operating Expenses excluding Depreciation | (6,557,000) | (6,718,900) | (6,885,500) | (7,057,200) | (7,234,000) |
| Sewer Operating Expenses excluding Depreciation | (6,820,600) | (6,990,500) | (7,165,600) | (7,346,100) | (7,532,100) |
| Total Operating Expenses excluding Depreciation | (13,377,600) | (13,709,400) | (14,051,100) | (14,403,300) | (14,766,100) |
| Water Non-Operating Revenues | 3,342,100 | 3,114,100 | 3,188,500 | 2,423,000 | 1,883,300 |
| Sewer Non-Operating Revenues | 891,100 | 906,100 | 921,500 | 937,100 | 953,000 |
| Total Non-Operating Revenues | 4,233,200 | 4,020,200 | 4,110,000 | 3,360,100 | 2,836,300 |
| Water Capacity Fees & Developer Contributions | 7,664,000 | 5,164,000 | 164,000 | 164,000 | 164,000 |
| Sewer Capacity Fees | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 |
| Total Capacity Fees | 7,820,000 | 5,320,000 | 320,000 | 320,000 | 320,000 |
| Water GO Debt Service | (1,300,900) | (1,500,200) | (1,539,000) | (737,000) | (159,900) |
| Water Revenue Debt Service | (1,291,700) | (1,485,200) | (1,482,000) | (1,484,700) | (1,316,200) |
| Sewer Revenue Debt Service | (1,260,400) | (950,000) | (947,900) | (949,800) | (837,400) |
| Total Debt Service | (3,853,000) | (3,935,400) | (3,968,900) | (3,171,500) | (2,313,500) |
| Sewer FFA, net | 132,000 | 132,000 | 132,000 | 132,000 | 132,000 |
| Water Rate Funded CIP Projects | (8,587,200) | (6,077,400) | (1,303,700) | (1,097,000) | (1,142,300) |
| Sewer Rate Funded CIP Projects | (2,707,800) | (3,087,600) | (1,966,300) | (2,573,000) | (1,842,700) |
| Total CIP Projects | (11,295,000) | (9,165,000) | (3,270,000) | (3,670,000) | (2,985,000) |
| Net Cost of Service before anticipated FY'25 Debt | 2025 | 2026 | 2027 | 2028 | 2029 |
| Total Water Cost of Service | 1,864,300 | 1,138,600 | 832,000 | 948,700 | 980,800 |
| Total Sewer Cost of Service | (2,602,700) | (2,773,300) | (1,755,400) | (2,474,100) | (1,746,200) |
| Total Combined Cost of Service | \$ (738,400) | \$ (1,634,700) | \$ (923,400) | \$ (1,525,400) | \$ (765,400) |

| Debt Coverage | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|--------------|--------------|--------------|--------------|--------------|
| Net Earnings for Debt Coverage Ratio | \$ 5,172,900 | \$ 4,995,500 | \$ 4,806,600 | \$ 4,609,100 | \$ 4,403,300 |
| Parity Revenue Debt Service | \$ 2,468,300 | \$ 2,435,200 | \$ 2,430,000 | \$ 2,434,500 | \$ 2,153,700 |
| Debt Coverage Ratio | 210% | 205% | 198% | 189% | 204% |
| Debt Coverage Ratio without Capacity Fees | 199% | 194% | 187% | 178% | 192% |

Anticipated Unrestricted Cash Projection Assuming 12/31/2024 FY'25 GO SRF Loan Closing

| | |
|--|---------------------|
| Cost of Service before FY'25 Debt Above | \$ (738,400) |
| Add: Projected SRF Loan Issuance Less BIC | 2,547,500 |
| Less: Rem. Grant SRF Engineering Funded by SRF Loan | (110,000) |
| Less: Projected SRF Loan Debt Service | (79,500) |
| Less: Remaining GO Available for 2nd GO Issuance | (382,800) |
| Project. Change in Unrestricted Cash w/ FY'25 SRF | \$ 1,236,800 |

Scenario 2 – Includes the volumetric increases from Scenario 1 as well as a \$0.50 base rate increase to both water and sewer.

The only change from Scenario 1 is a \$119,100 increase in the water cost of service and a \$107,500 increase in the sewer cost of service which is the staff projection of the additional revenue that would be generated by increasing the monthly base rate of each service by \$0.50 per unit.

| Net Cost of Service before anticipated FY'25 Debt | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| Total Water Cost of Service | 1,983,400 | 1,257,800 | 951,600 | 1,069,200 | 1,101,700 |
| Total Sewer Cost of Service | (2,495,200) | (2,664,900) | (1,646,200) | (2,364,200) | (1,635,500) |
| Total Combined Cost of Service | \$ (511,800) | \$ (1,407,100) | \$ (694,600) | \$ (1,295,000) | \$ (533,800) |

| Debt Coverage | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|--------------|--------------|--------------|--------------|--------------|
| Net Earnings for Debt Coverage Ratio | \$ 5,399,500 | \$ 5,223,100 | \$ 5,035,400 | \$ 4,839,500 | \$ 4,634,900 |
| Parity Revenue Debt Service | \$ 2,468,300 | \$ 2,435,200 | \$ 2,430,000 | \$ 2,434,500 | \$ 2,153,700 |
| Debt Coverage Ratio | 219% | 214% | 207% | 199% | 215% |
| Debt Coverage Ratio without Capacity Fees | 208% | 203% | 196% | 188% | 203% |

Anticipated Unrestricted Cash Projection Assuming 12/31/2024 FY'25 GO SRF Loan Closing

| | |
|--|---------------------|
| Cost of Service before FY'25 Debt Above | \$ (511,800) |
| Add: Projected SRF Loan Issuance Less BIC | 2,547,500 |
| Less: Rem. Grant SRF Engineering Funded by SRF Loan | (110,000) |
| Less: Projected SRF Loan Debt Service | (79,500) |
| Less: Remaining GO Available for 2nd GO Issuance | (382,800) |
| Project. Change in Unrestricted Cash w/ FY'25 SRF | \$ 1,463,400 |

Scenario 3 – Includes the volumetric increases from Scenario 1 as well as a \$1.00 base rate increase to both water and sewer.

The only change from Scenario 1 is a \$237,900 increase in the water cost of service and a \$215,200 increase in the sewer cost of service which is the staff projection of the additional revenue that would be generated by increasing the monthly base rate by \$1.00.

| Net Cost of Service before anticipated FY'25 Debt | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| Total Water Cost of Service | 2,102,200 | 1,377,600 | 1,072,300 | 1,190,200 | 1,223,500 |
| Total Sewer Cost of Service | (2,387,500) | (2,556,500) | (1,537,100) | (2,254,300) | (1,524,800) |
| Total Combined Cost of Service | \$ (285,300) | \$ (1,178,900) | \$ (464,800) | \$ (1,064,100) | \$ (301,300) |

| Debt Coverage | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|--------------|--------------|--------------|--------------|--------------|
| Net Earnings for Debt Coverage Ratio | \$ 5,626,000 | \$ 5,451,300 | \$ 5,265,200 | \$ 5,070,400 | \$ 4,867,400 |
| Parity Revenue Debt Service | \$ 2,468,300 | \$ 2,435,200 | \$ 2,430,000 | \$ 2,434,500 | \$ 2,153,700 |
| Debt Coverage Ratio | 228% | 224% | 217% | 208% | 226% |
| Debt Coverage Ratio without Capacity Fees | 217% | 213% | 206% | 197% | 213% |

Anticipated Unrestricted Cash Projection Assuming 12/31/2024 FY'25 GO SRF Loan Closing

| | |
|--|---------------------|
| Cost of Service before FY'25 Debt Above | \$ (285,300) |
| Add: Projected SRF Loan Issuance Less BIC | 2,547,500 |
| Less: Rem. Grant SRF Engineering Funded by SRF Loan | (110,000) |
| Less: Projected SRF Loan Debt Service | (79,500) |
| Less: Remaining GO Available for 2nd GO Issuance | (382,800) |
| Project. Change in Unrestricted Cash w/ FY'25 SRF | \$ 1,689,900 |

Scenario 4 – Cost of Service with no water or sewer rate changes.

This scenario shows staff’s projection of the cost of service if no water or sewer rate changes are enacted for FY’25. This shows a \$276,700 reduction of the water cost of service and a \$165,800 reduction of the sewer cost of service from Scenario 1 which represents staff’s projection of the additional revenue that will be generated by increasing the volumetric tiers to the level of scenario 1.

| Net Cost of Service before anticipated FY'25 Debt | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Water Cost of Service | 1,587,600 | 860,300 | 552,200 | 667,300 | 697,800 |
| Total Sewer Cost of Service | (2,768,500) | (2,940,700) | (1,924,500) | (2,644,900) | (1,918,700) |
| Total Combined Cost of Service | \$ (1,180,900) | \$ (2,080,400) | \$ (1,372,300) | \$ (1,977,600) | \$ (1,220,900) |

| Debt Coverage | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|--------------|--------------|--------------|--------------|--------------|
| Net Earnings for Debt Coverage Ratio | \$ 4,730,400 | \$ 4,549,800 | \$ 4,357,700 | \$ 4,156,900 | \$ 3,947,800 |
| Parity Revenue Debt Service | \$ 2,468,300 | \$ 2,435,200 | \$ 2,430,000 | \$ 2,434,500 | \$ 2,153,700 |
| Debt Coverage Ratio | 192% | 187% | 179% | 171% | 183% |
| Debt Coverage Ratio without Capacity Fees | 181% | 176% | 168% | 160% | 171% |

Anticipated Unrestricted Cash Projection Assuming 12/31/2024 FY'25 GO SRF Loan Closing

| | |
|--|-------------------|
| Cost of Service before FY'25 Debt Above | \$ (1,180,900) |
| Add: Projected SRF Loan Issuance Less BIC | 2,547,500 |
| Less: Rem. Grant SRF Engineering Funded by SRF Loan | (110,000) |
| Less: Projected SRF Loan Debt Service | (79,500) |
| Less: Remaining GO Available for 2nd GO Issuance | (382,800) |
| Project. Change in Unrestricted Cash w/ FY'25 SRF | \$ 794,300 |

Appendix I Preliminary Rate Funded CIP Projects

| CIP Projects | | | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|--|------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| | | Priority Ranking | | | | | |
| CIP Rate/Cash Funded Projects (Amounts in 000's) | | | | | | | |
| WWTP | | | | | | | |
| Band Screen | New chain and rehab of existing band screen | 1 | 40.0 | | | | |
| Reuse Water System | Upgrades, improvements, etc. to the reuse water system including new flow meters, valves, piping, etc. | 2 | 100.0 | 105.0 | 110.0 | 115.0 | 120.0 |
| Return Activated Sludge (RAS) Building | Install new isolation valve | 3 | 75.0 | | | | |
| Filter Building Blowers | Replace 1 of 2 filter blowers. Blowers run during backwash | 4 | 40.0 | | | | |
| RAS Pump | Replace 2 RAS Building pumps | 5 | 60.0 | 60.0 | | | |
| Nutrient Monitoring | Probes that monitor Ammonia and Nitrate in the Aeration Basin | 6 | 55.0 | | | | |
| Transfer Pump Building | Electrical repairs and improvements | 7 | 30.0 | | | | |
| Clarifier | Coating and refurbishment of Clarifier #1 Gear Box and Arm | 8 | 30.0 | | | | |
| Grit Chamber | Sandblast and Coat Bridge #2 | 9 | 35.0 | | 50.0 | | |
| Paint Buildings and Tank | Paint & resurface buildings and tanks (filter building) | 10 | 50.0 | | | | |
| Influent Screen | Back up to band screen. | 11 | 750.0 | | | | |
| System Rehab | Replace valves, actuators, motors, parts, etc. | * | 200.0 | 225.0 | 250.0 | 250.0 | 275.0 |
| Clarifier | Wier cleaning system | | | 50.0 | 50.0 | 50.0 | |
| Warehouse | Build new warehouse building | | | 1,200.0 | | | |
| Sludge Building | Replace metal shed sludge handling building | | | | | 800.0 | |
| TOTAL WWTP | | | \$ 1,465.0 | \$ 1,640.0 | \$ 460.0 | \$ 1,215.0 | \$ 395.0 |
| Wastewater Collection System | | | | | | | |
| Gravity Main Line Refurbishment | Gravity sewer main line repairs and relining | 1 | 350.0 | 400.0 | 400.0 | 400.0 | 450.0 |
| Lift Stations - Rehab | Rehab and pumps | * | 300.0 | 325.0 | 350.0 | 375.0 | 400.0 |
| Lift Stations - Control Panels | Place control panels | * | 100.0 | 105.0 | 110.0 | 115.0 | 120.0 |
| District Funded MSP Projects | District Funded MSP Projects | * | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| System Rehab | Replace pipes, manholes, laterals, equipment as dictated by inspections | * | 200.0 | 225.0 | 250.0 | 250.0 | 250.0 |
| Royal James L/S | Install Screening Devices | | | 175.0 | | | |
| TOTAL COLLECTION SYSTEM | | | \$ 975.0 | \$ 1,255.0 | \$ 1,135.0 | \$ 1,165.0 | \$ 1,245.0 |
| Water Production/Distribution System | | | | | | | |
| RO Plant | Replace actuator on Booster Pump #3 | 1 | 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 | * | 500.0 | 525.0 | 550.0 | 575.0 | 600.0 |
| US 278 Bridge Relocation Project | Engineering for Relocation of 24" Main | R | 1,500.0 | | | | |
| Leg O Mutton Booster Pump Station | Construction Costs from BC ARPA Allocation | R | 700.0 | | | | |
| RO Well 4 & Plant Expansion / ASR 2 | Construction Costs from SCIP Grant/BC ARPA | R | 5,300.0 | 5,000.0 | | | |
| Ground Storage Tanks, Wells, Booster Stations | VFD's, PLC's | * | 75.0 | 80.0 | 80.0 | 80.0 | 80.0 |
| System Rehab | Replace valves, equipment, RO membranes etc. | * | 100.0 | 105.0 | 110.0 | 115.0 | 125.0 |
| TOTAL DISTRIBUTION SYSTEM | | | \$ 8,330.0 | \$ 5,865.0 | \$ 895.0 | \$ 885.0 | \$ 920.0 |
| Facilities and Equipment | | | | | | | |
| SCADA Improvements | Upgrade Processors at Wild Horse & Seabrook | 1 | 80.0 | 95.0 | 95.0 | 95.0 | 115.0 |
| SCADA Improvements - Ashmore | Ashmore Upgrades | 2 | 50.0 | | | | |
| Operations Equipment - Water | Line locator equipment | 3 | 25.0 | | | | |
| Operations Equipment - Sewer | Camera to inspect gravity sewer lines | 4 | 35.0 | | | | |
| Operations Equipment | Shoring and Well Points | 5 | 25.0 | | | | |
| Vehicles | Fleet replacements | 6 | 250.0 | 250.0 | 250.0 | 250.0 | 250.0 |
| Admin Building | Building Improvements, furniture, 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 |
| Admin Building - AC | Admin Building Cooling Tower | | | | 300.0 | | |
| Excavator | Mini Excavator | | | | 75.0 | | |
| TOTAL FACILITIES AND EQUIPMENT | | | \$ 525.0 | \$ 405.0 | \$ 780.0 | \$ 405.0 | \$ 425.0 |
| TOTAL RATE/CASH FUNDED CIP PROJECTS | | | \$ 11,295.0 | \$ 9,165.0 | \$ 3,270.0 | \$ 3,670.0 | \$ 2,985.0 |
| * These are ongoing projects to be performed and completed on an as needed basis. As such, they have not been given a ranking. | | | | | | | |
| R These projects are funded by reimbursements from the SCDOT, BC ARPA Allocation, and SCIP Grant | | | | | | | |

Appendix II Consumption Rates & Monthly Bill Comparison

| <u>Water & Irrigation Monthly Base Rate per Unit:</u> | Current | Scenario 1 | Scenario 2 | Scenario 3 |
|--|----------------|-------------------|-------------------|-------------------|
| Residential Customers | 16.50 | 16.50 | 17.00 | 17.50 |
| Commercial Customers | 21.50 | 21.50 | 22.00 | 22.50 |
| <u>Monthly Usage Rates per 1,000 Gallons:</u> | | | | |
| Block 1 - 0 to 10,000 Gal | 1.52 | 1.58 | 1.58 | 1.58 |
| Block 2 - 10,001 to 20,000 Gal | 2.11 | 2.24 | 2.24 | 2.24 |
| Block 3 - 20,001 to 30,000 Gal | 2.54 | 2.79 | 2.79 | 2.79 |
| Block 4 - All Over 30,000 Gal | 3.38 | 3.72 | 3.72 | 3.72 |
| Commercial Water & Irrigation | | | | |
| <u>Monthly Usage Rates per 1,000 Gallons:</u> | | | | |
| Block 1 - 0 to 10,000 Gal | 1.69 | 1.69 | 1.69 | 1.69 |
| Block 2 - 10,001 to 20,000 Gal | 2.11 | 2.24 | 2.24 | 2.24 |
| Block 3 - 20,001 to 30,000 Gal | 2.54 | 2.79 | 2.79 | 2.79 |
| Block 4 - All Over 30,000 Gal | 3.38 | 3.72 | 3.72 | 3.72 |
| Residential Irrigation | | | | |
| <u>Monthly Usage Rates per 1,000 Gallons:</u> | | | | |
| Block 1 - 0 to 10,000 Gal | 2.11 | 2.24 | 2.24 | 2.24 |
| Block 2 - 10,001 to 20,000 Gal | 2.11 | 2.24 | 2.24 | 2.24 |
| Block 3 - 20,001 to 30,000 Gal | 2.54 | 2.79 | 2.79 | 2.79 |
| Block 4 - All Over 30,000 Gal | 3.38 | 3.72 | 3.72 | 3.72 |
| <u>Sewer Base Monthly Rate per Unit:</u> | | | | |
| Residential Customers | 18.50 | 18.50 | 19.00 | 19.50 |
| Commercial Customers | 18.50 | 18.50 | 19.00 | 19.50 |
| Residential & Commercial Sewer | | | | |
| <u>Monthly Usage Rates per 1,000 Gallons:</u> | | | | |
| | 2.16 | 2.31 | 2.31 | 2.31 |
| Residential sewer usage is capped at 10,000 gallons per month. | | | | |
| There is no cap on commercial sewer usage. | | | | |
| <u>Monthly Residential Bill at:</u> | | | | |
| 5,000 Gallons | \$ 53.40 | \$ 54.45 | \$ 55.45 | \$ 56.45 |
| 10,000 Gallons | \$ 71.80 | \$ 73.90 | \$ 74.90 | \$ 75.90 |
| 20,000 Gallons | \$ 92.90 | \$ 96.30 | \$ 97.30 | \$ 98.30 |
| 30,000 Gallons | \$ 118.30 | \$ 124.20 | \$ 125.20 | \$ 126.20 |
| 50,000 Gallons | \$ 185.90 | \$ 198.60 | \$ 199.60 | \$ 200.60 |
| 100,000 Gallons | \$ 354.90 | \$ 384.60 | \$ 385.60 | \$ 386.60 |
| <u>Monthly Commercial Bill at:</u> | | | | |
| 5,000 Gallons | \$ 59.25 | \$ 60.00 | \$ 61.00 | \$ 62.00 |
| 10,000 Gallons | \$ 78.50 | \$ 80.00 | \$ 81.00 | \$ 82.00 |
| 20,000 Gallons | \$ 121.20 | \$ 125.50 | \$ 126.50 | \$ 127.50 |
| 30,000 Gallons | \$ 168.20 | \$ 176.50 | \$ 177.50 | \$ 178.50 |
| 50,000 Gallons | \$ 279.00 | \$ 297.10 | \$ 298.10 | \$ 299.10 |
| 100,000 Gallons | \$ 556.00 | \$ 598.60 | \$ 599.60 | \$ 600.60 |

Appendix III

Beaufort-Jasper Water & Sewer Rates Effective July 1, 2023

| WATER | | | |
|------------------------|------------------|-------------|-------------------------|
| Commercial Irrigation | Minimum | \$ 15.00 | Basic Facilities Charge |
| | Usage | \$ 5.20 | |
| Commercial Water | Minimum | \$ 15.00 | Basic Facilities Charge |
| | Usage | \$ 4.12 | |
| Residential Irrigation | Minimum | \$ 10.50 | Basic Facilities Charge |
| | Usage | \$ 5.20 | |
| Residential Water | Minimum | \$ 10.50 | Basic Facilities Charge |
| | Usage | \$ 4.12 | |
| Raw Water | Fixed O&M Charge | \$ 6,200.00 | per Month |
| Commercial Contract | Usage | \$ 0.13 | per Thousand gallons |
| Reverse Osmosis | Fixed O&M Charge | \$ 5,700.00 | per Month |
| Commercial Contract | Usage | \$ 4.19 | per Thousand gallons |
| Return Water | Fixed O&M Charge | \$ 3,392.00 | per Month |
| Commercial Contract | Usage | \$ 0.06 | per Thousand gallons |
| Wholesale | Military | \$ 3.34 | per Thousand gallons |
| | Area A2 | \$ 3.24 | per Thousand gallons |
| | Area A3 | \$ 3.21 | per Thousand gallons |
| | Area B1 | \$ 3.13 | per Thousand gallons |
| | Area B2 | \$ 3.23 | per Thousand gallons |
| | Area B3 | \$ 2.26 | per Thousand gallons |

| SEWER | | | | |
|-----------------|---------------------------------------|-------------|-------------------------|----------------------|
| Commercial | Minimum | \$ 16.00 | Basic Facilities Charge | |
| | Usage | \$ 7.50 | | per Thousand gallons |
| Bulk Commercial | Minimum | \$ 16.00 | Basic Facilities Charge | |
| | Usage | \$ 6.25 | | per Thousand gallons |
| Residential | Minimum | \$ 16.00 | Basic Facilities Charge | |
| | Usage | \$ 7.15 | | per Thousand gallons |
| | Maximum per month | \$ 66.00 | | Residential Maximum |
| Reclaimed Water | Fixed O&M Charge: | | | |
| | NOB Golf Course Irrigation | \$ 460.00 | per Month | |
| | SOB Golf Course Irrigation | \$ 521.00 | per Month | |
| | SOB Residential/Commercial Irrigation | \$ 2,000.00 | per Month | |
| | Usage | \$ 0.25 | per Thousand gallons | |

| Capital Contribution/Capacity Fees | | |
|--|------------|-----------------|
| Effective October 1, 2022 | | |
| Residential Water per REU | \$1,923.00 | October 1, 2022 |
| Residential Sewer per REU | \$4,396.00 | October 1, 2022 |
| Commercial Water per gpd (minimum 400 gpd) | \$4.81 | October 1, 2022 |
| Commercial Sewer per gpd (minimum 300 gpd) | \$14.65 | October 1, 2022 |

| Effective July 1, 2023 | | |
|--|------------|--------------|
| Residential Water per REU | \$1,994.00 | July 1, 2023 |
| Residential Sewer per REU | \$4,884.00 | July 1, 2023 |
| Commercial Water per gpd (minimum 400 gpd) | \$4.99 | July 1, 2023 |
| Commercial Sewer per gpd (minimum 300 gpd) | \$16.28 | July 1, 2023 |

Appendix III

BROAD CREEK PUBLIC SERVICE DISTRICT

RATES AND FEES EFFECTIVE JULY 1, 2023

PURSUANT TO ACT 1739 OF THE ACTS AND JOINT RESOLUTIONS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA REGULAR SESSION OF 1973, THE FOLLOWING RATES AND FEES FOR BROAD CREEK PUBLIC SERVICE DISTRICT ARE PUBLISHED.

A PUBLIC HEARING WILL BE HELD ON FRIDAY, JUNE 09, 2023 AT 9:15 A.M. AT THE DISTRICT'S OFFICE LOCATED AT 3 MARINA SIDE DRIVE, HILTON HEAD ISLAND, SOUTH CAROLINA 29928. EACH AFFECTED PROPERTY OWNER SHALL HAVE THE RIGHT TO APPEAR AND MAKE A STATEMENT AT SAID MEETING.

COPIES OF THE EXISTING AND THESE PROPOSED RATES AND FEES OF THE DISTRICT ARE AVAILABLE ONLINE AT WWW.BCPSD.COM OR FROM THE DISTRICT'S OFFICES LOCATED AT 3 MARINA SIDE DRIVE, HILTON HEAD ISLAND, SOUTH CAROLINA AND MAY BE OBTAINED BY CALLING 843-785-7582.

I. INTRODUCTION/CUSTOMER CLASSES.

Rates are reflected below by Customer Classes. The District has, based upon historical data, allocated both revenue and expenses between the various Customer Classes both for water consumption and sewer collection and treatment. The Customer Classes within the District are:

A. RESIDENTIAL. This Class includes:

1. Single Family Residential
 2. Regime* / Apartment
 3. Master Metered Home Owner Association ("HOA")
- (*Note: "Regime" means a horizontal property regime containing condominium units which is master metered)

B. COMMERCIAL. This Class includes:

1. Single Family Residence (TRU*)
 2. Regime (TRU)
 3. Hotel/Time Share (TRU)
 4. Business; Retail; Restaurant
 5. Irrigation
 6. Recycled Water
- (*Note: "TRU" means "Transient Rental Unit", i.e. a unit or Regime allowing rentals of less than six (6) months duration.)

Each Regime, apartment, or other multi-family project is a separate customer of the District. Addendum A attached to this Schedule includes a list of each Regime in each Class of Customers.

II. RATES.

A. RESIDENTIAL MONTHLY CHARGES (WATER AND SEWER).

| | | |
|----|---|--|
| 1. | <u>Single Family Residential – Non TRU.</u> | |
| a. | <u>Water</u> | <u>Per 1,000 gallons of water used</u> |
| | First 21,000 gallons | \$ 2.46 |
| | 21,001 to 36,000 gallons | \$ 5.12 |
| | 36,001 to 100,000 gallons | \$11.79 |
| | Over 100,000 gallons | \$26.25 |
| b. | <u>Sewer</u> (base charge per month per customer) | <u>Flat Rate</u> |
| | | \$38.93 |
| 2. | <u>Regime /Apartment – Non TRU, Master Metered HOA.</u> | |
| a. | <u>Water</u> | <u>Per 1,000 gallons of water used</u> |
| | Single Tier | \$ 3.21 |
| b. | <u>Sewer</u> (base charge per Regime unit) | <u>Flat Rate</u> |
| | | \$38.93 |

Appendix III

B. COMMERCIAL MONTHLY CHARGES (WATER AND SEWER; IRRIGATION; RECYCLED WATER).

| | | | | | | | | | | | | |
|---------------------------|--|---|--------------|--|----------------------|---|--------------------------|--|---------------------------|---------|----------------------|---------|
| 1. | <u>Single Family Residential – TRU</u> | | | | | | | | | | | |
| | a. | <table border="0"> <tr> <td style="padding-right: 20px;"><u>Water</u></td> <td style="text-align: right;"><u>Per 1,000 gallons of water used</u></td> </tr> <tr> <td>First 21,000 gallons</td> <td style="text-align: right;">\$ 2.46</td> </tr> <tr> <td>21,001 to 36,000 gallons</td> <td style="text-align: right;">\$ 5.12</td> </tr> <tr> <td>36,001 to 100,000 gallons</td> <td style="text-align: right;">\$11.79</td> </tr> <tr> <td>Over 100,000 gallons</td> <td style="text-align: right;">\$26.25</td> </tr> </table> | <u>Water</u> | <u>Per 1,000 gallons of water used</u> | First 21,000 gallons | \$ 2.46 | 21,001 to 36,000 gallons | \$ 5.12 | 36,001 to 100,000 gallons | \$11.79 | Over 100,000 gallons | \$26.25 |
| <u>Water</u> | <u>Per 1,000 gallons of water used</u> | | | | | | | | | | | |
| First 21,000 gallons | \$ 2.46 | | | | | | | | | | | |
| 21,001 to 36,000 gallons | \$ 5.12 | | | | | | | | | | | |
| 36,001 to 100,000 gallons | \$11.79 | | | | | | | | | | | |
| Over 100,000 gallons | \$26.25 | | | | | | | | | | | |
| | b. | <table border="0"> <tr> <td style="padding-right: 20px;"><u>Sewer</u></td> <td style="text-align: right;"><u>Flat Rate plus Volume</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$38.93 per residential unit</td> </tr> <tr> <td style="padding-left: 20px;"><u>TRU Fee</u></td> <td style="text-align: right;">\$27.04 (under 4 baths); or \$54.08 (4 or more baths) plus \$3.90 per 1,000 over 25,000 gallons water used</td> </tr> </table> | <u>Sewer</u> | <u>Flat Rate plus Volume</u> | | \$38.93 per residential unit | <u>TRU Fee</u> | \$27.04 (under 4 baths); or \$54.08 (4 or more baths) plus \$3.90 per 1,000 over 25,000 gallons water used | | | | |
| <u>Sewer</u> | <u>Flat Rate plus Volume</u> | | | | | | | | | | | |
| | \$38.93 per residential unit | | | | | | | | | | | |
| <u>TRU Fee</u> | \$27.04 (under 4 baths); or \$54.08 (4 or more baths) plus \$3.90 per 1,000 over 25,000 gallons water used | | | | | | | | | | | |
| 2. | <u>Regime –TRU</u> | | | | | | | | | | | |
| | a. | <table border="0"> <tr> <td style="padding-right: 20px;"><u>Water</u></td> <td style="text-align: right;"><u>Per 1,000 gallons of water used</u></td> </tr> <tr> <td>Single Tier</td> <td style="text-align: right;">\$ 3.21</td> </tr> </table> | <u>Water</u> | <u>Per 1,000 gallons of water used</u> | Single Tier | \$ 3.21 | | | | | | |
| <u>Water</u> | <u>Per 1,000 gallons of water used</u> | | | | | | | | | | | |
| Single Tier | \$ 3.21 | | | | | | | | | | | |
| | b. | <table border="0"> <tr> <td style="padding-right: 20px;"><u>Sewer</u></td> <td style="text-align: right;"><u>Flat Rate</u></td> </tr> <tr> <td style="padding-left: 20px;"><u>TRU Fee</u></td> <td style="text-align: right;">\$38.93 per Regime unit plus \$10.82 per unit within Regime</td> </tr> </table> | <u>Sewer</u> | <u>Flat Rate</u> | <u>TRU Fee</u> | \$38.93 per Regime unit plus \$10.82 per unit within Regime | | | | | | |
| <u>Sewer</u> | <u>Flat Rate</u> | | | | | | | | | | | |
| <u>TRU Fee</u> | \$38.93 per Regime unit plus \$10.82 per unit within Regime | | | | | | | | | | | |
| 3. | <u>Hotel/Timeshare</u> | | | | | | | | | | | |
| | a. | <table border="0"> <tr> <td style="padding-right: 20px;"><u>Water</u></td> <td style="text-align: right;"><u>Per 1,000 gallons of water used</u></td> </tr> <tr> <td>Single Tier</td> <td style="text-align: right;">\$ 3.21</td> </tr> </table> | <u>Water</u> | <u>Per 1,000 gallons of water used</u> | Single Tier | \$ 3.21 | | | | | | |
| <u>Water</u> | <u>Per 1,000 gallons of water used</u> | | | | | | | | | | | |
| Single Tier | \$ 3.21 | | | | | | | | | | | |
| | b. | <table border="0"> <tr> <td style="padding-right: 20px;"><u>Sewer</u></td> <td style="text-align: right;"><u>Flat Rate</u></td> </tr> <tr> <td style="padding-left: 20px;"><u>TRU Fee</u></td> <td style="text-align: right;">\$38.93 per hotel room/timeshare unit \$10.82 per hotel room/timeshare unit</td> </tr> </table> | <u>Sewer</u> | <u>Flat Rate</u> | <u>TRU Fee</u> | \$38.93 per hotel room/timeshare unit \$10.82 per hotel room/timeshare unit | | | | | | |
| <u>Sewer</u> | <u>Flat Rate</u> | | | | | | | | | | | |
| <u>TRU Fee</u> | \$38.93 per hotel room/timeshare unit \$10.82 per hotel room/timeshare unit | | | | | | | | | | | |
| 4. | <u>Business; Retail: Restaurant</u> | | | | | | | | | | | |
| | a. | <table border="0"> <tr> <td style="padding-right: 20px;"><u>Water</u></td> <td style="text-align: right;"><u>Per 1,000 gallons of water used</u></td> </tr> <tr> <td>Single Tier</td> <td style="text-align: right;">\$ 3.21</td> </tr> </table> | <u>Water</u> | <u>Per 1,000 gallons of water used</u> | Single Tier | \$ 3.21 | | | | | | |
| <u>Water</u> | <u>Per 1,000 gallons of water used</u> | | | | | | | | | | | |
| Single Tier | \$ 3.21 | | | | | | | | | | | |
| | b. | <table border="0"> <tr> <td style="padding-right: 20px;"><u>Sewer</u></td> <td style="text-align: right;"><u>Flat Rate plus volume</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$56.24 per meter (account) plus \$3.90 per 1,000 gallons over 50,000 gallons water usage</td> </tr> </table> | <u>Sewer</u> | <u>Flat Rate plus volume</u> | | \$56.24 per meter (account) plus \$3.90 per 1,000 gallons over 50,000 gallons water usage | | | | | | |
| <u>Sewer</u> | <u>Flat Rate plus volume</u> | | | | | | | | | | | |
| | \$56.24 per meter (account) plus \$3.90 per 1,000 gallons over 50,000 gallons water usage | | | | | | | | | | | |
| 5. | <u>Irrigation</u> | | | | | | | | | | | |
| | a. | <table border="0"> <tr> <td style="padding-right: 20px;"><u>Water</u></td> <td style="text-align: right;"><u>Flat Rate plus volume</u></td> </tr> <tr> <td>Single Tier</td> <td style="text-align: right;">\$16.22 per meter (account) plus \$3.21 per 1,000 gallons of water used</td> </tr> </table> | <u>Water</u> | <u>Flat Rate plus volume</u> | Single Tier | \$16.22 per meter (account) plus \$3.21 per 1,000 gallons of water used | | | | | | |
| <u>Water</u> | <u>Flat Rate plus volume</u> | | | | | | | | | | | |
| Single Tier | \$16.22 per meter (account) plus \$3.21 per 1,000 gallons of water used | | | | | | | | | | | |
| 6. | <u>Recycled Water</u> | \$1.16/1,000 gallons | | | | | | | | | | |

Appendix III

III. FEES.

A. WATER AND SEWER CONNECTION AND CAPACITY FEES BY METER SIZE (Residential and Commercial)

| Meter Size | Water Capacity Fee | Sewer Capacity Fee | Water Connection Fee* | Sewer Connection Fee* |
|------------|--------------------|--------------------|-----------------------|-----------------------|
| 5/8" | \$975 | \$2,425 | \$1,500 | <u>Line Size</u> |
| 3/4" | \$1,465 | \$3,635 | \$1,500 | 4" or less -- \$290 |
| 1" | \$2,440 | \$6,055 | \$1,700 | 6" or more - \$875 |
| 2" | \$7,800 | \$19,385 | \$3,900 | |
| 3" | \$14,625 | \$36,345 | \$4,600 | |
| 4" | \$24,375 | \$60,575 | \$6,000 | |
| 6" | \$48,750 | \$121,150 | \$11,500 | |
| 8" | \$78,000 | \$193,835 | \$13,550 | |

NOTES: 1. For connection fees, * means "or cost, whichever is greater".

2. For capacity fees – meter sizes larger than 2" are subject to further evaluation by District based on proposed usage and DHEC contributory loads.

B. ANNUAL AVAILABILITY FEE ON UNIMPROVED PROPERTY

Single Family Lots (water/sewer combined) \$300.00

C. MISCELLANEOUS.

| | |
|---|---------------------------------|
| Transfer Fee | \$50.00 per change |
| NSF Check Return Charge | \$25.00 |
| Re-connection Fee for units disconnected for any reason | \$140.00 per unit |
| Delinquency Notice for attaching cut-off notice to door | \$30.00 per unit |
| Temporary Reconnection Fee | \$100.00 |
| Hydrant Flow Meter Rental | \$100.00 plus \$2.88/1000 usage |

Appendix III
Addendum A
TO JULY 1, 2023 RATE SCHEDULE

| <u>REGIME – NON-TRU</u> | <u>UNITS</u> | <u>REGIME - TRU</u> | <u>UNITS</u> |
|-------------------------|--------------|-----------------------|--------------|
| Newport Villas | 66 | Abbington | 24 |
| Somerset Condos | 27 | Anchorage | 88 |
| South Shore Commons | 18 | Barrington | 111 |
| Tradewinds | 28 | Beach Villas | 17 |
| Wyndemere | 54 | Captains Cove* | 16 |
| Yacht Cove Villas | <u>7</u> | Captains Walk* | 84 |
| | 200 | Captains Quarters | 64 |
| | | Centre Court | 36 |
| | | Fazio I & II | 39 |
| | | Fazio III | 19 |
| | | Hampton Place North** | 45 |
| | | Hampton Place South** | 45 |
| | | Harbourside I & II | 72 |
| | | Hickory Cove | 52 |
| | | Huntington | 57 |
| | | Inverness | 97 |
| | | Main Sail | 56 |
| | | Moorings | 48 |
| | | Ocean Cove | 38 |
| | | Queens Grant I | 54 |
| | | Queens Grant II | 81 |
| | | Queens Grant III | 54 |
| | | Queens Grant IV | 54 |
| | | Queens Grant V | 54 |
| | | St. Andrews | 128 |
| | | Turnberry | 100 |
| | | Villamare | 160 |
| | | Water Oak | 48 |
| | | Wendover Dunes | 40 |
| | | Windsor Court N & S | 94 |
| | | Windsor Place | 94 |
| | | Yacht Club Villas | <u>43</u> |
| | | | <u>2012</u> |

- Notes:**
1. The Townhomes at South Shore is a Regime with 18 units, each of which are separately metered and billed individually to Unit owners.
 2. The Peninsula in Shelter Cove is a non-condominium project with 17 units treated as a HOA project and is master metered.
 3. There are 5 Regimes which are 100% timeshare or fractional interest projects, i.e. Harbourside III; Harbour Pointe; Sunset Point; The Village at Palmetto Dunes; and Disney Vacation Club, all of which fall under the Hotel/TimeShare Customer designation.
 4. Chimney Cove is a non-condominium Apartment project with 52 units and is master metered.

Notes:

*Captains Cove and Captains Walk are one HPR with two separate meters.

**Hampton Place North and Hampton Place South are one HPR with two separate meters.

Appendix III

**SOUTH ISLAND PUBLIC SERVICE DISTRICT
CUSTOMER WATER RATES
WATER RATES**

| Monthly Base Charges | |
|--------------------------------------|---------|
| Single Family Residential | \$15.75 |
| Multi-Family Residential | \$15.75 |
| Commercial & Restaurant ¹ | \$47.23 |
| Hotel/Motel Room ¹ | \$9.83 |
| Irrigation (separate meter) | \$15.75 |
| Reclaimed Water | \$15.75 |

| Monthly Volumetric Charges (per 1,000 gallons) | |
|--|--------|
| Tier 1 Rate (0-6,000) ² | \$1.40 |
| Tire 2 Rate (6,001-12,000) ² | \$3.18 |
| Tier 3 Rate (12,001-20,000) ² | \$4.46 |
| Tier 4 Rate (above 20,000) ² | \$6.13 |
| Commercial & Restaurant | \$3.18 |
| Reclaimed Water | \$1.36 |

SEWER RATES

| Monthly Base Charges | |
|--------------------------------------|---------|
| Single Family Residential | \$16.65 |
| Multi-Family Residential | \$16.65 |
| Commercial & Restaurant ¹ | \$49.97 |
| Hotel/Motel Room ¹ | \$10.41 |

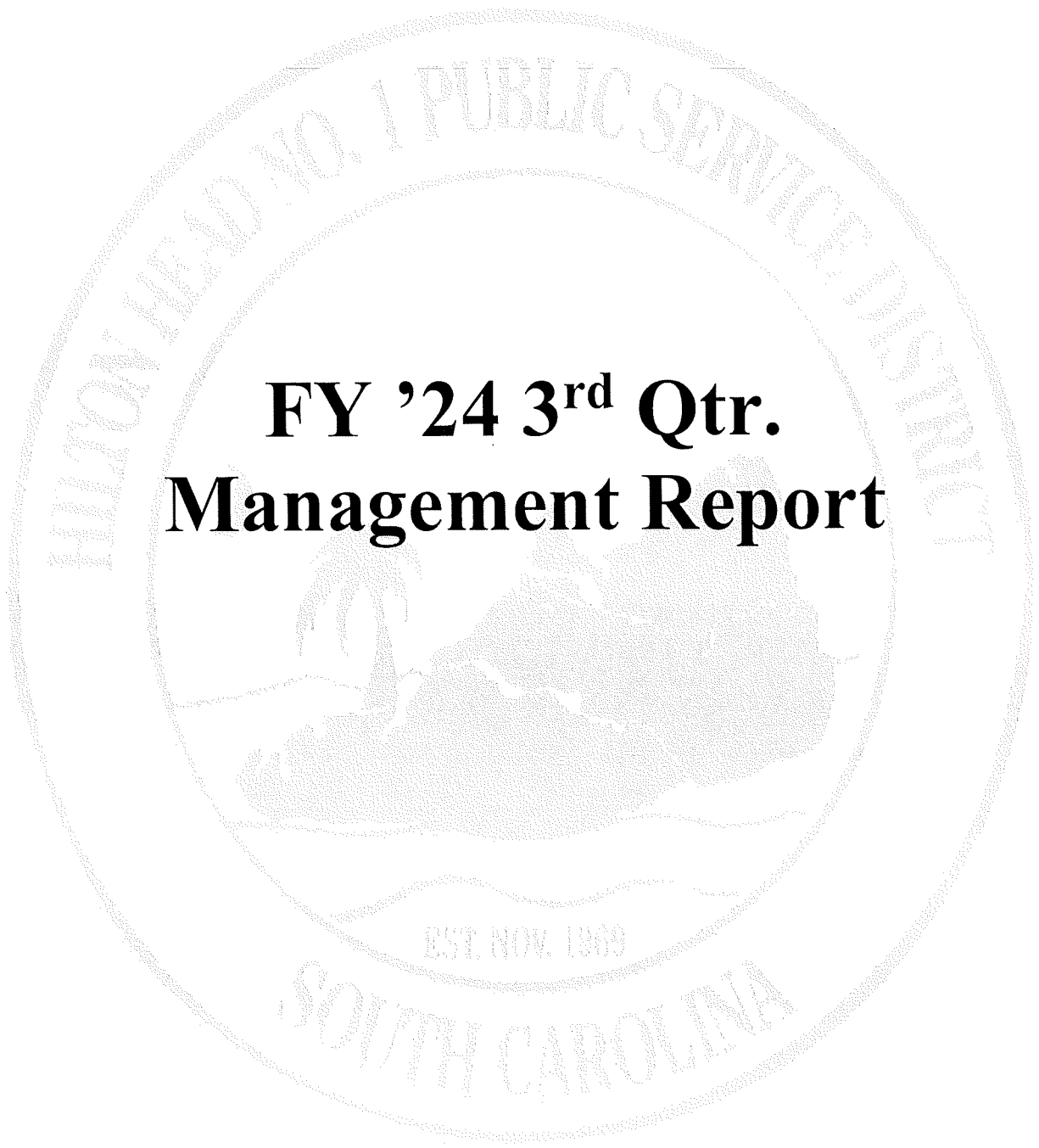
| Monthly Volumetric Charges (per 1,000 gallons) | |
|--|--------|
| Standard Sewer Rate ^{2 3} | \$2.25 |
| Restaurant Sewer Rate | \$4.50 |

¹ Hotel and motel accounts are billed based on the number of rooms. Commercial and Restaurant accounts are billed based on number of units.

² Rates apply to single-family, multi-family, hotel/motel, and all non-commercial customer accounts.

³ Single-family residential accounts are charged the standard sewer rate for the first 12,000 gallons of metered water use.

| Miscellaneous Fees | |
|-----------------------------|---------|
| New Account Fee | \$50.00 |
| Seller Service Transfer Fee | \$25.00 |
| Buyer Service Transfer Fee | \$25.00 |
| Tap/Cap Fee Inspections | \$75.00 |



**FY '24 3rd Qtr.
Management Report**



**HILTON HEAD PUBLIC SERVICE DISTRICT
STRATEGIC GOALS & OBJECTIVES
Adopted: November 2023**

3rd Qtr. Fiscal Year '24 Management Report:

("New:" indicates update for 3rd Qtr. Report)

1. Goal No. 1 – Water Services: Provide for all of our customers’ water supply needs with the highest quality water possible in a cost-effective manner

1.1. Ensure water supply and quality through regular monitoring, reporting, and optimal production and distribution system performance.

1.1 Management Tactics:

- 1) PSD water supply capacity is currently adequate and water quality is meeting or exceeding all current state and federal water quality standards, and all required reporting and monitoring is in compliance.
- 2) We are working on multiple projects to add long-term drinking water capacity and enhance drinking water storage and distribution. First, we received a \$10-million grant from the S.C. Infrastructure Investment Program (SCIIP), two fund two long-term water supply projects: 1.) Expansion of our Reverse Osmosis (RO) Drinking Water Treatment Facility from 4-mgd (million gallons per day) to 6-mgd production; and 2.) Construction of a second Aquifer Storage & Recovery (ASR) Well, which would yield 2-mgd of supply during spring and summer. Second, we received \$1 million from the Beaufort County government from its American Rescue Plan Act allocation and are using that funding to construct a water distribution booster station at our Leg O’Mutton site and add an emergency generator at the RO Plant.

New: RO Plant Expansion and RO Well #4, ASR #2 Update

Below is the estimated schedule for both the RO Plant Expansion and the construction of RO Well #4 and ASR Well #2.

- 100% Design Complete – mid-April.
- Receive Proposals for RO Plant Sole-Source Equipment Allowances – May 1.
- State of South Carolina Completes Review of Bid Documents (as required by SCIIP) – mid-May.
- All Permits Received – May 1 (DHEC and Office of Coastal Resource Management Permits to Construct were received for RO Plant in March).
- Bidding and Award – May and June.
- Construction – August 2024 to January 2026.

- Closeout – January to March 2026.

New: Leg O' Mutton Booster Station Update

We received a low responsible bid of \$1.99 million for this project on March 28. The County's ARPA allocation will fund \$700,000 of this project and the PSD will need to locally fund the remainder of the cost. Staff will bring the low bid to the Commission for acceptance at the April board meeting. Construction completion is estimated for summer 2025.

- 3) We continue to await the S.C. DOT's announcement of the final design and initiation of the U.S. 278 Corridor Project, which will necessitate the relocation of our transmission pipeline buried under the Intracoastal Waterway through which we procure wholesale water from the Beaufort-Jasper Water & Sewer Authority. We have recently provided the DOT with information related to our easements in the corridor.
- 4) The RO Plant received a "satisfactory" rating from S.C. DHEC during the 2023 Sanitary Survey inspection. Only "satisfactory" or "unsatisfactory" ratings are given.
- 5) The PSD Water Quality Laboratory was once again named a Laboratory of Excellence in July 2023. A news release was sent.
- 6) We have created the lead service line inventory necessary for compliance with the U.S. Environmental Protection Agency's new Lead & Copper Rule by the October 2024 deadline. We are routinely engaged in cataloging deployed pipe materials to remove possible unknowns from the inventory. We are working with S.C. DHEC on sampling requirements for schools and daycare facilities that is part of the new rule. We have created a "Lead in Water" web page (<https://hhpsd.com/lead/>) that updates our progress on the inventory, invites customers to contact us to have their water tested, and provides other useful links on the topic.

1.2 Utilize best available technologies where economically feasible.

1.2 Management Tactics:

- 7) PSD supervisory control and data acquisition (SCADA) system upgrades and enhancements are ongoing including at the Reverse Osmosis Facility.
- 8) New: State-of-the-art valve actuators have been installed at the Reverse Osmosis Facility. These devices allow for the remote opening and closing of valves at the facility in response to an array of situations including routine facility maintenance and emergencies.
- 9) Ongoing cybersecurity programs and training are in place.
- 10) We hired an IT/GIS Technician to work under our IT/GIS Manager's supervision. This enhancement of our IT/GIS human resource is necessary to maintain cybersecurity efforts among an array of other IT-related programs.

1.3 Maintain an evergreen Long Range Water Supply Plan to assure supply and quality.

1.3 Management Tactics:

- 11) Long range water supply planning updated in spring 2022, including future capital project options and updated hydrogeological modeling of aquifer conditions and expectations. The plan is playing a key role in the identification of sites for future water supply assets as well as the prioritization of supply asset development. It formed the basis of our SCIP grant projects.
- 12) Pete Nardi is serving as the only Hilton Head Island representative on the 25-member Lower Savannah-Salkehatchie River Basin Council for the S.C. State Water Plan. The council is creating a set of goals related to future water capacity and allocations in the basin, which will inform the overall State Water Plan and play a role in the state's determination of future capacity permits.

1.4 Proactively emphasize efficient use of water in all activities internally and with customers, particularly in regard to landscape irrigation.

1.4 Management Tactics:

- 13) Ongoing social media and bill insert communications, as well as extensive website resource provided on all things water efficiency, including landscape irrigation best practices.
- 12) Multiple items in 1st. qtr. e-newsletters and Fall 2023 bill insert newsletter provided information about water efficiency, including a new program by U.S. EPA WaterSense to encourage water-efficient swimming pool operations.
- 13) GM Pete Nardi serving as a Trustee of the American Water Works Association's Water Conservation Division, and as a member of the AWWA's Water Conservation Planning, Evaluation, and Research Committee. The committee has provided national leadership in areas such as implementation of online customer usage portals and utility water efficiency program policies. Pete helps the AWWA plan its Water Smart Innovations Conference that takes place each October.
- 14) Implemented new online customer usage portal to help customers understand and modify their consumption.
- 15) New: We will host and promote a Clemson University Extension Service public workshop on the "Carolina Yards & Neighborhoods" environmentally-sustainable, water-efficient landscape program from 1-3:30 p.m. on May 22.

2. Goal No. 2 – Recycled Water Services: Provide for all of the District's wastewater collection, treatment, and recycled water distribution services in a cost-effective manner while enhancing and protecting the Island's environment.

2.1. Continue to create access to the public sewer system for all properties seeking access, including the use of external funding, and assessment programs.

2.1 Management Tactics:

- 15) PSD currently has more than 96% of customers connected to the sewer system, versus a national percentage of 80% and versus BJWSA percentage of 60%.
- 16) Multiple programs and customer communications in place to facilitate customer conversions from septic to sewer, including our "Connect Now" customer communications campaign, PSD long-term low interest connection financing, Project SAFE sewer connection grants, and the Town of Hilton Head sewer connection grant program. New: The PSD has now performed more than 25 connections under the Town's grant program.
- 17) New: "Connect Now" postcard mailed to all customer accounts that could add sewer but have not yet done so (740 accounts). Postcard contains info. about both grant opportunities and PSD long-term, low-interest financing.
- 18) PSD Commission voted unanimously in September 2022 to take no further action on easement acquisition (condemnation) for the purpose of installing sewer service for the Spanish Wells Plantation subdivision, due to a variety of reasons outside of the PSD's control.

2.2. Adhere to all regulatory standards and timely delivery of complete and accurate applications and reports.

2.2 Management Tactics:

- 19) New: We received a "Satisfactory" rating on our annual DHEC Sanitary Survey inspection of the Recycled Water Plant in March. Only "Satisfactory" or "Unsatisfactory" ratings are given.
- 20) New: We timely submitted to DHEC our application for renewal of our Land Application Discharge Permit, which is the permit necessary to send recycled water to golf courses for irrigation. Our application was accepted, and we anticipate issuance of the renewed permit, which runs for 10 years (2024-2034).
- 21) S.C. DHEC required the PSD to monitor for cyanide in our current National Pollutant Discharge Elimination permit, to determine if there is reasonable potential for cyanide in our treated effluent and thereby to impose a cyanide limit on our permitted discharges. New: Our ongoing monitoring for cyanide has shown our ability to meet the proposed limit via our current treatment program, and we have thereby notified DHEC that we will accept the limit.

2.3. Utilize best available technologies where economically feasible.

- 22) We are introducing equipment in our WWTP aeration basins to monitor ammonia and nitrate to enhance our wastewater quality analysis and regulatory compliance program.
- 23) New: We have completed installation of a real-time monitoring system on the majority of our sewer lift stations. The system, called Streametric, provides an array of readings related to the pump operations of the lift stations (alarms, run times, starts/stops, motor amperage, etc.). It is a more comprehensive, technologically advanced, and cost-effective system than our prior system. The system is critical for effective sanitary sewer operations and to avoid sanitary sewer overflows at lift stations.

2.2 Management Tactics:

24) Remote monitoring and control upgrades at sewer lift stations are ongoing.

25) We are exploring a program to monitor ammonia levels at various points in the WWTP to assist in the fine-tuning of our aeration in order to reduce energy consumption.

2.4 Identify and reduce odors from our collection and treatment processes.

2.4 Management Tactics:

26) Multiple odor control measures are in place, including dosing of odor-control agent and deployment of deodorization blocks at key sewer lift stations.

27) We are implementing a new odor-reduction tactic that provides real-time monitoring and data acquisition of odor levels that allows us to optimize our odor-control agent dosing.

3. Goal No. 3 – Environmental and Sustainability: Operate in a sustainable manner with high regard for protecting and improving the environment.

3.1. Consider the creation of programs that inform the public proactively of new areas of environmental concern regarding water and wastewater.

3.1 Management Tactics:

28) We continue to monitor for PFAS in our water supply and are following the national regulatory developments related to PFAS via our trade associations, particularly the S.C. Water Quality Association. Our most recent round of PFAS monitoring showed no detection of PFAS in any of the PSD groundwater sources. The only detection comes at the intertie with the wholesale water provided by BJWSA.

29) Due to our non-detection of PFAS, the PSD Commission voted unanimously to opt out of the 3M and DuPont PFAS class action settlements, to preserve the PSD's right to seek legal remedies in the future should a problem arise in our groundwater sources. The non-detection of PFAS would have resulted in the PSD receiving no funds from the settlement since the utility would not be able to demonstrate an impact.

3.2. Introduce sustainable environmental initiatives as appropriate.

3.2 Management Tactics:

30) A key movement toward long-term sustainability of our water resources is the PSD's effort to continue to move away from our reliance on the freshwater Upper Floridan Aquifer and instead develop the brackish Middle Floridan aquifer and increase our use of Aquifer Storage & Recovery.

31) Pete Nardi is serving as President of WateReuseSC, our state's chapter of the national WateReuse Association, the leading trade group for recycled water in the U.S. Pete has helped lead the formation of a Technical Advisory Committee among WateReuseSC and top S.C. DHEC officials. The committee meets quarterly in Columbia. The goal is the creation of expanded regulations that allow for more reuse programs in our state, including potentially using reuse water to recharge our freshwater aquifer to

combat saltwater intrusion. DHEC continues to work very well with WateReuseSC and is demonstrating a strong commitment to developing a statewide reuse regulation. Pete is assisting in a review of other states' applicable regulations as well as in preparation of a first draft of a South Carolina reuse regulation.

32) Our Recycled Water Plant has been re-certified as an Audubon Cooperative Sanctuary, which is a recognition of sustainable practices at our business. We are the only wastewater treatment plant in the United States with this designation.

3.3. Explore applying new methods (models) dealing with global climate change impact to our specific situation.

3.2 Management Tactics:

33) Our 2022 hydrogeological modeling of the aquifer system at Hilton Head Island is a key part of the long-term body of science related to our local groundwater. The model will help inform future science on climate change impacts to the aquifer over time.

3.4. Identify and develop opportunities to reduce operating inputs such as power and chemicals.

3.4 Management Tactics:

34) We have switched all of our freshwater wells from chlorine gas to liquid chlorine to improve safety and reliability.

35) We are researching the potential to generate our own liquid chlorine on site in order to save money on bulk delivery of liquid chlorine, for which we have only one available supplier in our region. We use liquid chlorine treatment at our wastewater treatment plant, Reverse Osmosis Plant, and freshwater well sites.

36) We are exploring a program to monitor ammonia levels at various points in the WWTP to assist in the fine-tuning of our aeration in order to reduce energy consumption.

37) Engineering analysis performed in conjunction with our SCIIP project to expand the RO Plant capacity has determined that bulk delivery of liquid chlorine remains the most affordable and sustainable treatment method at the RO Plant. Our expansion project includes increasing the liquid chlorine storage capacity at the plant to a 30-day supply.

38) All aeration in our wastewater treatment plant is performed using variable frequency drive motors and dissolved oxygen monitoring to reduce energy consumption. The rate of aeration responds to the level of dissolved oxygen in the wastewater to avoid unnecessary levels of aeration and corresponding energy consumption.

4. Goal No. 4 – Customer Relations: Direct all activities to achieve a consistently high level of customer satisfaction.

4.1. Respond to, resolve, and monitor customer concerns promptly while minimizing public disruptions.

4.1 Management Tactics:

- 39) Customer Service and Field Service teams are currently adequately staffed to respond to daily customer calls.
- 40) We responded to an odor complaint filed with the S.C. Dept. of Consumer Affairs by a customer living in proximity to our Boys & Girls Club sewer lift station. The Dept. closed the case as a result of our response.
- 41) Monthly telephone hold time average is less than one minute.
- 42) 24-hour emergency hotline and Field Services on-call are in place. Additionally, we have piloted a second shift for Field Services, which reduces after-hours, on-call response.

4.2. Develop and execute programs that enhance the District's brand equity and maintain positive relationships between the District and its customers and the community.

4.2 Management Tactics:

- 43) Ongoing and extensive customer communications in place, including website, news releases, bill insert newsletters, social media on multiple platforms, and in-person presentations to groups, including:
- a. The PSD has earned its 13th-straight Government Finance Officers Association (GFOA) award for Excellence in Financial Reporting for our FY '22 Annual Comprehensive Financial Report (ACFR). A news release was sent in July.
 - b. Operations Manager Bill Davis gave a presentation on PSD hurricane preparedness and recovery operations in August to more than 90 colleagues at the Lowcountry Region meeting of the S.C. Rural Water Association.
 - c. General Manager Pete Nardi led a tour of the WWTP for the Hilton Head-Bluffton Leadership Class of 2023-24 in September.
 - d. The PSD hosted 40 utility professionals from around the state in September for the annual Asset Management Workshop of the Water Environment Association of S.C./S.C. AWWA.
 - e. Pete Nardi was interviewed in August by a professor from the University of Pennsylvania's Institute for Urban Research for a study they are doing on public water supplies' vulnerability to climate hazards and utility adoption of digital "smart water" technologies.
 - f. A news release was sent in September celebrating a decade of PSD Aquifer Storage & Recovery (ASR) well operations.
 - g. New: News release sent on South Carolina declaring first Monday in March "Water Professionals Day."
 - h. New: News release sent on PSD being named DHEC Facility of Excellence and Sarah Hickman earning Crystal Crucible Award from Water Environment Association, and recognition from WEASC/SCAWWA for PSD hosting statewide Asset Management Workshop.
 - i. New: Pete Nardi appeared on WHHI-TV's "Talk of the Town" to discuss our \$10-million long-term water supply grant projects.
 - j. New: PSD recognized by Beaufort County Council proclamation in April for DHEC Facility of Excellence, Sarah Hickman's Crystal Crucible Award, and PSD hosting statewide Asset Management Workshop.
 - k. New: Pete Nardi invited to discuss saltwater intrusion and the PSD's long-range water supply program on a podcast hosted by the HHI-Bluffton Chamber of Commerce in April, and on the Chamber's "Power Hour" forum for chamber members in June.

- 44) The S.C. Dept. of Natural Resources has named Pete Nardi to the Lower Savannah-Salkehatchie River Basin Council. The council is composed of 25 stakeholders from eight different water interest categories (utilities, industries, environmental groups, universities, municipalities, etc.). It is responsible for developing the Lower Savannah-Salkehatchie River Basin Plan as part of the South Carolina State Water Planning framework. Pete is the only Hilton Head Island representative on the council. New: River Basin Council scheduled May field trip to visit PSD WWTP, ASR Well, Whooping Crane Pond Conservancy, and RO Plant.
- 45) PSD Commission redistricting process is complete. The Commission held an open house on its draft redistricting map in November and voted unanimously to adopt the map at its December meeting. The map was a result of input from the S.C. Office of Revenue & Fiscal Affairs, Commissioners, staff, and the public. The map has been sent to the state and to Beaufort County, which conducts PSD elections. Beaufort County informed the PSD that the new PSD voting districts will be included in new voter registration cards the County is mailing in January.
- 46) PSD staff continue to be involved in array of industry-related volunteer activities that both enhance the PSD's reputation and provide knowledge transfer to/from our utility, including:
- a. PSD Water Quality Laboratory Supervisor Sarah Hickman served as a judge at the national process controls competition at the Water Environment Federation's conference in October.
 - b. New: Sarah Hickman was selected by Water Environment Federation to compete in an operations challenge at IFAT Munich, an international wastewater conference in May.
 - c. General Manager Pete Nardi's current involvement at the national and state level in our industry includes:
 - Appointed to the AWWA's national Communications, Education, and Legislation Committee.
 - Member of the Lower Savannah-Salkehatchie River Basin Council for the S.C. State Water Plan initiative.
 - Past President of WaterReuseSC, our state's chapter of the national WaterReuse Association.
 - Trustee of the national American Water Works Association Water Conservation Division.
 - Member of the national AWWA Water Conservation Planning, Evaluation, and Research Committee.
 - Member of the Water Environment Association of S.C./S.C. AWWA Joint Asset Management Committee.
 - Member of the S.C. Water Utility Council.
 - d. PSD Recycled Water Plant Supervisor Brian Fedorick is a member of the Water Environment Association of S.C.'s Operator Leadership Committee.

4.3. Inspire every employee to make customer service an integral part of his or her job performance.

4.3 Management Tactics:

- 47) A key tactic of this objective is achieved via the PSD hiring process, which places an emphasis on customer service aptitude and experience. Many current PSD team members have joined us from customer-facing roles in the local hospitality, health care, and residential and commercial maintenance industries.

48) Employee Recognition Program in place to recognize team members via customer, coworker, and supervisor input. Employee Recognition Program recognizes team members quarterly based on customer and co-worker feedback.

49) Customer Service Rep. J.P. Sarricolea attended the S.C. Rural Water Association's Office Pro conference in September, which includes an array of customer relations/service training.

4.4. Research and evaluate new customer-focused areas of interest and value-added services utilizing best available technologies where economically feasible.

4.4 Management Tactics:

50) We have implemented a new online customer usage portal, which is free of charge to customers. The portal offers a single sign-on for customers to both pay their bills and monitor their consumption online and provides the PSD another means of providing updates and announcements to customers.

4.5. Review and/or develop policies detailing positions on various customer service issues, such as water leaks, remediation of water issues, etc.

4.5 Management Tactics:

51) The FY '24 budget process resulted in implementation of revised sewer connection and backflow prevention inspection fees to reflect current costs incurred by the PSD.

4.6. Celebrate District and Staff accomplishments.

4.6 Management Tactics:

52) News releases, bill insert announcements, and social media posts sent on: GFOA Financial Reporting Award; Water Quality Laboratory once again being recognized as a Laboratory of Excellence as part of its annual certification by the S.C. DHEC; marking a decade of ASR well operations; new Commission voting districts map adoption.

53) Employee Recognition Program recognized nine team members in 3rd Qtr. based on customer, coworker, and supervisor input.

5. Goal No. 5 – Financial Responsibility: Conduct all District activity in a fiscally responsible manner.

5.1. Ensure fair, adequate, sufficient, and equitable rates, fees and charges through cost-of-service rate methodology.

5.1 Management Tactics:

54) Working with Beaufort-Jasper Water & Sewer Authority and Broad Creek PSD on a revised wholesale water agreement that would have significant, beneficial impacts for all parties going forward. New: A meeting was held in April among all three utilities. BJWSA said it is planning an approximately 35% increase in the

wholesale (or “peak”) rate to “catch up” on cost-of-service-based increases it has not enacted heretofore. BJWSA said it is considering phasing in the increasing but would not commit to that at the meeting. Pete Nardi encouraged the three utilities to set a schedule for creating a draft of a new wholesale water agreement within the next 12 months. The three general managers agreed to begin sharing potential agreement terms and create a schedule for draft completion.

55) FY '24 rate adjustments based on cost-of-service analysis. Sewer connection and backflow prevention inspection fees were adjusted to reflect current costs incurred by the PSD.

5.2. Plan and use debt prudently.

5.2 Management Tactics:

56) Beaufort County Council gave unanimous authorization for the PSD to issue up to \$23 million in general obligation debt related to the local match for our SCIIP projects as well as potential capital project needs.

57) The S.C. Drinking Water State Revolving Fund has approved our use of SRF funds for our engineering costs related to our SCIIP/ARPA projects.

5.3. Identify and implement opportunities to reduce operating costs, without sacrificing high-quality products and services.

5.3 Management Tactics:

58) We actively monitor non-revenue water to reduce water production costs. Non-revenue water is currently in an acceptable 10-15% range.

59) We are planning to explore ammonia level monitoring in our WWTP aeration basins to aid in our adjustment of our aeration to save energy costs.

60) Construction of an onsite liquid chlorine production system at our Wastewater Treatment Plant is a project included in our list of potential projects to be funded using our upcoming General Obligation borrowing.

5.4. Identify and develop opportunities that enhance the District’s revenue and improve its cash flow.

5.4 Management Tactics:

61) We are carrying out our ongoing meter changeout program, which is a key tactic to ensure that the PSD is capturing consumption and generating accurate bills.

62) We are lowering our bad debt expense via pro-active communications with delinquent payers.

63) We are reducing the number of and dollar amount of leak adjustments by proactively communicating with customers.

64) We are participating in the S.C. Local Government Investing Pool, which is an investment mechanism authorized by the General Assembly to provide local governments an opportunity to acquire maximum returns on investments by pooling available funds with funds from other political subdivisions.

5.5. Review internal controls and policies regularly to ensure security of District assets and the integrity of District reports. Conform to the state and federal mandates regarding annual audits.

5.5 Management Tactics:

65) Appropriate internal controls are in place and routinely reviewed.

5.6. Monitor and report on operating ratios, goals, and benchmarks to maintain/improve performance and maintain a high credit rating.

5.6 Management Tactics:

66) Quarterly financial reporting provides ratios/benchmarks update.

67) PSD earned 13th-straight GFOA award for Excellence in Financial Reporting for our FY '22 Annual Comprehensive Financial Report.

68) A favorable report on PSD benchmarks, including comparison to several other coastal utilities, was presented by our financial advisor, Amy Vitner of First Tryon, at the September Commission meeting.

5.7. Develop and manage business and operational plans and prepare budgets that support those plans.

5.7 Management Tactics:

69) Our Fiscal Year 2024 budget included consumption rate increases in the upper tiers to send a price signal to promote water efficiency among customers. We plan to continue that measure in the Fiscal Year 2025 budget.

70) Asset management planning is informing annual Operating & Maintenance and Capital Improvement Program budgets.

6. Goal No. 6 – Organizational Excellence and Leadership: Achieve organizational excellence and leadership.

6.1. Promote, monitor, and support safety in all workplaces and activities.

6.1 Management Tactics:

71) Routine safety training is in place. Longtime PSD safety instructor Bob "Safety Bob" Stinnett leads monthly courses and supervisors provide regular in-field discussions and "tailgate talks."

72) CPR/AED training provided for all PSD staff free of charge from Hilton Head Fire Rescue.

- 73) Active shooter response training is provided by a nationally recognized consultant led by former law enforcement officers.
- 74) A free flu shot clinic was provided to team members and spouses via Burke's Main Street Pharmacy.
- 75) PSD Workers' Compensation coverage provided by the S.C. State Accident Fund, which continues to provide premium based on PSD incident history. New: We have had two (non-OSHA reportable) workplace injuries in FY '24 to date.

6.2. Attract and retain a professional, diverse, motivated, customer-oriented staff, at a level consistent with meeting the District's goals, while considering novel approaches to recruitment.

6.2 Management Tactics:

- 76) Competitive compensation and benefits packages are funded in the FY '24 budget and included in the draft FY '25 budget.
- 77) PSD recruits in a variety of formats that include diversity-focused recruitment websites/listings.
- 78) Word-of-mouth and recommendations from existing team members continue to provide a key resource for recruitment, particularly at the local level.
- 79) New: We have hired three Field Service Technicians, an IT/GIS Technician, a SCADA Technician, and an Asset Management Specialist to date in FY '24. We also currently have a Recycled Water Plant intern, and are actively recruiting a Purchasing Manager and Advanced Metering Infrastructure Supervisor.
- 80) We participate in potential recruitment with a variety of partners, including our local schools and trade associations. We utilize word-of-mouth, social media, and traditional media in our recruitment advertising.
- 81) We have signed up as a participating utility in the S.C. Rural Water Association's brand new Pre-Apprenticeship Program, wherein our costs of adding an intern who is still in high school may be subsidized by the association and wherein the association may match interns with us.
- 82) Multiple training programs and opportunities are in place utilizing trade associations, in-house resources, and independent study. New: Training examples to date include: Water Quality Monitoring, Filter Backwash Optimization & Gas Detection; Membrane Treatment Principles; Essentials of Human Resources; Southeastern Desalting Association Introduction to Membrane Systems; WEASC Lab Workshop; MR Systems Basic Process Instrumentation Training; AWWA Corrosion Control Theory and Treatment Options; Water Environment Federation WEFTEC Conference; S.C. Water Quality Association Compliance Workshop; WEASC-SCAWWA Asset Management Workshop; S.C. Rural Water Association Office Pro Workshop; AWWA Non-Revenue Water Seminar; S.C. Environmental Conference.
- 83) S.C. Labor Licensing and Regulation operator licenses earned so far this fiscal year: "A" Water Distribution, "C" Water Distribution, "D" Distribution, "D" Wastewater Collections, "E" Water Treatment.
- 84) The PSD should continue to add staff as necessary to work toward a generally accepted water/wastewater sector goal of a 400-to-1 customer-to-staff ratio. Current ratio is approximately 650-to-1.

85) New: PSD team-building sessions were held in March and April, using a new approach that incorporated site-based local Civil War and Reconstruction history, local ecology, and group problem-solving. It was very well received by the team.

6.3. Define and implement organizational succession planning.

6.3 Management Tactics:

86) Organizational structure, as well as training and educational opportunities, are in place to support departmental succession as needed.

6.4. Provide educational opportunities for Commissioners on board governance and the PSD's operations.

6.4 Management Tactic:

87) Clerk to Commission Connie Whitehead developed a hard-copy Commissioner Orientation Manual and it has been provided to the Commission.

88) An overview of PSD physical security tactics was provided to the Commission in executive session in January '24, per the Commission's request.

7. Goal No. 7 – Asset Management: Acquire, maintain, protect, and secure the District's property, databases, plant and equipment assets (investment in the future).

7.1. Maintain and execute a system preventative maintenance program that minimizes the number, severity, and duration of loss of service incidents.

7.1 Management Tactics:

89) Water and wastewater systems' preventative maintenance program is in place and utilizing Geographic Information Systems, particularly in the area of sewer lift station maintenance.

90) Appropriate staff level is a key tactic to minimize the number, severity, and duration of loss of service incidents, particularly due to a small amount of available contractors to assist in such situations.

91) The adopted FY '24 budget supports a staff level appropriate to meet current system needs and help prepare for continued growth in the PSD customer base.

7.2. Prepare an asset inventory and 5-year replacement plans for the water/wastewater systems.

7.2 Management Tactics:

92) PSD asset inventory is up to date and serves as basis of S.C. Insurance Reserve Fund (IRF) policies covering utility assets. New: The IRF's decision to drop underground lines insurance has prompted self-insurance tactics review among staff and the Commission as part of the FY '25 budget process and for ongoing consideration.

93) Replacements/enhancements funded in FY '24 Capital Improvement Plan and included in draft FY '25 CIP.

94) PSD Capital Improvement Plan is updated annually and prepared on a 5-year basis. The adopted FY '24 budget includes a 5-year replacement plan and supports an appropriate annual capital improvement program.

95) New: Hired Asset Management Specialist in FY '24 (April), to work on PSD asset hierarchy, CMMS selection and implementation, asset condition assessment program, and asset replacement planning.

7.3. Maintain a current comprehensive security infrastructure/disaster preparedness and recovery plan.

7.3 Management Tactics:

96) Emergency Response Plan is up to date and certified to U.S. EPA.

97) PSD has a key seat at the table for all Beaufort County and Town of Hilton Head Island multi-agency emergency planning activities. Our critical assets are listed for priority attention by the Town, County, and Palmetto Electric.

98) Pete Nardi continues to advocate on behalf of the island PSD utilities to have our teams be provided the same first-responder status for hurricane reentry purposes as other agencies receive.

7.4. Exercise oversight over new construction projects to ensure construction complies with District standards and appropriate documentation is provided. In addition, ensure that new construction is compatible with the existing system and service can be extended to nearby properties.

7.4 Management Tactics:

99) Our System Specifications for development have been updated and are in use. The specifications provide the PSD's standard requirements for utility infrastructure in order to assist developers in planning and construction.

100) Internal and external project management is in place on developer and PSD projects.

101) PSD-funded sewer extension projects addressing landlocked parcels.

7.5. Maintain adequate and comprehensive insurance coverage of District assets.

7.5 Management Tactics:

102) PSD is insured by the State of South Carolina Insurance Reserve Fund (IRF) at adequate levels. We annually review our insured assets and coverage and make modifications thereto.

103) Cybersecurity insurance has been added.

7.6. Maintain and protect confidential information through technology systems to ensure integrity of operations and information security.

7.6 Management Tactics:

- 104) Cybersecurity systems are in place on all business and operational systems.
- 105) Cybersecurity training is being implemented for all staff members.
- 106) An IT/GIS Technician working under IT/GIS Manager Ryan Lewis has been hired, in part to aid in our ongoing cybersecurity measures and programs.

7.7. Maintain physical security of property and equipment.

7.7 Management Tactics:

- 107) Extensive camera surveillance of PSD facilities is in place.
- 108) Alarm systems in place on key PSD facilities.
- 109) Security in place for field assets.

7.8. Utilize best available technologies were economically feasible.

7.8 Management Tactics:

- 110) Exploration of Computerized Maintenance Management Systems (CMMS) continues.
- 111) The addition of an IT/GIS Technician to our IT/GIS dept. will aid significantly in our ability to effectively manage a CMMS.
- 112) Advanced Metering Infrastructure in place.
- 113) Supervisory Control and Data Acquisition system enhancements are ongoing.
- 114) Geographic Information System enhancements are ongoing and utilizing field- and desktop-based updating.
- 115) Computerized water distribution model update completed.

8. Goal No. 8 – External Relations: Develop, expand and leverage the District’s positive relationships with external organizations, utilities and governments.

8.1. Develop and expand cooperative and mutually beneficial relationships with the Town of Hilton Head, county, state, and federal elected representatives, local and state public service districts, public agencies and associations, the media and communities within the District.

8.1 Management Tactics:

- 116) The Town of Hilton Head Island’s Comprehensive Plan, in its Environmental Sustainability Policy, has identified a Strategic Initiative to “Work with Public Service Districts (PSDs) on Long-Term Capital Projects,” which includes assessing appropriate partnership opportunities with PSD facilities and capital projects to

ensure future delivery of drinking water for residents. The Town has appointed a staff engineer to serve as a liaison for the PSDs to help carry out this initiative.

- 117) Hilton Head Town Council voted in 2022 in support of working with the PSD on development of our second Aquifer Storage & Recovery well on the Town-owned Ashmore Tract, as well as the expansion of our Reverse Osmosis Drinking Water Treatment Facility, which involves the Town-owned Old Welcome Center site and Jenkins Island Tract. Town staff and Town Council have been very supportive and helpful in addressing our need for easements on Town-owned property to complete our SCIP projects. Town Council approved the easements at its Oct. 17 meeting.
- 118) We are working with the Town on development of a capital improvement program dashboard that shows overlap between Town- and PSD projects, such as roadway improvements and water and/or sewer main improvements.
- 119) We are working with the Town on its project to develop workforce housing at its Northpoint property.
- 120) Town, State (Sen. Davis, Rep. Bradley), and Federal (Rep. Nancy Mace) officials all wrote letters of endorsement for the PSD's \$10-million ARPA application for water supply projects.
- 121) County Council unanimously supported the PSD's request for \$1 million from County ARPA allocation for RO Plant emergency generator and water booster station.
- 122) New: A memo was sent in April to State Sen. Tom Davis requesting \$1 million in local matching funds assistance for our SCIP projects, as well as up to \$11 million for capital wastewater projects.

8.2. Monitor and evaluate the impacts of federal, state and local legislation and regulations that impact the District's current and future operations.

8.2 Management Tactics:

- 123) PSD General Manager Pete Nardi has helped launch the new S.C. Chapter of WaterReuse Association to influence reuse water regulations/legislation.
- 124) We are monitoring legislation via our involvement in S.C. Water Utility Council and S.C. Water Quality Association. The S.C. General Assembly reconvened on Jan. 9.

New:

There has been no movement on any bills of significance for PSD purposes. Two bills below could be impactful to us, but there is no recent movement on them.

- H 3769

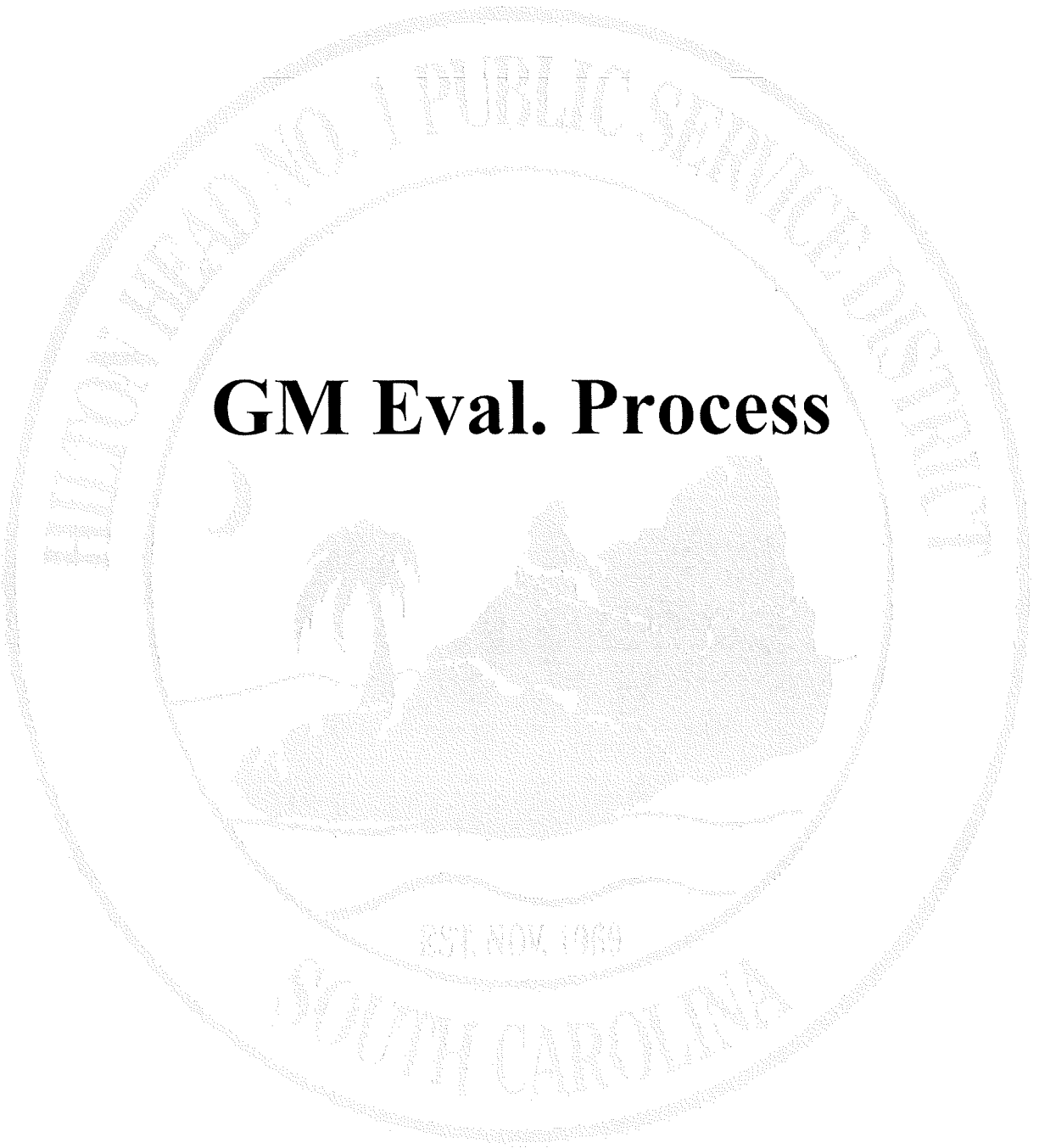
A BILL TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY ADDING SECTION 5-31-1525 SO AS TO PROHIBIT THE DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL FROM DENYING THE REPAIR, REPLACEMENT, OR CONSTRUCTION OF WELLS AND SEPTIC TANKS ON CERTAIN RURAL LANDS REGARDLESS OF THE AVAILABILITY OF MUNICIPAL WATER AND SEWER SERVICE.

Status: Passed House. Referred to Senate Committee on Labor, Commerce and Industry (4/25/23)

- H 4685

A BILL TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY ADDING SECTION 44-1-320 SO AS TO PROHIBIT THE CONSTRUCTION OR INSTALLATION OF SEPTIC TANKS WITHIN A CERTAIN PROXIMITY TO WATERWAYS OR THE COAST OF SOUTH CAROLINA.

Status. Referred to House Committee on Labor, Commerce and Industry (1/9/24)



GM Eval. Process



TO: Hilton Head PSD Commissioners
FROM: Frank Turano, Chairman
SUBJECT: GM Evaluation for FY 2024
DATE: April 24, 2024

It is now time to proceed with evaluation of the General Manager's performance for Fiscal Year 2024 following the procedure using the District's Strategic Goals & Objectives as the basis for evaluation agreed upon earlier in the year.

Attached are the following items:

- FY 2024 GM Evaluation Schedule (Adopted August 23, 2023)
- Strategic Goals & Objectives (Adopted November 15, 2023)
- Attachment A to May 24, 2023 Letter to Hilton Head PSD General Manager
- General Manager's FY 2024 Third Quarter Management Report
- General Manager's FY 2024 Highlights Memo
- A suggested template for submission of Commissioner comments on GM performance

The General Manager's Third Quarter Management Report, which includes updates and comments on accomplishment of Goals & Objectives, was also included in the April 24, 2024 Commissioners' Board Packet.

Each Commissioner should review the Strategic Goals & Objectives, Attachment A to the May 24, 2023 Letter, GM's Third Quarter Management Report, and GM's FY 2024 Highlights Memo, then submit written comments on specific areas of (i) excellent performance, (ii) opportunities for enhancing performance, or (iii) areas of unsatisfactory performance to me by May 8, 2024.

Once the deadline for written comments has passed, the Executive Committee will meet to summarize Commissioner comments received, then develop recommendations for a range of compensation and draft letter to the General Manager to be considered by the full Board in Executive Session at its May 22, 2024 meeting.

**HILTON HEAD PUBLIC SERVICE DISTRICT
GM EVALUATION TIMETABLE
FY 2024
REVISED AUGUST 23, 2023**

| Step | Event | Date |
|--|--|------------------|
| 1 | Review FY 2023 evaluation process and confirm continued use of Strategic Goals and Objectives as basis for GM evaluation | 8/23/2023 |
| 2 | Review and adopt updated Strategic Goals & Objectives | TBD * |
| 3 | Distribute GM's 3rd Quarter Management Report, GM's Annual Performance Highlights Report and Strategic Goals & Objectives | 4/24/2024 |
| 4 | Due date for Commissioner submission of GM evaluation comments | 5/8/2024 |
| 5 | Executive Committee reviews Commissioner comments, GM's 3rd Quarter Management Report, and GM's Annual Performance Highlights Report, then develops recommendation for GM evaluation and range of compensation package with draft GM evaluation letter | 5/15/2024 |
| 6 | Commission Executive Session to consider Executive Committee recommendations and vote on evaluation letter and compensation package | 5/22/2024 |
| 7 | Chairman meets with GM to review evaluation | 6/5/2024 |
| * | Completed 11/15/23 | |
| Dates in BOLD (8/23/23, 11/15/23, 4/24/24 and 5/22/24) are Board meeting dates. | | |

HILTON HEAD PUBLIC SERVICE DISTRICT STRATEGIC GOALS & OBJECTIVES

Adopted: November 15, 2023

- 1. Goal No. 1 – Water Services: Provide for all of our customers’ water supply needs with the highest quality water possible in a cost-effective manner**
 - 1.1. Ensure water supply, quality, and regulatory compliance, through regular monitoring, reporting, and optimal production and distribution system performance.
 - 1.2. Utilize best available technologies where economically feasible.
 - 1.3. Maintain an evergreen Long Range Water Supply Plan to assure supply and quality.
 - 1.4. Proactively emphasize efficient use of water in all activities internally and with customers, particularly in regard to landscape irrigation.
- 2. Goal No. 2 – Recycled Water Services: Provide for all of the District’s wastewater collection, treatment, and recycled water distribution services in a cost-effective manner while enhancing and protecting the Island’s environment.**
 - 2.1. Continue to create access to the public sewer system for all properties seeking access, including the use of external funding, and assessment programs.
 - 2.2. Adhere to all regulatory standards and timely delivery of complete and accurate applications and reports.
 - 2.3. Utilize best available technologies where economically feasible.
 - 2.4. Identify and reduce odors from our collection and treatment processes
- 3. Goal No. 3 – Environmental and Sustainability: Operate in a sustainable manner with high regard for protecting and improving the environment.**
 - 3.1. Consider the creation of programs that inform the public proactively of new areas of environmental concern regarding water and wastewater.
 - 3.2. Introduce sustainable environmental initiatives as appropriate.
 - 3.3. Explore applying new methods (models) dealing with global climate change impact to our specific situation.
 - 3.4. Identify and develop opportunities to reduce operating inputs such as power and chemicals.
- 4. Goal No. 4 – Customer Relations: Direct all activities to achieve a consistently high level of customer satisfaction.**

- 4.1. Respond to, resolve and monitor customer concerns promptly while minimizing public disruptions.
- 4.2. Develop and execute programs that enhance the District's brand equity and maintain positive relationships between the District and its customers and the community.
- 4.3. Inspire every employee to make customer service an integral part of his or her job performance.
- 4.4. Research and evaluate new customer-focused areas of interest and value-added services utilizing best available technologies where economically feasible.
- 4.5. Review and/or develop policies detailing positions on various customer service issues, such as water leaks, remediation of water issues, etc.
- 4.6. Celebrate District and Staff accomplishments.

5. Goal No. 5 – Financial Responsibility: Conduct all District activity in a fiscally responsible manner.

- 5.1. Ensure fair, adequate, sufficient and equitable rates, fees and charges through cost of service rate methodology.
- 5.2. Plan and use debt prudently.
- 5.3. Identify and implement opportunities to reduce operating costs, without sacrificing high-quality products and services.
- 5.4. Identify and develop opportunities that enhance the District's revenue and improve its cash flow.
- 5.5. Review internal controls and policies regularly to ensure security of District assets and the integrity of District reports. Conform to the state and federal mandates regarding annual audits.
- 5.6. Monitor and report on operating ratios, goals and benchmarks to maintain/improve performance and maintain a high credit rating.
- 5.7. Develop and manage business and operational plans and prepare budgets that support those plans.

6. Goal No. 6 – Organizational Excellence and Leadership: Achieve organizational excellence and leadership.

- 6.1. Promote, monitor and support safety in all workplaces and activities.
- 6.2. Attract and retain a professional, diverse, motivated, customer-oriented staff, at a level consistent with meeting the District's goals, while considering novel approaches to recruitment.

6.3. Define and implement organizational succession planning.

6.4. Provide educational opportunities for Commissioners on governance and utility operations.

7. Goal No. 7 – Asset Management: Acquire, maintain, protect and secure the District's property, databases, plant and equipment assets (investment in the future).

7.1. Maintain and execute a system preventative maintenance program that minimizes the number, severity and duration of loss of service incidents.

7.2. Prepare an asset inventory and 5-year replacement plans for the water/wastewater systems. (See also 5.1)

7.3. Maintain a current comprehensive security infrastructure/disaster preparedness and recovery plan.

7.4. Exercise oversight over new construction projects to ensure construction complies with District standards and appropriate documentation is provided. In addition, ensure that new construction is compatible with the existing system and service can be extended to nearby properties.

7.5. Maintain adequate and comprehensive insurance coverage of District assets.

7.6. Maintain and protect confidential information through technology systems to ensure integrity of operations and information security.

7.7. Maintain physical security of property and equipment.

7.8. Utilize best available technologies were economically feasible.

8. Goal No. 8 – External Relations: Develop, expand and leverage the District's positive relationships with external organizations, utilities and governments.

8.1. Develop and expand cooperative and mutually beneficial relationships with the Town of Hilton Head, county, state, and federal elected representatives, local and state public service districts, public agencies and associations, the media and communities within the District.

8.2. Monitor and evaluate the impacts of federal, state and local legislation and regulations that impact the District's current and future operations

ATTACHMENT A
To May 24, 2023 Letter to Hilton Head PSD General Manager

During the Board of Commissioners' FY 2023 evaluation of the HHPSD General Manager, Commissioners suggested a number of issues for focus by the GM and Commissioners during FY 2024:

- Developing Additional Long-Term Drinking Water Capacity
 - Continuation of planning and permitting for expansion of the Reverse Osmosis Plant and a second Aquifer Storage facility including development of a financing plan to meet the PSD's need for matching funds.
- Redistricting of Commissioner Voting Districts
 - Develop and implement a plan to bring Commissioner Voting Districts into compliance with federal election laws including appropriate outreach for public input and comment.
- Commissioner Education
 - Continue periodic presentations to Commissioners on areas of administration, finance and operations including tours of facilities, succession planning beyond the GM, staffing requirements, emergency response planning, and physical plant security.
- Orientation Package for Newly Elected Commissioners
 - Develop orientation program for newly elected Commissioners.
- Water Conservation & Increasing Sewer Connections
 - The Board and GM should continue exploring ways for increasing water conservation by PSD customers and expansion of sewer connections, including funding for rental properties.
- New Debt Issues
 - Advise Commission well in advance of need for any new debt and seek multiple proposals for financings where applicable.
- Meeting Staffing Needs
 - Address staffing needs for all departments by recruiting candidates through programs such as referrals by current employees, job fairs, speaking engagements at schools and community organizations, Technical College of Lowcountry scholarships, intern programs, etc. Continue to diversify the work force including non-traditional roles based on gender.
- Relationships with Sister Utilities
 - The Board and GM should continue to develop and maintain strong relationships with sister utilities including exploration of opportunities for shared services and possible future joint projects.



**HILTON HEAD PUBLIC SERVICE DISTRICT
STRATEGIC GOALS & OBJECTIVES
Adopted: November 2023**

3rd Qtr. Fiscal Year '24 Management Report:

("New:" indicates update for 3rd Qtr. Report)

1. Goal No. 1 – Water Services: Provide for all of our customers’ water supply needs with the highest quality water possible in a cost-effective manner

1.1. Ensure water supply and quality through regular monitoring, reporting, and optimal production and distribution system performance.

1.1 Management Tactics:

- 1) PSD water supply capacity is currently adequate and water quality is meeting or exceeding all current state and federal water quality standards, and all required reporting and monitoring is in compliance.
- 2) We are working on multiple projects to add long-term drinking water capacity and enhance drinking water storage and distribution. First, we received a \$10-million grant from the S.C. Infrastructure Investment Program (SCIIP), two fund two long-term water supply projects: 1.) Expansion of our Reverse Osmosis (RO) Drinking Water Treatment Facility from 4-mgd (million gallons per day) to 6-mgd production; and 2.) Construction of a second Aquifer Storage & Recovery (ASR) Well, which would yield 2-mgd of supply during spring and summer. Second, we received \$1 million from the Beaufort County government from its American Rescue Plan Act allocation and are using that funding to construct a water distribution booster station at our Leg O’Mutton site and add an emergency generator at the RO Plant.

New: RO Plant Expansion and RO Well #4, ASR #2 Update

Below is the estimated schedule for both the RO Plant Expansion and the construction of RO Well #4 and ASR Well #2.

- 100% Design Complete – mid-April.
- Receive Proposals for RO Plant Sole-Source Equipment Allowances – May 1.
- State of South Carolina Completes Review of Bid Documents (as required by SCIIP) – mid-May.
- All Permits Received – May 1 (DHEC and Office of Coastal Resource Management Permits to Construct were received for RO Plant in March).
- Bidding and Award – May and June.
- Construction – August 2024 to January 2026.

- Closeout – January to March 2026.

New: Leg O' Mutton Booster Station Update

We received a low responsible bid of \$1.99 million for this project on March 28. The County's ARPA allocation will fund \$700,000 of this project and the PSD will need to locally fund the remainder of the cost. Staff will bring the low bid to the Commission for acceptance at the April board meeting. Construction completion is estimated for summer 2025.

- 3) We continue to await the S.C. DOT's announcement of the final design and initiation of the U.S. 278 Corridor Project, which will necessitate the relocation of our transmission pipeline buried under the Intracoastal Waterway through which we procure wholesale water from the Beaufort-Jasper Water & Sewer Authority. We have recently provided the DOT with information related to our easements in the corridor.
- 4) The RO Plant received a "satisfactory" rating from S.C. DHEC during the 2023 Sanitary Survey inspection. Only "satisfactory" or "unsatisfactory" ratings are given.
- 5) The PSD Water Quality Laboratory was once again named a Laboratory of Excellence in July 2023. A news release was sent.
- 6) We have created the lead service line inventory necessary for compliance with the U.S. Environmental Protection Agency's new Lead & Copper Rule by the October 2024 deadline. We are routinely engaged in cataloging deployed pipe materials to remove possible unknowns from the inventory. We are working with S.C. DHEC on sampling requirements for schools and daycare facilities that is part of the new rule. We have created a "Lead in Water" web page (<https://hhpsd.com/lead/>) that updates our progress on the inventory, invites customers to contact us to have their water tested, and provides other useful links on the topic.

1.2 Utilize best available technologies where economically feasible.

1.2 Management Tactics:

- 7) PSD supervisory control and data acquisition (SCADA) system upgrades and enhancements are ongoing including at the Reverse Osmosis Facility.
- 8) New: State-of-the-art valve actuators have been installed at the Reverse Osmosis Facility. These devices allow for the remote opening and closing of valves at the facility in response to an array of situations including routine facility maintenance and emergencies.
- 9) Ongoing cybersecurity programs and training are in place.
- 10) We hired an IT/GIS Technician to work under our IT/GIS Manager's supervision. This enhancement of our IT/GIS human resource is necessary to maintain cybersecurity efforts among an array of other IT-related programs.

1.3 Maintain an evergreen Long Range Water Supply Plan to assure supply and quality.

1.3 Management Tactics:

11) Long range water supply planning updated in spring 2022, including future capital project options and updated hydrogeological modeling of aquifer conditions and expectations. The plan is playing a key role in the identification of sites for future water supply assets as well as the prioritization of supply asset development. It formed the basis of our SCIP grant projects.

12) Pete Nardi is serving as the only Hilton Head Island representative on the 25-member Lower Savannah-Salkehatchie River Basin Council for the S.C. State Water Plan. The council is creating a set of goals related to future water capacity and allocations in the basin, which will inform the overall State Water Plan and play a role in the state's determination of future capacity permits.

1.4 Proactively emphasize efficient use of water in all activities internally and with customers, particularly in regard to landscape irrigation.

1.4 Management Tactics:

13) Ongoing social media and bill insert communications, as well as extensive website resource provided on all things water efficiency, including landscape irrigation best practices.

12) Multiple items in 1st. qtr. e-newsletters and Fall 2023 bill insert newsletter provided information about water efficiency, including a new program by U.S. EPA WaterSense to encourage water-efficient swimming pool operations.

13) GM Pete Nardi serving as a Trustee of the American Water Works Association's Water Conservation Division, and as a member of the AWWA's Water Conservation Planning, Evaluation, and Research Committee. The committee has provided national leadership in areas such as implementation of online customer usage portals and utility water efficiency program policies. Pete helps the AWWA plan its Water Smart Innovations Conference that takes place each October.

14) Implemented new online customer usage portal to help customers understand and modify their consumption.

15) New: We will host and promote a Clemson University Extension Service public workshop on the "Carolina Yards & Neighborhoods" environmentally-sustainable, water-efficient landscape program from 1-3:30 p.m. on May 22.

2. Goal No. 2 – Recycled Water Services: Provide for all of the District's wastewater collection, treatment, and recycled water distribution services in a cost-effective manner while enhancing and protecting the Island's environment.

2.1. Continue to create access to the public sewer system for all properties seeking access, including the use of external funding, and assessment programs.

2.1 Management Tactics:

- 15) PSD currently has more than 96% of customers connected to the sewer system, versus a national percentage of 80% and versus BJWSA percentage of 60%.
- 16) Multiple programs and customer communications in place to facilitate customer conversions from septic to sewer, including our "Connect Now" customer communications campaign, PSD long-term low interest connection financing, Project SAFE sewer connection grants, and the Town of Hilton Head sewer connection grant program. New: The PSD has now performed more than 25 connections under the Town's grant program.
- 17) New: "Connect Now" postcard mailed to all customer accounts that could add sewer but have not yet done so (740 accounts). Postcard contains info. about both grant opportunities and PSD long-term, low-interest financing.
- 18) PSD Commission voted unanimously in September 2022 to take no further action on easement acquisition (condemnation) for the purpose of installing sewer service for the Spanish Wells Plantation subdivision, due to a variety of reasons outside of the PSD's control.

2.2. Adhere to all regulatory standards and timely delivery of complete and accurate applications and reports.

2.2 Management Tactics:

- 19) New: We received a "Satisfactory" rating on our annual DHEC Sanitary Survey inspection of the Recycled Water Plant in March. Only "Satisfactory" or "Unsatisfactory" ratings are given.
- 20) New: We timely submitted to DHEC our application for renewal of our Land Application Discharge Permit, which is the permit necessary to send recycled water to golf courses for irrigation. Our application was accepted, and we anticipate issuance of the renewed permit, which runs for 10 years (2024-2034).
- 21) S.C. DHEC required the PSD to monitor for cyanide in our current National Pollutant Discharge Elimination permit, to determine if there is reasonable potential for cyanide in our treated effluent and thereby to impose a cyanide limit on our permitted discharges. New: Our ongoing monitoring for cyanide has shown our ability to meet the proposed limit via our current treatment program, and we have thereby notified DHEC that we will accept the limit.

2.3. Utilize best available technologies where economically feasible.

- 22) We are introducing equipment in our WWTP aeration basins to monitor ammonia and nitrate to enhance our wastewater quality analysis and regulatory compliance program.
- 23) New: We have completed installation of a real-time monitoring system on the majority of our sewer lift stations. The system, called Streametric, provides an array of readings related to the pump operations of the lift stations (alarms, run times, starts/stops, motor amperage, etc.). It is a more comprehensive, technologically advanced, and cost-effective system than our prior system. The system is critical for effective sanitary sewer operations and to avoid sanitary sewer overflows at lift stations.

2.2 Management Tactics:

24) Remote monitoring and control upgrades at sewer lift stations are ongoing.

25) We are exploring a program to monitor ammonia levels at various points in the WWTP to assist in the fine-tuning of our aeration in order to reduce energy consumption.

2.4 Identify and reduce odors from our collection and treatment processes.

2.4 Management Tactics:

26) Multiple odor control measures are in place, including dosing of odor-control agent and deployment of deodorization blocks at key sewer lift stations.

27) We are implementing a new odor-reduction tactic that provides real-time monitoring and data acquisition of odor levels that allows us to optimize our odor-control agent dosing.

3. Goal No. 3 – Environmental and Sustainability: Operate in a sustainable manner with high regard for protecting and improving the environment.

3.1. Consider the creation of programs that inform the public proactively of new areas of environmental concern regarding water and wastewater.

3.1 Management Tactics:

28) We continue to monitor for PFAS in our water supply and are following the national regulatory developments related to PFAS via our trade associations, particularly the S.C. Water Quality Association. Our most recent round of PFAS monitoring showed no detection of PFAS in any of the PSD groundwater sources. The only detection comes at the intertie with the wholesale water provided by BJWSA.

29) Due to our non-detection of PFAS, the PSD Commission voted unanimously to opt out of the 3M and DuPont PFAS class action settlements, to preserve the PSD's right to seek legal remedies in the future should a problem arise in our groundwater sources. The non-detection of PFAS would have resulted in the PSD receiving no funds from the settlement since the utility would not be able to demonstrate an impact.

3.2. Introduce sustainable environmental initiatives as appropriate.

3.2 Management Tactics:

30) A key movement toward long-term sustainability of our water resources is the PSD's effort to continue to move away from our reliance on the freshwater Upper Floridan Aquifer and instead develop the brackish Middle Floridan aquifer and increase our use of Aquifer Storage & Recovery.

31) Pete Nardi is serving as President of WateReuseSC, our state's chapter of the national WateReuse Association, the leading trade group for recycled water in the U.S. Pete has helped lead the formation of a Technical Advisory Committee among WateReuseSC and top S.C. DHEC officials. The committee meets quarterly in Columbia. The goal is the creation of expanded regulations that allow for more reuse programs in our state, including potentially using reuse water to recharge our freshwater aquifer to

combat saltwater intrusion. DHEC continues to work very well with WateReuseSC and is demonstrating a strong commitment to developing a statewide reuse regulation. Pete is assisting in a review of other states' applicable regulations as well as in preparation of a first draft of a South Carolina reuse regulation.

32) Our Recycled Water Plant has been re-certified as an Audubon Cooperative Sanctuary, which is a recognition of sustainable practices at our business. We are the only wastewater treatment plant in the United States with this designation.

3.3. Explore applying new methods (models) dealing with global climate change impact to our specific situation.

3.2 Management Tactics:

33) Our 2022 hydrogeological modeling of the aquifer system at Hilton Head Island is a key part of the long-term body of science related to our local groundwater. The model will help inform future science on climate change impacts to the aquifer over time.

3.4. Identify and develop opportunities to reduce operating inputs such as power and chemicals.

3.4 Management Tactics:

34) We have switched all of our freshwater wells from chlorine gas to liquid chlorine to improve safety and reliability.

35) We are researching the potential to generate our own liquid chlorine on site in order to save money on bulk delivery of liquid chlorine, for which we have only one available supplier in our region. We use liquid chlorine treatment at our wastewater treatment plant, Reverse Osmosis Plant, and freshwater well sites.

36) We are exploring a program to monitor ammonia levels at various points in the WWTP to assist in the fine-tuning of our aeration in order to reduce energy consumption.

37) Engineering analysis performed in conjunction with our SCIIP project to expand the RO Plant capacity has determined that bulk delivery of liquid chlorine remains the most affordable and sustainable treatment method at the RO Plant. Our expansion project includes increasing the liquid chlorine storage capacity at the plant to a 30-day supply.

38) All aeration in our wastewater treatment plant is performed using variable frequency drive motors and dissolved oxygen monitoring to reduce energy consumption. The rate of aeration responds to the level of dissolved oxygen in the wastewater to avoid unnecessary levels of aeration and corresponding energy consumption.

4. Goal No. 4 – Customer Relations: Direct all activities to achieve a consistently high level of customer satisfaction.

4.1. Respond to, resolve, and monitor customer concerns promptly while minimizing public disruptions.

4.1 Management Tactics:

- 39) Customer Service and Field Service teams are currently adequately staffed to respond to daily customer calls.
- 40) We responded to an odor complaint filed with the S.C. Dept. of Consumer Affairs by a customer living in proximity to our Boys & Girls Club sewer lift station. The Dept. closed the case as a result of our response.
- 41) Monthly telephone hold time average is less than one minute.
- 42) 24-hour emergency hotline and Field Services on-call are in place. Additionally, we have piloted a second shift for Field Services, which reduces after-hours, on-call response.

4.2. Develop and execute programs that enhance the District's brand equity and maintain positive relationships between the District and its customers and the community.

4.2 Management Tactics:

- 43) Ongoing and extensive customer communications in place, including website, news releases, bill insert newsletters, social media on multiple platforms, and in-person presentations to groups, including:
- a. The PSD has earned its 13th-straight Government Finance Officers Association (GFOA) award for Excellence in Financial Reporting for our FY '22 Annual Comprehensive Financial Report (ACFR). A news release was sent in July.
 - b. Operations Manager Bill Davis gave a presentation on PSD hurricane preparedness and recovery operations in August to more than 90 colleagues at the Lowcountry Region meeting of the S.C. Rural Water Association.
 - c. General Manager Pete Nardi led a tour of the WWTP for the Hilton Head-Bluffton Leadership Class of 2023-24 in September.
 - d. The PSD hosted 40 utility professionals from around the state in September for the annual Asset Management Workshop of the Water Environment Association of S.C./S.C. AWWA.
 - e. Pete Nardi was interviewed in August by a professor from the University of Pennsylvania's Institute for Urban Research for a study they are doing on public water supplies' vulnerability to climate hazards and utility adoption of digital "smart water" technologies.
 - f. A news release was sent in September celebrating a decade of PSD Aquifer Storage & Recovery (ASR) well operations.
 - g. New: News release sent on South Carolina declaring first Monday in March "Water Professionals Day."
 - h. New: News release sent on PSD being named DHEC Facility of Excellence and Sarah Hickman earning Crystal Crucible Award from Water Environment Association, and recognition from WEASC/SCAWWA for PSD hosting statewide Asset Management Workshop.
 - i. New: Pete Nardi appeared on WHHI-TV's "Talk of the Town" to discuss our \$10-million long-term water supply grant projects.
 - j. New: PSD recognized by Beaufort County Council proclamation in April for DHEC Facility of Excellence, Sarah Hickman's Crystal Crucible Award, and PSD hosting statewide Asset Management Workshop.
 - k. New: Pete Nardi invited to discuss saltwater intrusion and the PSD's long-range water supply program on a podcast hosted by the HHI-Bluffton Chamber of Commerce in April, and on the Chamber's "Power Hour" forum for chamber members in June.

- 44) The S.C. Dept. of Natural Resources has named Pete Nardi to the Lower Savannah-Salkehatchie River Basin Council. The council is composed of 25 stakeholders from eight different water interest categories (utilities, industries, environmental groups, universities, municipalities, etc.). It is responsible for developing the Lower Savannah-Salkehatchie River Basin Plan as part of the South Carolina State Water Planning framework. Pete is the only Hilton Head Island representative on the council. New: River Basin Council scheduled May field trip to visit PSD WWTP, ASR Well, Whooping Crane Pond Conservancy, and RO Plant.
- 45) PSD Commission redistricting process is complete. The Commission held an open house on its draft redistricting map in November and voted unanimously to adopt the map at its December meeting. The map was a result of input from the S.C. Office of Revenue & Fiscal Affairs, Commissioners, staff, and the public. The map has been sent to the state and to Beaufort County, which conducts PSD elections. Beaufort County informed the PSD that the new PSD voting districts will be included in new voter registration cards the County is mailing in January.
- 46) PSD staff continue to be involved in array of industry-related volunteer activities that both enhance the PSD's reputation and provide knowledge transfer to/from our utility, including:
- a. PSD Water Quality Laboratory Supervisor Sarah Hickman served as a judge at the national process controls competition at the Water Environment Federation's conference in October.
 - b. New: Sarah Hickman was selected by Water Environment Federation to compete in an operations challenge at IFAT Munich, an international wastewater conference in May.
 - c. General Manager Pete Nardi's current involvement at the national and state level in our industry includes:
 - Appointed to the AWWA's national Communications, Education, and Legislation Committee.
 - Member of the Lower Savannah-Salkehatchie River Basin Council for the S.C. State Water Plan initiative.
 - Past President of WateReuseSC, our state's chapter of the national WateReuse Association.
 - Trustee of the national American Water Works Association Water Conservation Division.
 - Member of the national AWWA Water Conservation Planning, Evaluation, and Research Committee.
 - Member of the Water Environment Association of S.C./S.C. AWWA Joint Asset Management Committee.
 - Member of the S.C. Water Utility Council.
 - d. PSD Recycled Water Plant Supervisor Brian Fedorick is a member of the Water Environment Association of S.C.'s Operator Leadership Committee.

4.3. Inspire every employee to make customer service an integral part of his or her job performance.

4.3 Management Tactics:

- 47) A key tactic of this objective is achieved via the PSD hiring process, which places an emphasis on customer service aptitude and experience. Many current PSD team members have joined us from customer-facing roles in the local hospitality, health care, and residential and commercial maintenance industries.

48) Employee Recognition Program in place to recognize team members via customer, coworker, and supervisor input. Employee Recognition Program recognizes team members quarterly based on customer and co-worker feedback.

49) Customer Service Rep. J.P. Sarricolea attended the S.C. Rural Water Association's Office Pro conference in September, which includes an array of customer relations/service training.

4.4. Research and evaluate new customer-focused areas of interest and value-added services utilizing best available technologies where economically feasible.

4.4 Management Tactics:

50) We have implemented a new online customer usage portal, which is free of charge to customers. The portal offers a single sign-on for customers to both pay their bills and monitor their consumption online and provides the PSD another means of providing updates and announcements to customers.

4.5. Review and/or develop policies detailing positions on various customer service issues, such as water leaks, remediation of water issues, etc.

4.5 Management Tactics:

51) The FY '24 budget process resulted in implementation of revised sewer connection and backflow prevention inspection fees to reflect current costs incurred by the PSD.

4.6. Celebrate District and Staff accomplishments.

4.6 Management Tactics:

52) News releases, bill insert announcements, and social media posts sent on: GFOA Financial Reporting Award; Water Quality Laboratory once again being recognized as a Laboratory of Excellence as part of its annual certification by the S.C. DHEC; marking a decade of ASR well operations; new Commission voting districts map adoption.

53) Employee Recognition Program recognized nine team members in 3rd Qtr. based on customer, coworker, and supervisor input.

5. Goal No. 5 – Financial Responsibility: Conduct all District activity in a fiscally responsible manner.

5.1. Ensure fair, adequate, sufficient, and equitable rates, fees and charges through cost-of-service rate methodology.

5.1 Management Tactics:

54) Working with Beaufort-Jasper Water & Sewer Authority and Broad Creek PSD on a revised wholesale water agreement that would have significant, beneficial impacts for all parties going forward. New: A meeting was held in April among all three utilities. BJWSA said it is planning an approximately 35% increase in the

wholesale (or “peak”) rate to “catch up” on cost-of-service-based increases it has not enacted heretofore. BJWSA said it is considering phasing in the increasing but would not commit to that at the meeting. Pete Nardi encouraged the three utilities to set a schedule for creating a draft of a new wholesale water agreement within the next 12 months. The three general managers agreed to begin sharing potential agreement terms and create a schedule for draft completion.

55) FY '24 rate adjustments based on cost-of-service analysis. Sewer connection and backflow prevention inspection fees were adjusted to reflect current costs incurred by the PSD.

5.2. Plan and use debt prudently.

5.2 Management Tactics:

56) Beaufort County Council gave unanimous authorization for the PSD to issue up to \$23 million in general obligation debt related to the local match for our SCIIP projects as well as potential capital project needs.

57) The S.C. Drinking Water State Revolving Fund has approved our use of SRF funds for our engineering costs related to our SCIIP/ARPA projects.

5.3. Identify and implement opportunities to reduce operating costs, without sacrificing high-quality products and services.

5.3 Management Tactics:

58) We actively monitor non-revenue water to reduce water production costs. Non-revenue water is currently in an acceptable 10-15% range.

59) We are planning to explore ammonia level monitoring in our WWTP aeration basins to aid in our adjustment of our aeration to save energy costs.

60) Construction of an onsite liquid chlorine production system at our Wastewater Treatment Plant is a project included in our list of potential projects to be funded using our upcoming General Obligation borrowing.

5.4. Identify and develop opportunities that enhance the District’s revenue and improve its cash flow.

5.4 Management Tactics:

61) We are carrying out our ongoing meter changeout program, which is a key tactic to ensure that the PSD is capturing consumption and generating accurate bills.

62) We are lowering our bad debt expense via pro-active communications with delinquent payers.

63) We are reducing the number of and dollar amount of leak adjustments by proactively communicating with customers.

64) We are participating in the S.C. Local Government Investing Pool, which is an investment mechanism authorized by the General Assembly to provide local governments an opportunity to acquire maximum returns on investments by pooling available funds with funds from other political subdivisions.

5.5. Review internal controls and policies regularly to ensure security of District assets and the integrity of District reports. Conform to the state and federal mandates regarding annual audits.

5.5 Management Tactics:

65) Appropriate internal controls are in place and routinely reviewed.

5.6. Monitor and report on operating ratios, goals, and benchmarks to maintain/improve performance and maintain a high credit rating.

5.6 Management Tactics:

66) Quarterly financial reporting provides ratios/benchmarks update.

67) PSD earned 13th-straight GFOA award for Excellence in Financial Reporting for our FY '22 Annual Comprehensive Financial Report.

68) A favorable report on PSD benchmarks, including comparison to several other coastal utilities, was presented by our financial advisor, Amy Vitner of First Tryon, at the September Commission meeting.

5.7. Develop and manage business and operational plans and prepare budgets that support those plans.

5.7 Management Tactics:

69) Our Fiscal Year 2024 budget included consumption rate increases in the upper tiers to send a price signal to promote water efficiency among customers. We plan to continue that measure in the Fiscal Year 2025 budget.

70) Asset management planning is informing annual Operating & Maintenance and Capital Improvement Program budgets.

6. Goal No. 6 – Organizational Excellence and Leadership: Achieve organizational excellence and leadership.

6.1. Promote, monitor, and support safety in all workplaces and activities.

6.1 Management Tactics:

71) Routine safety training is in place. Longtime PSD safety instructor Bob "Safety Bob" Stinnett leads monthly courses and supervisors provide regular in-field discussions and "tailgate talks."

72) CPR/AED training provided for all PSD staff free of charge from Hilton Head Fire Rescue.

- 73) Active shooter response training is provided by a nationally recognized consultant led by former law enforcement officers.
- 74) A free flu shot clinic was provided to team members and spouses via Burke's Main Street Pharmacy.
- 75) PSD Workers' Compensation coverage provided by the S.C. State Accident Fund, which continues to provide premium based on PSD incident history. New: We have had two (non-OSHA reportable) workplace injuries in FY '24 to date.
- 6.2. Attract and retain a professional, diverse, motivated, customer-oriented staff, at a level consistent with meeting the District's goals, while considering novel approaches to recruitment.

6.2 Management Tactics:

- 76) Competitive compensation and benefits packages are funded in the FY '24 budget and included in the draft FY '25 budget.
- 77) PSD recruits in a variety of formats that include diversity-focused recruitment websites/listings.
- 78) Word-of-mouth and recommendations from existing team members continue to provide a key resource for recruitment, particularly at the local level.
- 79) New: We have hired three Field Service Technicians, an IT/GIS Technician, a SCADA Technician, and an Asset Management Specialist to date in FY '24. We also currently have a Recycled Water Plant intern, and are actively recruiting a Purchasing Manager and Advanced Metering Infrastructure Supervisor.
- 80) We participate in potential recruitment with a variety of partners, including our local schools and trade associations. We utilize word-of-mouth, social media, and traditional media in our recruitment advertising.
- 81) We have signed up as a participating utility in the S.C. Rural Water Association's brand new Pre-Apprenticeship Program, wherein our costs of adding an intern who is still in high school may be subsidized by the association and wherein the association may match interns with us.
- 82) Multiple training programs and opportunities are in place utilizing trade associations, in-house resources, and independent study. New: Training examples to date include: Water Quality Monitoring, Filter Backwash Optimization & Gas Detection; Membrane Treatment Principles; Essentials of Human Resources; Southeastern Desalting Association Introduction to Membrane Systems; WEASC Lab Workshop; MR Systems Basic Process Instrumentation Training; AWWA Corrosion Control Theory and Treatment Options; Water Environment Federation WEFTEC Conference; S.C. Water Quality Association Compliance Workshop; WEASC-SCAWWA Asset Management Workshop; S.C. Rural Water Association Office Pro Workshop; AWWA Non-Revenue Water Seminar; S.C. Environmental Conference.
- 83) S.C. Labor Licensing and Regulation operator licenses earned so far this fiscal year: "A" Water Distribution, "C" Water Distribution, "D" Distribution, "D" Wastewater Collections, "E" Water Treatment.
- 84) The PSD should continue to add staff as necessary to work toward a generally accepted water/wastewater sector goal of a 400-to-1 customer-to-staff ratio. Current ratio is approximately 650-to-1.

85) New: PSD team-building sessions were held in March and April, using a new approach that incorporated site-based local Civil War and Reconstruction history, local ecology, and group problem-solving. It was very well received by the team.

6.3. Define and implement organizational succession planning.

6.3 Management Tactics:

86) Organizational structure, as well as training and educational opportunities, are in place to support departmental succession as needed.

6.4. Provide educational opportunities for Commissioners on board governance and the PSD's operations.

6.4 Management Tactic:

87) Clerk to Commission Connie Whitehead developed a hard-copy Commissioner Orientation Manual and it has been provided to the Commission.

88) An overview of PSD physical security tactics was provided to the Commission in executive session in January '24, per the Commission's request.

7. Goal No. 7 – Asset Management: Acquire, maintain, protect, and secure the District's property, databases, plant and equipment assets (investment in the future).

7.1. Maintain and execute a system preventative maintenance program that minimizes the number, severity, and duration of loss of service incidents.

7.1 Management Tactics:

89) Water and wastewater systems' preventative maintenance program is in place and utilizing Geographic Information Systems, particularly in the area of sewer lift station maintenance.

90) Appropriate staff level is a key tactic to minimize the number, severity, and duration of loss of service incidents, particularly due to a small amount of available contractors to assist in such situations.

91) The adopted FY '24 budget supports a staff level appropriate to meet current system needs and help prepare for continued growth in the PSD customer base.

7.2. Prepare an asset inventory and 5-year replacement plans for the water/wastewater systems.

7.2 Management Tactics:

92) PSD asset inventory is up to date and serves as basis of S.C. Insurance Reserve Fund (IRF) policies covering utility assets. New: The IRF's decision to drop underground lines insurance has prompted self-insurance tactics review among staff and the Commission as part of the FY '25 budget process and for ongoing consideration.

93) Replacements/enhancements funded in FY '24 Capital Improvement Plan and included in draft FY '25 CIP.

94) PSD Capital Improvement Plan is updated annually and prepared on a 5-year basis. The adopted FY '24 budget includes a 5-year replacement plan and supports an appropriate annual capital improvement program.

95) New: Hired Asset Management Specialist in FY '24 (April), to work on PSD asset hierarchy, CMMS selection and implementation, asset condition assessment program, and asset replacement planning.

7.3. Maintain a current comprehensive security infrastructure/disaster preparedness and recovery plan.

7.3 Management Tactics:

96) Emergency Response Plan is up to date and certified to U.S. EPA.

97) PSD has a key seat at the table for all Beaufort County and Town of Hilton Head Island multi-agency emergency planning activities. Our critical assets are listed for priority attention by the Town, County, and Palmetto Electric.

98) Pete Nardi continues to advocate on behalf of the island PSD utilities to have our teams be provided the same first-responder status for hurricane reentry purposes as other agencies receive.

7.4. Exercise oversight over new construction projects to ensure construction complies with District standards and appropriate documentation is provided. In addition, ensure that new construction is compatible with the existing system and service can be extended to nearby properties.

7.4 Management Tactics:

99) Our System Specifications for development have been updated and are in use. The specifications provide the PSD's standard requirements for utility infrastructure in order to assist developers in planning and construction.

100) Internal and external project management is in place on developer and PSD projects.

101) PSD-funded sewer extension projects addressing landlocked parcels.

7.5. Maintain adequate and comprehensive insurance coverage of District assets.

7.5 Management Tactics:

102) PSD is insured by the State of South Carolina Insurance Reserve Fund (IRF) at adequate levels. We annually review our insured assets and coverage and make modifications thereto.

103) Cybersecurity insurance has been added.

7.6. Maintain and protect confidential information through technology systems to ensure integrity of operations and information security.

7.6 Management Tactics:

- 104) Cybersecurity systems are in place on all business and operational systems.
- 105) Cybersecurity training is being implemented for all staff members.
- 106) An IT/GIS Technician working under IT/GIS Manager Ryan Lewis has been hired, in part to aid in our ongoing cybersecurity measures and programs.

7.7. Maintain physical security of property and equipment.

7.7 Management Tactics:

- 107) Extensive camera surveillance of PSD facilities is in place.
- 108) Alarm systems in place on key PSD facilities.
- 109) Security in place for field assets.

7.8. Utilize best available technologies were economically feasible.

7.8 Management Tactics:

- 110) Exploration of Computerized Maintenance Management Systems (CMMS) continues.
- 111) The addition of an IT/GIS Technician to our IT/GIS dept. will aid significantly in our ability to effectively manage a CMMS.
- 112) Advanced Metering Infrastructure in place.
- 113) Supervisory Control and Data Acquisition system enhancements are ongoing.
- 114) Geographic Information System enhancements are ongoing and utilizing field- and desktop-based updating.
- 115) Computerized water distribution model update completed.

8. Goal No. 8 – External Relations: Develop, expand and leverage the District’s positive relationships with external organizations, utilities and governments.

8.1. Develop and expand cooperative and mutually beneficial relationships with the Town of Hilton Head, county, state, and federal elected representatives, local and state public service districts, public agencies and associations, the media and communities within the District.

8.1 Management Tactics:

- 116) The Town of Hilton Head Island’s Comprehensive Plan, in its Environmental Sustainability Policy, has identified a Strategic Initiative to “Work with Public Service Districts (PSDs) on Long-Term Capital Projects,” which includes assessing appropriate partnership opportunities with PSD facilities and capital projects to

ensure future delivery of drinking water for residents. The Town has appointed a staff engineer to serve as a liaison for the PSDs to help carry out this initiative.

- 117) Hilton Head Town Council voted in 2022 in support of working with the PSD on development of our second Aquifer Storage & Recovery well on the Town-owned Ashmore Tract, as well as the expansion of our Reverse Osmosis Drinking Water Treatment Facility, which involves the Town-owned Old Welcome Center site and Jenkins Island Tract. Town staff and Town Council have been very supportive and helpful in addressing our need for easements on Town-owned property to complete our SCIIP projects. Town Council approved the easements at its Oct. 17 meeting.
- 118) We are working with the Town on development of a capital improvement program dashboard that shows overlap between Town- and PSD projects, such as roadway improvements and water and/or sewer main improvements.
- 119) We are working with the Town on its project to develop workforce housing at its Northpoint property.
- 120) Town, State (Sen. Davis, Rep. Bradley), and Federal (Rep. Nancy Mace) officials all wrote letters of endorsement for the PSD's \$10-million ARPA application for water supply projects.
- 121) County Council unanimously supported the PSD's request for \$1 million from County ARPA allocation for RO Plant emergency generator and water booster station.
- 122) New: A memo was sent in April to State Sen. Tom Davis requesting \$1 million in local matching funds assistance for our SCIIP projects, as well as up to \$11 million for capital wastewater projects.

8.2. Monitor and evaluate the impacts of federal, state and local legislation and regulations that impact the District's current and future operations.

8.2 Management Tactics:

- 123) PSD General Manager Pete Nardi has helped launch the new S.C. Chapter of WaterReuse Association to influence reuse water regulations/legislation.
- 124) We are monitoring legislation via our involvement in S.C. Water Utility Council and S.C. Water Quality Association. The S.C. General Assembly reconvened on Jan. 9.

New:

There has been no movement on any bills of significance for PSD purposes. Two bills below could be impactful to us, but there is no recent movement on them.

- H 3769

A BILL TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY ADDING SECTION 5-31-1525 SO AS TO PROHIBIT THE DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL FROM DENYING THE REPAIR, REPLACEMENT, OR CONSTRUCTION OF WELLS AND SEPTIC TANKS ON CERTAIN RURAL LANDS REGARDLESS OF THE AVAILABILITY OF MUNICIPAL WATER AND SEWER SERVICE.

Status: Passed House. Referred to Senate Committee on Labor, Commerce and Industry (4/25/23)

- H 4685

A BILL TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY ADDING SECTION 44-1-320 SO AS TO PROHIBIT THE CONSTRUCTION OR INSTALLATION OF SEPTIC TANKS WITHIN A CERTAIN PROXIMITY TO WATERWAYS OR THE COAST OF SOUTH CAROLINA.

Status. Referred to House Committee on Labor, Commerce and Industry (1/9/24)



To: PSD Commissioners
From: Pete Nardi, General Manager
April 15, 2024

FY 2024 General Manager Highlights

"Leadership should be born out of the understanding of the needs of those who would be affected by it."

--Marian Anderson

In my routine reporting to the Commission, I endeavor to and enjoy highlighting the accomplishments of the PSD team as a whole and team members other than myself. This memo is provided at the Commission's request to cover some of my personal highlights for the completed fiscal year. This is not an exhaustive list but is intended to provide the Commission with insights to aid in their annual review of my performance. I have listed items below numerically, primarily for ease of reading and not necessarily as an indicator of priority ranking.

Please note: I have not listed below the various local speaking engagements and media or industry interviews and outreach that I routinely do, as these are covered in my GM Monthly Reports to the Commission.

Please do not hesitate to contact me if you have any questions or would like more information about any of the items listed below.

Major Accomplishments

- 1. Management of Transformative Water Supply Projects for HHI.** A large part of my work this year focused on the management of our projects to 1.) expand the capacity of our Reverse Osmosis (RO) Drinking Water Treatment Facility from 4 million gallons a day (mgd) to 6 mgd; 2.) construct a second Aquifer Storage & Recovery (ASR) well to bracket our service area with large-scale water supply; 3.) convert our 40+-year-old Leg O'Mutton water distribution pumps into a modern Water Booster Station that will sustain pressure in key parts of our service area; and 4.) plan for the relocation of our drinking water transmission pipeline and local mains due to the pending U.S. 278 Corridor Project. I serve as our owner-representative. This work entails leadership and coordination of a variety of complex tasks necessary to plan and complete these projects, including customer and PSD team communications; project design with the engineering team; land/easement acquisition with Town of HHI, SCDOT, Santee Cooper, private landowners, and legal counsel; regulatory and permitting compliance with S.C. DHEC, Office of Coastal Resource Management, S.C. Historic Preservation Office, U.S. Army Corps of Engineers, Town of HHI; and grant management with S.C. Rural Infrastructure Authority and Beaufort County. These projects will be transformative for our customers and community, and I am proud to be a part of them and to make them part of my legacy of leadership for the PSD.

2. **Enhancement of the PSD Team.** I have been leading our effort to enhance our utility team. This involves bringing the vision necessary address areas of current need and to prepare the PSD to meet the challenges of coming decades. In FY '24, this work has included: building a repair and maintenance team with an emphasis on telemetry, data collection, monitoring, and electronics; adding our first-ever Asset Management professional; bolstering the Finance Department with the addition of our first-ever Assistant Finance Manager; enhancing the Information Technology/Geographic Information System Department with the addition of our first-ever IT/GIS Technician to work under the department manager; and adding local talent for our Field Services team including recruiting a Technician directly from Hilton Head Island High School. My work in this area has aided our utility succession planning. I also continue to focus on our team's training, development, and compensation and benefits, to create a workplace that fosters dedication, commitment, and enjoyment by our excellent team.
3. **Completion of Commission Redistricting.** I was proud to help lead the successful redistricting of the PSD Commission this year. That work involved creating public communications about the redistricting to obtain voter feedback, incorporating Commissioner feedback and concerns, incorporating legal advice, coordinating Commission district map drafts with PSD staff and the S.C. Revenue & Fiscal Affairs Office, and coordinating dissemination of the adopted maps with Beaufort County Elections & Voter Registration. This was the culmination of a two-year effort that begin with my working with the Commission, legal counsel, and State Sen. Tom Davis to write, introduce, and achieve S.C. General Assembly passage of the state legislation necessary to allow the Commission to redistrict. This effort sets up the Commission for redistricting every 10 years following completion of the U.S. Census and ensures compliance with federal voting rights law and the Commission's own state legislation.

State & National Utility Leadership

1. **Leadership for Recycled Water in South Carolina.** I have continued to work closely with S.C. DHEC and utility leadership from around our state to advance the cause of recycled water in South Carolina. I am currently the Past President of WateReuseSC, our state chapter of the national WateReuse Association. I am serving on a Technical Advisory Committee comprised of members of our chapter and S.C. DHEC departmental leaders to create our state's first-ever recycled water regulation. This year, I have helped work on the draft regulation language and been active in recruiting stakeholders to our cause, including farmers, and our local and state Chambers of Commerce. I am excited and honored to help lead the future of recycled water in our state. It is a critical resource that can bolster local water supplies, combat saltwater intrusion, provide water for agriculture, provide water for energy generation, foster economic development, and help communities solve wastewater discharge problems.
2. **Representing Hilton Head Island on the Lower Savannah-Salkehatchie River Basin Council.** I am the sole Hilton Head Island council member on the 25-member River Basin Council for our area of the state, serving a four-year term. I was selected for this role by the S.C. Department of Natural Resources (DNR). We are working with S.C. DNR, DHEC, and Clemson University to create our River Basin Plan, which will become part of the overall South Carolina Water Plan – a crucial document that will guide

water capacity permitting decisions into the future. My participation on the council is helping to elevate Hilton Head Island's water resources planning to state regulatory leaders as well as among other local stakeholders.

3. **Member of the South Carolina Water Utility Council.** The Water Utility Council is comprised of water utility managers from around the state. We facilitate water utility input into legislation in the South Carolina General Assembly, working directly with the paid lobbyist for our state chapter of the AWWA. The Council this year has been focused on renewal of the Utility Relocation Act, under which SCDOT projects must allocate funding for wet utility relocations. We also successfully pushed for the state to recognize the first Monday in March each year as "Water Professionals Day" in South Carolina.
4. **Serving on the statewide Joint Asset Management Committee.** This joint committee of our statewide water and wastewater associations works to advance the cause of asset management for South Carolina's utilities. It is comprised of utility staff and consulting engineers. This year, the committee was recognized by the associations as their top committee. The recognition was particularly due to the success of the annual Asset Management Workshop, which the committee organizes and was hosted by Hilton Head PSD – bringing asset management professionals from around South Carolina to Hilton Head Island.
5. **Serving as AWWA Water Conservation Division Trustee.** I continue to serve as a national Trustee for the AWWA. My service is particularly desired by the AWWA due to my reputation as a public water conservation advocate representing the Southeastern United States and the high degree of attention to water-efficiency promotion and practices demonstrated by the PSD under my leadership. In this role, I assist the association in planning conferences and publications, recruiting national committee members, and selecting association members for national awards and recognition in water conservation.
6. **Serving on the AWWA's national Communications, Education, and Legislative Committee.** I am a member of this committee that assists AWWA's Washington, D.C., staff in lobbying for legislation on behalf of the association and prepares and reviews AWWA public affairs materials for members' use in water conservation outreach to their communities.

Local General Leadership/Civic Engagement

Each year I typically engage in a variety of leadership activities that are of a general nature in our community. This year's activities included:

1. **President of HHI Kiwanis Club.** I am serving a two-year term as President of the Hilton Head Kiwanis Club. The Kiwanis mission is to improve the lives of children. My role recently has included recruiting new members for the Kiwanis, planning and participating in fundraising activities that support our island's children, and organizing club meetings.

2. **Serve on the Hilton Head Island-Bluffton Chamber of Commerce's Public Policy Committee.** I am a longstanding member of this Chamber of Commerce committee that brings together leaders in areas such as real estate, hospitality, health care, engineering, county and municipal government, and various businesses. A key function of the committee is to identify areas that the Chamber should target for its annual legislative support and my involvement in the committee has frequently led to water-related initiatives being added to the Chamber's annual legislative action plan.

Association Memberships

Member of the S.C. Water Quality Association. This is a statewide association of utilities and engineering firms primarily related to wastewater issues. The association is led by one of the leading wastewater-law attorneys in the United States. It works with the S.C. DHEC and the General Assembly to facilitate regulatory and legislative action in our state. It holds quarterly workshops that provide a wealth of information on the latest regulatory and permitting items, industry best-practices, and capital project development. The association also provides direct assistance to utilities on regulatory and permitting affairs.

Member of the Society for Human Resource Management (SHRM). I am a member of this professional association that provides continuous resources and education related to the HR profession and personnel management. SHRM provides a wealth of information on HR law, personnel policy recommendations/best-practices and ideas, which I regularly review through its online portal.

Member of the Institute of Certified Professional Managers (ICPM). I achieved the designation of Certified Manager (CM) through the James Madison University College of Business in 2012 and am a member of the ICPM, which is the program that administers the CM examination. The ICPM provides ongoing training and information on management and business leadership.

Member of the American Water Works Association (AWWA). I am an individual member of the AWWA, which is required of all AWWA committee members. The AWWA is a constant source of industry-related information and training.

Member of the Water Environment Federation (WEF). I am an individual member of WEF, which is the leading trade association for the wastewater industry. Like AWWA on the water side of our business, WEF is a constant source of industry-related information and training.



TO: Frank Turano, Chairman
FROM: _____, Commissioner
SUBJECT: FY 2024 GM Performance Evaluation Comments
DATE: _____

The following are my comments on the General Manager's performance in meeting Strategic Goals & Objectives during FY 2024:

GOAL #1 – WATER SERVICES

GOAL #2 – RECYCLED WATER SERVICES

GOAL #3 – ENVIRONMENTAL AND SUSTAINABILITY

GOAL #4 – CUSTOMER RELATIONS

GOAL #5 – FINANCIAL RESPONSIBILITY

GOAL #6 – ORGANIZATIONAL EXCELLENCE AND LEADERSHIP

GOAL #7 – ASSET MANAGEMENT

GOAL # 8 – EXTERNAL RELATIONS



GM Monthly Report



HILTON HEAD PUBLIC SERVICE DISTRICT

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

April 16, 2024

Dear Commissioners, please see below the following updates:

- We are experiencing demand of approx. 6-7 million gallons a day (mgd), which is normal for the prevailing weather conditions. We began recovery of water from our Aquifer Storage & Recovery (ASR) well on April 15 at approximately 1.4 mgd.
- SCIP and ARPA Grant Projects Update:
 - **Leg O'Mutton Booster Station**
 - Bids were opened on March 28. There were two bidders. The low responsible bidder was BRW Construction Group of Savannah, Ga., at \$1,999,807.00. The next bid was \$2,638,070.00. Approval of the construction contract will be brought before the Commission at its May meeting. The project is estimated for construction completion in summer 2025.
 - **RO Plant Expansion**
 - April 15 - 100% Civil plans completed and re-submitted to Town of HHI with letter addressing permit application comments. Anticipate receiving permit by early May.
 - April 15 – Submitted plans to S.C. Rural Infrastructure Authority (SCIP admin.) for required review prior to bidding (30 days max. review).
 - April 24 – Complete 100% structural, mechanical, electrical, and instrumentation & control plans and specs.
 - April 25 – Request for proposals for equipment allowances (Veolia and MR Systems). Receive by May 9.
 - May 16 – Invite bids from prequalified bidders (30-day advertisement).
 - June 18 – Bid opening.
 - June 26 – Commission Meeting agenda item to accept bid.
 - **RO Well #4, ASR Well #2, and Transmission Mains**
 - April 16 – Submitted plans to SCRIA for required review prior to bidding (30 days max. review).
 - April 24 – Complete 100% structural, mechanical, electrical, and I&C plans.
 - May 16 – Advertise invitation to bid (30-day advertisement).
 - June 18 – Bid opening
 - June 26th – Commission Meeting agenda to accept bid.

- Pete Nardi and Jerry Cutrer met this month with Town Manager Marc Orlando to discuss the U.S. 278 Corridor Project and the current need for any formal PSD outreach to the Town regarding the project, per Commission discussion at its March monthly meeting. The Town Manager indicated no formal outreach is advisable at this time.
- We have produced four new 0:60 videos that will air on WHHI-TV and are available on our website: (Where Your Water Comes From) <https://www.youtube.com/watch?v=szslnS6h1uE&t=1s> (Recycled Water) <https://www.youtube.com/watch?v=2kxSZQhdYw&t=5s> (Irrigation Efficiency) <https://www.youtube.com/watch?v=ntgsK1qMMtQ&t=1s> (Hurricane Season) https://www.youtube.com/watch?v=JZyZRI_iCYA&t=2s
- Pete Nardi taped a podcast with the Hilton Head Island Chamber of Commerce this month about saltwater intrusion and the island's response.
- The Beaufort County Council on April 8 presented a proclamation to the PSD recognizing recent statewide awards (Facility of Excellence; Sarah Hickma's Crystal Crucible) and our overall contributions to the sustainability of Hilton Head Island. The proclamation was presented by Council Vice Chair Larry McElynn (Hilton Head, Dist. 10). A copy of the proclamation is attached to this report.



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

~ Proclamation ~

Whereas it is with immense pride that Beaufort County Council acknowledges the remarkable achievements of the Hilton Head Public Service District (PSD) and its dedicated personnel; and

Whereas the PSD, through its unwavering commitment to environmental stewardship and regulatory compliance, has been honored with the prestigious Facility of Excellence Award by the South Carolina Department of Health and Environmental Control (DHEC); and

Whereas the Recycled Water Plant on Oak Park Drive, under the exemplary leadership of PSD General Manager Pete Nardi, has been instrumental in recycling approximately 1 billion gallons of treated wastewater annually, thereby preserving water resources and nurturing the delicate Hilton Head Island environment; and

Whereas the Water Quality Supervisor of the PSD, Sarah Hickman, has been duly recognized by receiving the esteemed Crystal Crucible Award for her outstanding contributions to water and wastewater analysis, her promotion of professionalism, and her dedication to fostering distinguished ideals among industry professionals; and

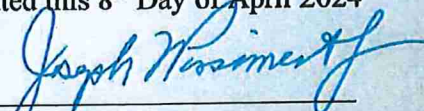
Whereas Sarah Hickman's volunteerism, spirit and leadership have enriched the water industry in South Carolina and have also earned her the honor of representing our state at the prestigious operations challenge at I...F...A...T... Munich; and

Whereas the PSD's commitment to excellence extends beyond environmental stewardship, as evidenced by the successful hosting of the statewide Asset Management Workshop in 2023, earning recognition from the Water Environment Association of South Carolina (WEASC); and

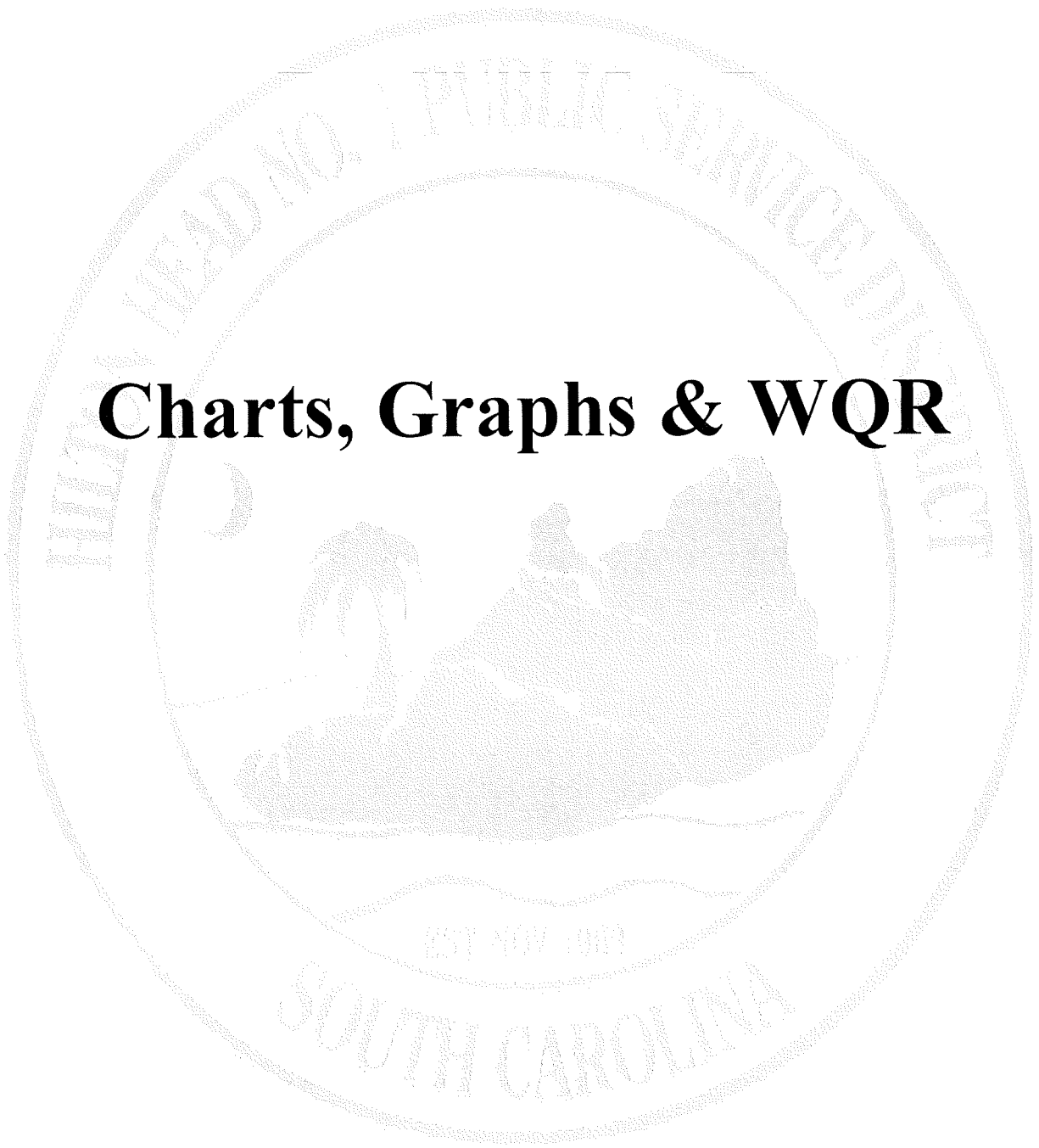
Now, therefore, it is resolved that Beaufort County Council extends its gratitude to the HHPSD and recognizes its exceptional personnel for their significant contributions to the well-being and sustainability of the Hilton Head Island Community.



Dated this 8th Day of April 2024


Joseph F. Passiment, Jr., Chairman
Beaufort County Council

Charts, Graphs & WQR





Mar-24
Monthly Water Quality Report

| Water Supply Source | MG Per Month | | | | | | | | | | | | % of Supply YTD | |
|---------------------|--------------|--------|--------|-------|-----|------|------|--------|-------|------|------|------|-----------------|--------|
| | Jan. | Feb. | March | April | May | June | July | August | Sept. | Oct. | Nov. | Dec. | | YTD |
| Purchased | 0.00 | 7.75 | 22.32 | | | | | | | | | | 30.07 | 7.0% |
| RO Plant | 107.87 | 95.01 | 117.34 | | | | | | | | | | 320.22 | 79.0% |
| UFA Wells | 20.12 | 21.59 | 15.06 | | | | | | | | | | 56.77 | 14.0% |
| ASR Recovery | 0.00 | 0.00 | 0.00 | | | | | | | | | | 0.00 | 0.0% |
| Total | 127.99 | 124.35 | 154.72 | | | | | | | | | | 407.06 | 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 | | | | | | | | | | |
| Chlorine (avg) | 1.92 | 1.96 | 1.86 | | | | | | | | | | |
| Ph (avg) | 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) | | | | | | |

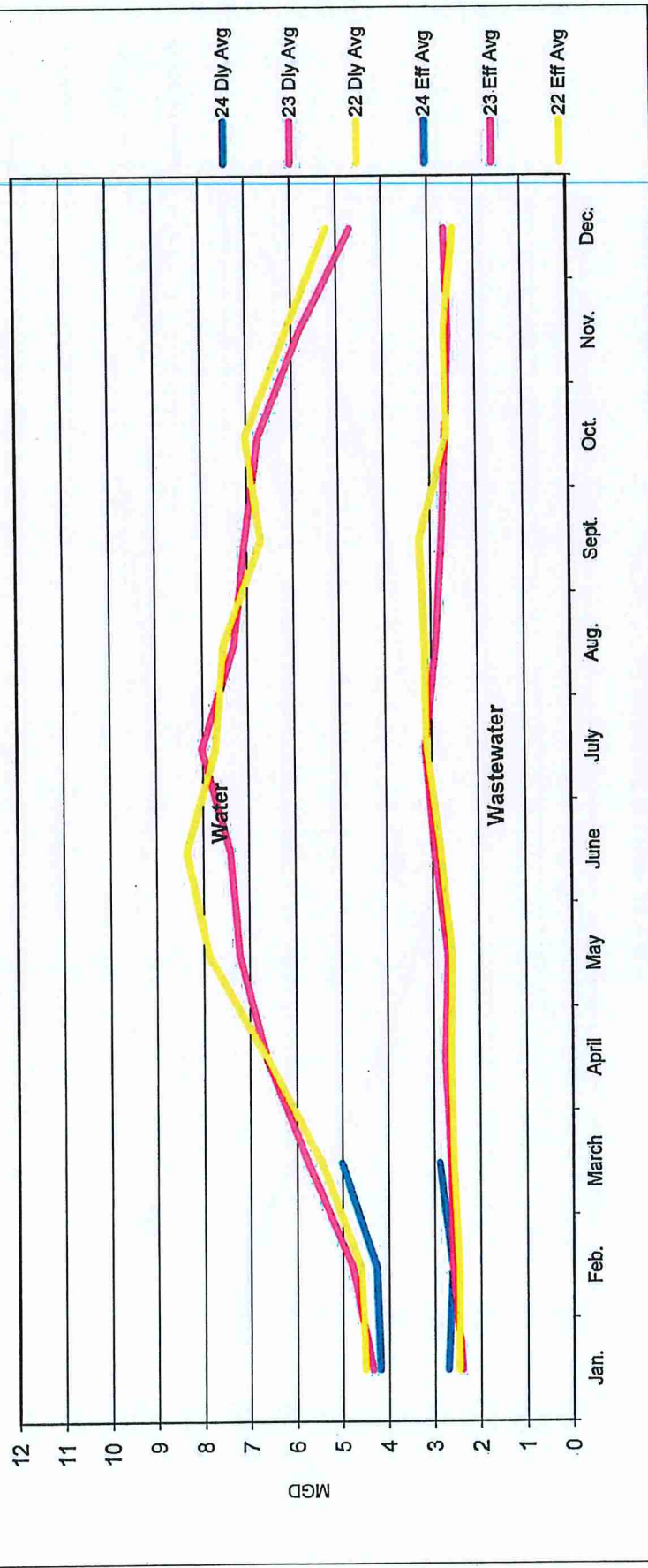
| Supply-specific Water Quality Ranges for This Month | | | | | |
|---|---------------------------|--------------------------------|------------------------------|------------------------|--|
| Supply | Average Chlorine Residual | Within Acceptable Range? (Y/N) | Average Chloride Level (ppm) | Average Hardness (ppm) | |
| BJWSA (supply) | 2.09 | Y | | | |
| RO Raw Water MFA Wells (range) | n/a | Y | 156- 460 | 104 - 216 | |
| Finished RO Water | 2.98 | Y | | | |
| Fire Station UFA | 1.94 | Y | 59 | 144 | |
| Leg O' Mutton UFA | 2.19 | Y | 74 | 194 | |
| Wild Horse UFA | 2.26 | Y | 60 | 182 | |
| Seabrook UFA | 2.18 | Y | 118 | 256 | |
| Union Cemetery UFA | 1.12 | Y | | | |
| ASR (recharge) | 1.96 | Y | 28 | 23 | |

Customer Inquiries

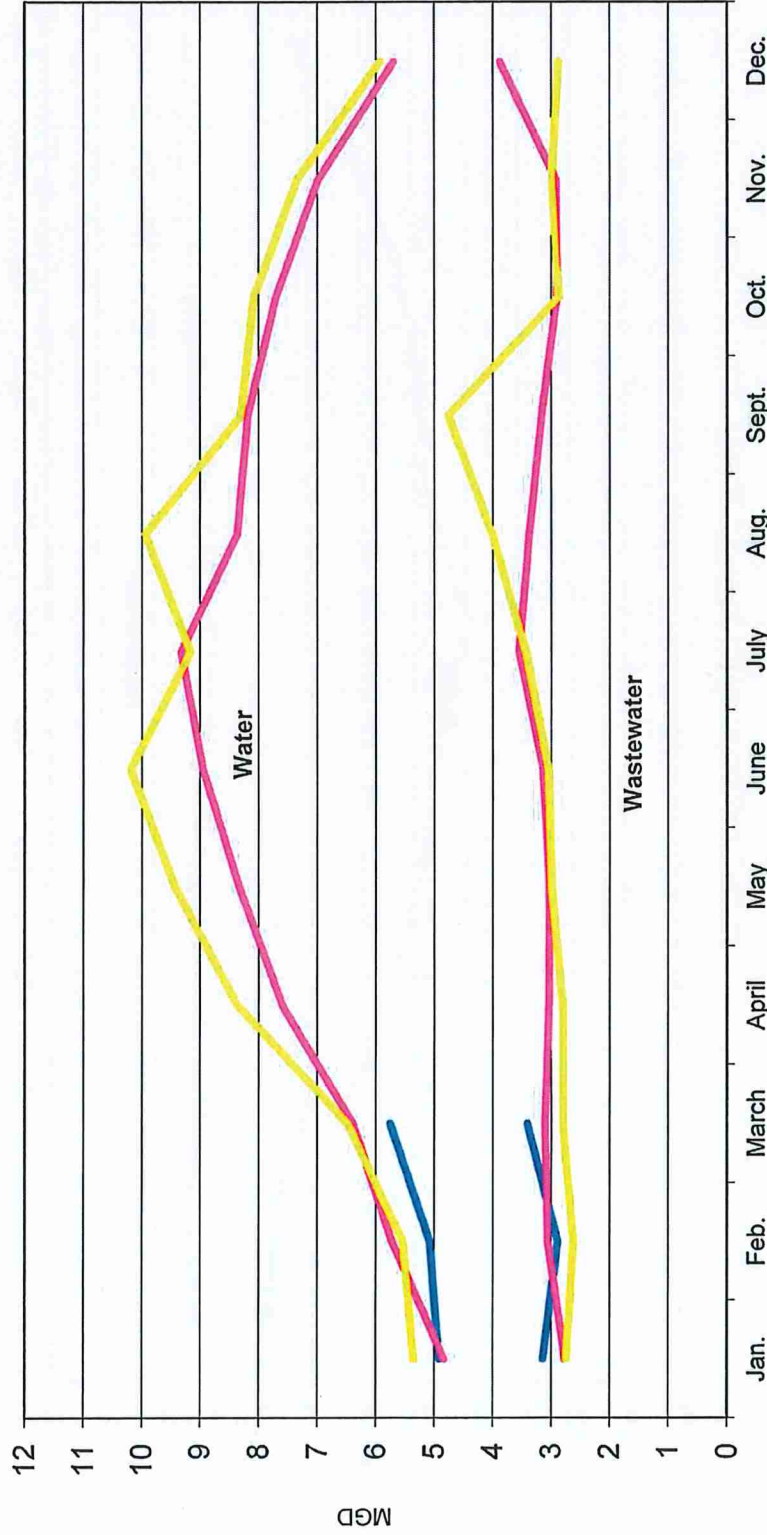
| Type of Inquiry | Number of Inquiries | Resolved? | Comments |
|----------------------------|---------------------|-----------|----------|
| Low Pressure | 8 | y | |
| Customer break/leak | 35 | y | |
| PSD break/leak | 20 | y | |
| Water Outage | 8 | y | |
| Odor/Taste/Color | 0 | y | |
| Miscellaneous | 160 | y | |
| Sewer issues & Inspections | 154 | y | |
| Total | 385 | | |

Other Water Quality Notes for This Month
 3/07/2024 - Changed cartridge filters

Water and Wastewater Average Flows



Water and Wastewater Peak Flow



- 24 Dly Pk
- 23 Dly Pk
- 22 Dly Pk
- 24 Eff Pk
- 23 Eff Pk
- 22 Eff Pk