

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

MAY 2024 AGENDA PACKET CONTENTS

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2. Draft Minutes of the April 24, 2024, Regular Commission Meeting
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5. Notice of Public Hearing Regarding FY'25 Operating Budget
6. Draft FY'25 Budget
7. FY'24 Third Quarter Financial Report
8. General Manager's Monthly Report
9. Memo from the Finance Manager on the Audit Engagement Letter
10. Audit Engagement Letter
11. Commissioner Communication Letter
12. Memo from the Finance Manager on the GO Bond Resolution
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14. First Tryon Financial Analysis
15. GO Bond Resolution
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17. Executive Committee Meeting Agenda, May 15, 2024
18. Letter to the GM from the Government Finance Officers Association – FYI
19. Letter to the GM from Hilton Head Island-Bluffton Chamber of Commerce – FYI
20. 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.

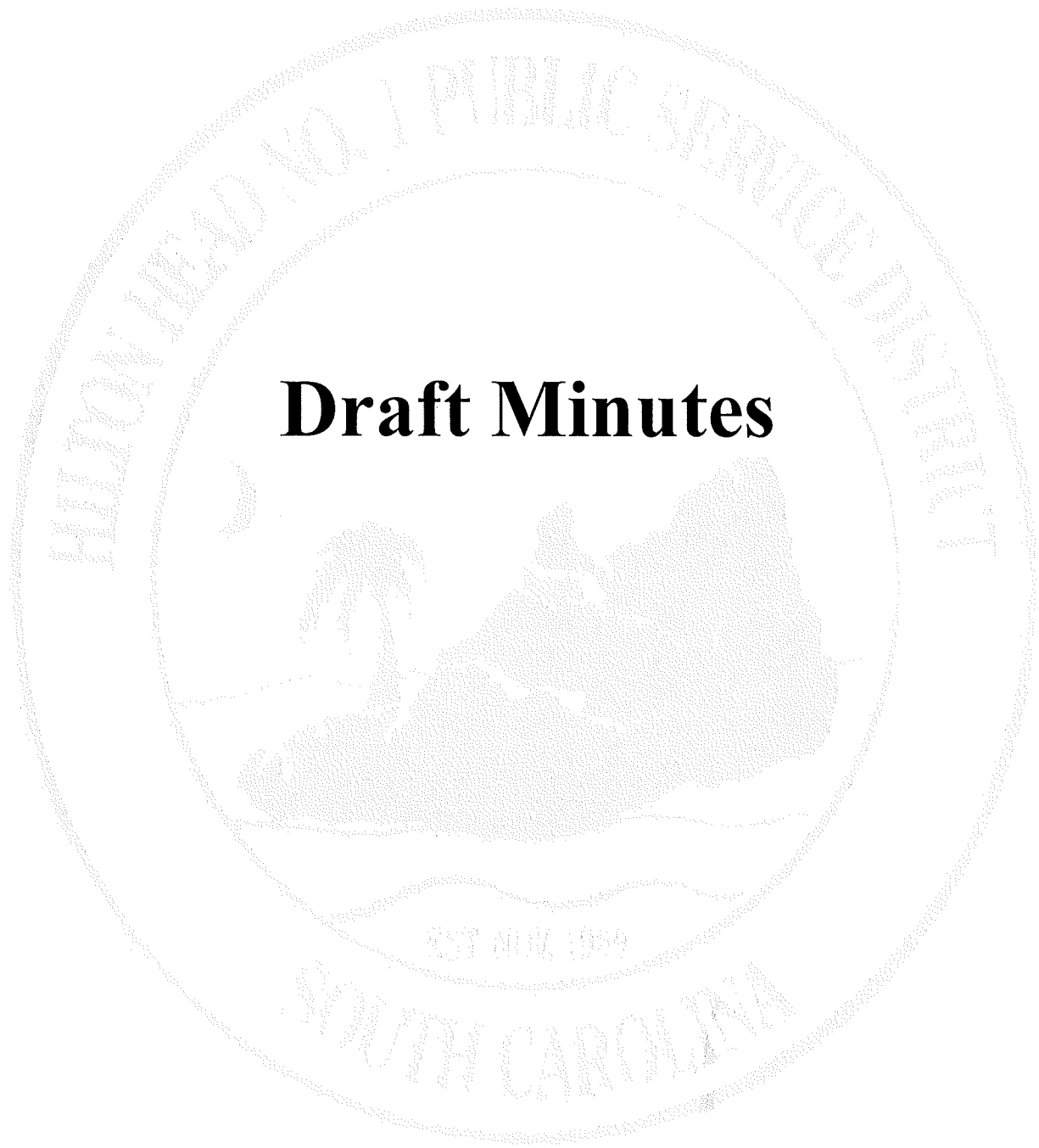
May 22, 2024

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 April 24, 2024, Regular Meeting
- VI. FY' 25 Fiscal Year Budget and Public Notice Memo
- VII. FY '24 3rd Quarter Financial Report
- VIII. General Manager's Monthly Report
- IX. FY '24 Financial Audit Engagement Letter (Action)
- X. General Obligation Bond Authorization Resolution (Action)
- XI. Commission Committee Reports:
 - A. Executive Committee Meeting, May 15
- XII. Executive Session:
 - A. Under S.C. Code 30-4-70(2) ("Discussion of negotiations...") – Tyco PFAS Settlement
 - B. Under S.C. Code 30-4-70(1) ("Discussion of employment...") – General Manager's Annual Performance Review
- XIII. Possible Action by Commission Concerning Matters Discussed in Executive Session
- XIV. 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 APRIL 24, 2024

I. The meeting was called to order by Chairman Frank Turano at 9:02 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
Ms. Amy Graybill	Finance Manager
Mr. David Bennett	W.K. Dickson
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 March 27, 2024, Commission Meeting

Action

- Mr. Cutrer moved to adopt the minutes as presented. Mr. Bell seconded. The motion passed unanimously.

VI. Leg O’Mutton Booster Station Project Bid Acceptance Authorization

Key Discussion Points

- Mr. Nardi presented the low responsible bid for the Leg O’Mutton Booster Station Project for board consideration.
- The Leg O’Mutton Booster Station Project involves the installation of a Water Booster Station that will replace old high-service pumps at the PSD’s Leg O’Mutton site off Gardner Drive.
- The project, estimated for completion in summer 2025, is funded by \$700,000 of a \$1 million direct allocation. The PSD will need to fund the remaining cost from other sources, which at this time is anticipated to be planned general obligation debt.
- Bids for the project were opened March 28. BRW Construction Group of Savannah, GA was the low responsible bidder.
- Staff recommends the board authorize acceptance of the low responsible bid of \$1,999,807.00 for the Leg-O-Mutton Water Booster Station Project.

Action

- Mr. Cutrer moved to accept BRW’s low responsible bid of \$1,999,807.00. Mr. Paterno seconded. The motion passed unanimously.
- Staff will continue to 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.

VII. FY’25 Draft Budget Presentation

Key Discussion Points

- Ms. Graybill presented the FY’25 Draft Budget. A copy is included in the agenda packet.

VIII. FY’25 Cost-of-Service Scenarios

Key Discussion Points

- Ms. Graybill presented four cost-of-service scenarios for board consideration:
- **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.
- **Scenario 2:**
 - All of the volumetric increases from Scenario 1.
 - Increases both the water and sewer monthly base rate per unit by \$0.50.
- **Scenario 3:**
 - All of the volumetric increases from Scenario 1.
 - Increases both the water and sewer monthly base rate per unit by \$1.00.
- **Scenario 4:** No change.

Action

- Staff recommended adoption of Scenario 2. Following discussion, Mr. Bell moved to adopt Scenario 3. Mr. Paterno seconded. Mr. Turano, Mr. Cutrer, Mr. Bell, Mr. Paterno and Mr. Marks voted in favor. Mr. Abdul-Malik was opposed. Mrs. Soltys abstained. The motion passed 5-1.

IX. FY'24 Third Quarter Management Report

Key Discussion Points

- Mr. Nardi presented the FY'24 Third Quarter Management Report. A copy is included in the agenda packet.

X. 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.
- The Town held a hurricane preparedness meeting yesterday. In the event of an evacuation, PSD first responders will be stationed at USCB. If that is not safe, staff will be stationed at Barnwell High School.

XI. Adjournment

Action

- Mr. Mr. Abdul-Malik Bell moved to adjourn the meeting. Mr. Paterno seconded. The meeting adjourned at 12:15 p.m.

The seal of the Hill Country Public Service District is a circular emblem. It features a central illustration of a mountain range with a winding road leading up to a small building. The text "HILL COUNTRY PUBLIC SERVICE DISTRICT" is written in a circular path around the top of the seal, and "SOUTH CAROLINA" is written along the bottom. The date "JUNE 1968" is positioned at the bottom center of the seal.

**FY'25 Budget and Public
Notice Memo**



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: Final Fiscal Year 2025 Budget and Public Notice

Date: May 22, 2024

Staff provided an in-depth overview of the FY 2025 O&M and Capital Improvement Budgets at the April 24, 2024 Commission Meeting and the Commission selected Cost of Service Analysis Scenario 3 (as presented by staff) which included water volumetric increases, sewer volumetric increases, and a \$1.00 monthly base rate increase to both water and sewer service. That Cost of Service Scenario has been incorporated into the final budget and staff has prepared the required public notices. A copy of the proposed final budget is attached for your reference.

As required by the Enabling Legislation and Section 6-1-330 of the Code of Laws of South Carolina 1976, as amended, the attached notice of public hearing regarding new water and sewer rates will be published in the Island Packet, a newspaper of general circulation on Hilton Head Island, at least once during each of three successive weeks in advance of the public hearing. The notice will also be posted in two public places within the District.

As required by Section 6-1-80 of the Code of Laws of South Carolina, 1976, as amended, the attached notice of public hearing for the Fiscal Year 2024-2025 Operating Budget will be published in the Island Packet at least 15 days in advance of the public hearing.

No Commission action is necessary at this time unless there are any requested changes to the proposed budget or rates. Formal adoption will occur after the public hearings at the June meeting.

Attachments:

Notice of Public Hearing Regarding New Water and Sewer Rates
Notice of Public Hearing Regarding FY 2025 Operating Budget
Final FY 2025 Budget

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

Notice is hereby given that a public hearing will be held before the Hilton Head No. 1 Public Service District Commission (the “Commission”), the governing body of the Hilton Head No. 1 Public Service District (the “District”), beginning at 9:00 a.m. (or as soon thereafter as time permits) on Wednesday, June 26, 2024. The hearing will be held in the District’s Community Room, which is located at 21 Oak Park Drive, Hilton Head Island, SC. The purpose of the hearing will be to allow members of the public to express their views regarding the proposed water and sewer rates and fees for customers of the District. All persons who attend the public hearing will be given an opportunity to speak.

As required by the District’s enabling legislation and Section 6-1-330 of the Code of Laws of South Carolina, 1976, as amended, the public is advised that upon the due adoption by the Commission and the filing of the proposed changes to rates, fees, and charges with the Clerk of Court of Beaufort County, the revised rates, fees, and charges are anticipated to take effect on July 1, 2024. The following revised rates, fees, and charges are proposed:

<u>Water Base Rate per Unit:</u>	FY 2024	FY 2025	<u>Commerical Water & Irrigation</u>	FY 2024	FY 2025
	Current	Revised Rate		<u>Rates per 1,000 Gallons:</u>	Current
Residential Customers	16.50	17.50	Block 1 - 0 to 10,000 Gal	1.69	1.69
Commercial Customers	21.50	22.50	Block 2 - 10,001 to 20,000 Gal	2.11	2.24
<u>Residential Water</u>	FY 2024	FY 2025	Block 3 - 20,001 to 30,000 Gal	2.54	2.79
<u>Rates per 1,000 Gallons:</u>	Current	Revised Rate	Block 4 - All Over 30,000 Gal	3.38	3.72
Block 1 - 0 to 10,000 Gal	1.52	1.58		FY 2024	FY 2025
Block 2 - 10,001 to 20,000 Gal	2.11	2.24	<u>Sewer Base Rate per Unit:</u>	Current	Revised Rate
Block 3 - 20,001 to 30,000 Gal	2.54	2.79	Residential Customers	18.50	19.50
Block 4 - All Over 30,000 Gal	3.38	3.72	Commercial Customers	18.50	19.50
<u>Residential Irrigation</u>	FY 2024	FY 2025	<u>Residential & Commercial Sewer</u>	FY 2024	FY 2025
<u>Rates per 1,000 Gallons:</u>	Current	Revised Rate	<u>Rates per 1,000 Gallons:</u>	Current	Revised Rate
Block 1 - 0 to 10,000 Gal	2.11	2.24	Residential sewer usage is capped at	2.16	2.31
Block 2 - 10,001 to 20,000 Gal	2.11	2.24	10,000 gallons per month. There is		
Block 3 - 20,001 to 30,000 Gal	2.54	2.79	no cap on commercial sewer usage.		
Block 4 - All Over 30,000 Gal	3.38	3.72			

**NOTICE OF PUBLIC HEARING
HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
FISCAL YEAR 2024 - 2025 OPERATING BUDGET**

Notice is hereby given that a public hearing will be held before the Hilton Head No. 1 Public Service District Commission, the governing body of the Hilton Head No. 1 Public Service District, at 9:00 a.m. (or as soon thereafter as time permits) on Wednesday, the 26th day of June 2024 (the "Hearing").

The Hearing will be held in the District's Community Room, which is located at 21 Oak Park Drive, Hilton Head Island, SC. The purpose of the hearing will be to allow members of the public to express their views regarding the proposed operating budget for Hilton Head No. 1 Public Service District for Fiscal Year 2024-2025. All persons who attend the public hearing will be given the opportunity to speak.

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

1. The operating budget of Hilton Head No. 1 Public Service District for the current Fiscal Year 2023-2024 calls for revenues of \$19,427,700 and expenditures/appropriations of \$19,427,700.
2. The proposed operating budget for Hilton Head No. 1 Public Service District for Fiscal Year 2024-2025 calls for revenues of \$28,108,600 and expenditures/appropriations of \$28,108,600.
3. The proposed operating budget of Hilton Head No. 1 Public Service District for the Fiscal Year 2024-2025 represents a 44.7% increase from the operating budget for the current Fiscal Year 2023-2024. Note, the majority of the increase is attributable to projected one-time capital contributions from the South Carolina Infrastructure Investment Program, American Rescue Plan Act monies from Beaufort County, and reimbursements from the South Carolina Department of Transportation.
4. For the current Fiscal Year 2023-2024 ad valorem taxes were set at 7.1 mills, which equates to \$7.10 on every \$1,000 in assessed value of all real estate and personal property of every description owned and used in the District. This includes 3.0 mills for operations and maintenance and 4.1 mills for debt service. The assessed value is determined by applying the constitutionally mandated ratios (generally 4% or 6% for residential property) to the market value of real property.
5. For Fiscal Year 2024-2025 ad valorem taxes will be set at 7.1 mills, which equates to \$7.10 on every \$1,000 in assessed value of all real estate and personal property of every description owned and used in the District. This includes 3.0 mills for operations and maintenance and 4.1 mills for debt service.
6. A copy of the Fiscal Year 2024-2025 budget is available by request at Hilton Head PSD, at 21 Oak Park Drive, Hilton Head Island, SC or electronically by contacting info@hhpsd.com.

DRAFT



FY'25 Budget



Prepared by the Finance Department

April 2024

DRAFT



FY'25 Budget

Prepared by the Finance Department

April 2024

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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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Hilton Head PSD
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.

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.

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

			Variance (FY'24 Proj. to FY'25 Budget)		FY'24 Budget
	FY'25 Budget	FY'24 Projected	Increase (Decrease)	% Change	
Total Operating Revenue	\$ 16,055,400	\$ 15,036,100	\$ 1,019,300	6.8%	\$ 15,166,100
Total Operating Expenses with Depreciation	<u>18,627,900</u>	<u>17,477,700</u>	<u>1,150,200</u>	6.6%	<u>17,967,100</u>
Change in Net Position from Operations	(2,572,500)	(2,441,600)	(130,900)	5.4%	(2,801,000)
Total Non-Operating Revenue	4,233,200	4,591,400	(358,200)	-7.8%	3,941,600
Total Non-Operating Expenses	<u>515,400</u>	<u>602,600</u>	<u>(87,200)</u>	-14.5%	<u>602,700</u>
Non-Operating Income/Expenses - Net	<u>3,717,800</u>	<u>3,988,800</u>	<u>(271,000)</u>	-6.8%	<u>3,338,900</u>
Increase / Decrease in Net Position before Capital Contributions	1,145,300	1,547,200	(401,900)	-26.0%	537,900
Total Capital Contributions	<u>7,820,000</u>	<u>1,263,100</u>	<u>6,556,900</u>	519.1%	<u>320,000</u>
Change in Net Position	<u>\$ 8,965,300</u>	<u>\$ 2,810,300</u>	<u>\$ 6,155,000</u>	219.0%	<u>\$ 857,900</u>
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	<u>132,000</u>	<u>95,000</u>	<u>37,000</u>	38.9%	<u>205,000</u>
Total Non-CIP Other Cash Flow Adjustments	<u>2,044,400</u>	<u>1,870,700</u>	<u>173,700</u>	9.3%	<u>1,983,200</u>
Project. Change in Cash Flow before Project. SRF Debt	<u>\$ (285,300)</u>	<u>\$ 1,307,000</u>	<u>\$(1,592,300)</u>	-121.8%	<u>\$ (208,900)</u>
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	<u>(382,800)</u>	<u>(217,700)</u>	-		
Project. Change in Unrestricted Cash Flow w/ Project. SRF	<u>\$ 1,689,900</u>	<u>\$ (540,700)</u>			<u>\$ (208,900)</u>

D. Budget Highlights

The FY'25 Budget highlights are:

1. Operating Revenues are budgeted at \$16,055,400 which is a \$1,019,300 or 6.8% increase from FY'24 projections. This increase is the result of proposed water and sewer rate increases and a small growth projection.
2. 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.

- 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 \$8,965,300 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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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 \$285,300 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 \$1.69 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.

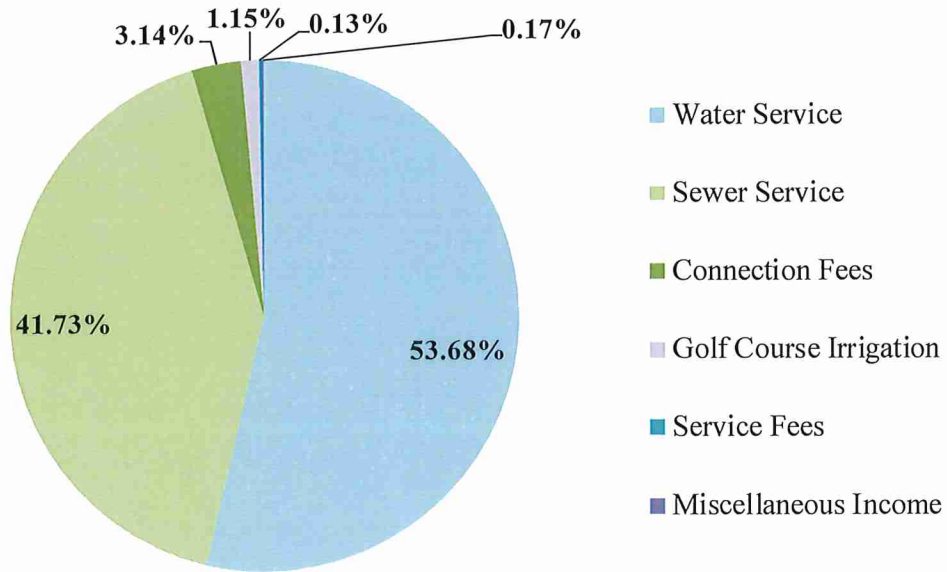
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E. Operating Revenues

The FY'25 budgeted operating revenues are listed below:

Operating Revenues	FY 2025	% Total
Water Service	\$ 8,618,900	53.68%
Sewer Service	6,700,700	41.73%
Connection Fees	503,400	3.14%
Golf Course Irrigation	185,000	1.15%
Service Fees	20,100	0.13%
Miscellaneous Income	27,300	0.17%
Total Operating Revenues	\$ 16,055,400	100%



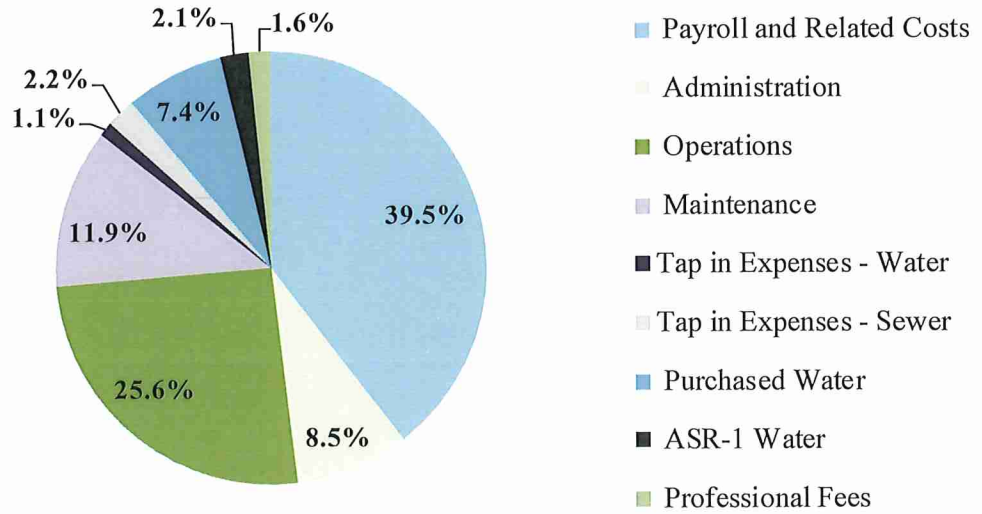
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F. Operating Expenses

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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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 228%.

	FY'24 Projected	FY'25 Budget
Net Income (loss) before capital contributions per Financial Statements	\$ 1,547,200	\$ 1,145,300
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	5,626,000
 Debt Service on Revenue Bonds	 2,461,000	 2,468,300
 Coverage of Debt Service by Net Earnings	 285%	 228%
 Debt Coverage without Capacity Fees	 236%	 217%

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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 SCIIP 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 SCIIP/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.

<u>Fiscal Year 2025 Debt Service</u>				
<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	

<u>Future Debt Service as of June 30, 2024</u>				
<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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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.

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.

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

uncertainty surrounding the final SCIIP 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/Cash Funded Projects</u>	
Wastewater Treatment Plant	\$ 1,465,000
Collection System	975,000
Distribution System	8,330,000
Facility & Equipment	<u>525,000</u>
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 \$1,072,700 to \$15,339,000; unrestricted cash is projected to increase by \$1,689,900 to \$13,541,900 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.

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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 369 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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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	\$ 8,618,900	\$ 8,032,300	586,600	7.3%	\$ 8,222,600
Sewer Service	6,700,700	6,275,900	424,800	6.8%	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	16,055,400	15,036,100	1,019,300	6.8%	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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	FY'25 Budget	FY'24 Projected	Variance (FY'24 Project. to FY'25 Budget)		FY'24 Budget
			Increase (Decrease)	% Change	
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	3,426,900	3,317,200	109,700	3.3%	3,381,100
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	1,595,700	1,514,000	81,700	5.4%	1,581,600
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	438,600	425,800	12,800	3.0%	366,600
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	1,273,200	1,064,500	208,700	19.6%	1,079,100

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HiltonHeadPSD
FY'25 Budget

	FY'25 Budget	FY'24 Projected	Variance (FY'24 Project. to FY'25 Budget)		FY'24 Budget
			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	<u>214,500</u>	<u>154,600</u>	<u>59,900</u>	<u>38.7%</u>	<u>177,000</u>
Total Operating Expenses before Depreciation	<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>2,677,500</u>	<u>2,746,000</u>	<u>(68,500)</u>	<u>-2.5%</u>	<u>2,389,000</u>
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 Position from Operations	<u>(2,572,500)</u>	<u>(2,441,600)</u>	<u>(130,900)</u>	<u>5.4%</u>	<u>(2,801,000)</u>
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	<u>4,233,200</u>	<u>4,591,400</u>	<u>(358,200)</u>	<u>-7.8%</u>	<u>3,941,600</u>
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	<u>515,400</u>	<u>602,600</u>	<u>(87,200)</u>	<u>-14.5%</u>	<u>602,700</u>
Non-Operating Income/Expenses - Net	<u>3,717,800</u>	<u>3,988,800</u>	<u>(271,000)</u>	<u>-6.8%</u>	<u>3,338,900</u>
Increase / Decrease in Net Position					
before Capital Contributions	<u>1,145,300</u>	<u>1,547,200</u>	<u>(401,900)</u>	<u>-26.0%</u>	<u>537,900</u>
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
SCIIP 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	<u>7,820,000</u>	<u>1,263,100</u>	<u>6,556,900</u>	<u>519.1%</u>	<u>320,000</u>
Change in Net Position	<u>\$ 8,965,300</u>	<u>\$ 2,810,300</u>	<u>\$ 6,155,000</u>	<u>219.0%</u>	<u>\$ 857,900</u>

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HiltonHeadPSD
FY'25 Budget

Operating Revenues

	Proposed		Variance		FY'24 Budget
	FY'25 Draft Budget	FY'24 Projected 8+4	Increase (Decrease)	% Change	
TOTAL OPERATING REVENUES					
1 Water Service	\$ 8,618,900	\$ 8,032,300	586,600	7.3%	\$8,222,600
2 Sewer Service	6,700,700	6,275,900	424,800	6.8%	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	16,055,400	15,036,100	1,019,300	6.8%	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 \$16,055,400. This budget includes the following volumetric rate and base rate increases:

	FY 2024	FY 2025	Commerical Water & Irrigation	FY 2024	FY 2025
	Current	Revised Rate		Rates per 1,000 Gallons:	Current
Water Base Rate per Unit:					
Residential Customers	16.50	17.50	Block 1 - 0 to 10,000 Gal	1.69	1.69
Commercial Customers	21.50	22.50	Block 2 - 10,001 to 20,000 Gal	2.11	2.24
Residential Water	FY 2024	FY 2025	Block 3 - 20,001 to 30,000 Gal	2.54	2.79
Rates per 1,000 Gallons:	Current	Revised Rate	Block 4 - All Over 30,000 Gal	3.38	3.72
Block 1 - 0 to 10,000 Gal	1.52	1.58		FY 2024	FY 2025
Block 2 - 10,001 to 20,000 Gal	2.11	2.24	Sewer Base Rate per Unit:	Current	Revised Rate
Block 3 - 20,001 to 30,000 Gal	2.54	2.79	Residential Customers	18.50	19.50
Block 4 - All Over 30,000 Gal	3.38	3.72	Commercial Customers	18.50	19.50
Residential Irrigation	FY 2024	FY 2025	Residential & Commercial Sewer	FY 2024	FY 2025
Rates per 1,000 Gallons:	Current	Revised Rate	Rates per 1,000 Gallons:	Current	Revised Rate
Block 1 - 0 to 10,000 Gal	2.11	2.24	Residential sewer usage is capped at	2.16	2.31
Block 2 - 10,001 to 20,000 Gal	2.11	2.24	10,000 gallons per month. There is		
Block 3 - 20,001 to 30,000 Gal	2.54	2.79	no cap on commercial sewer usage.		
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-payers 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.

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

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|----------------------------------|--|
| 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.

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

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| 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)

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| 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.

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)

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| 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

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| 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)

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| 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

	Proposed FY'25 <u>Draft Budget</u>	FY'24 Projected 8+4	<u>Variance</u> Increase (Decrease)	% Change	<u>FY'24</u> Budget
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.

Professional Fees and Depreciation Expense

	Proposed		<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>
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>2,677,500</u>	<u>2,746,000</u>	<u>(68,500)</u>	<u>-2.5%</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>(2,572,500)</u>	<u>(2,441,600)</u>	<u>(130,900)</u>	<u>5.4%</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.

Non-Operating Revenue

	Proposed		Variance		FY'24 Budget
	FY'25 Draft Budget	FY'24 Projected 8+4	Increase (Decrease)	% Change	
Non-Operating Revenue					
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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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		Variance		FY'24 Budget
	FY'25 Draft Budget	FY'24 Projected 8+4	Increase (Decrease)	% Change	
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	1,145,300	1,547,200	(401,900)	-26.0%	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 SCIP Grant	5,000,000	-	5,000,000	0.0%	-
77 BC ARPA Allocation	1,000,000	-	1,000,000	0.0%	-
78 Capital Contributions	<u>1,550,000</u>	<u>50,000</u>	<u>1,500,000</u>	0.0%	<u>50,000</u>
Total Developer Contributions of Systems	7,820,000	1,263,100	6,556,900	519.1%	320,000
Change in Net Assets	\$ 8,965,300	\$ 2,810,300	\$ 6,155,000	219.0%	\$ 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. SCIP 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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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

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				
Crit 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
Waste water 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, furntiure, 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

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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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	-	-	-
\$ 975.0	\$1,255.0	\$1,135.0	\$1,165.0	\$1,245.0	\$1,245.0

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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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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.

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 \$1,072,700 for FY'25 based on budgeted numbers. Unrestricted cash is projected to decrease by approximately \$540,700 in FY'24 and increase by approximately \$1,689,900 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	8,965,300
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>\$ 15,339,000</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	12,392,700	11,852,000	13,541,900
Total Cash on Hand	<u>\$ 14,589,300</u>	<u>\$ 14,266,300</u>	<u>\$ 15,339,000</u>
(Projected) Change related to Cash on Hand	<u>\$ 1,084,700</u>	<u>\$ (323,000)</u>	<u>\$ 1,072,700</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:

Financial Policy Targets:		Days Cash on Hand	Balance Based on FY'25 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>		369	13,541,900
<i>Amount from the Proposed FY'25 Operating Budget Available for Capital if Contingency Reserve is set at Upper 12 Month Target</i>		4	164,000

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HiltonHeadPSD
FY'25 Budget

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.

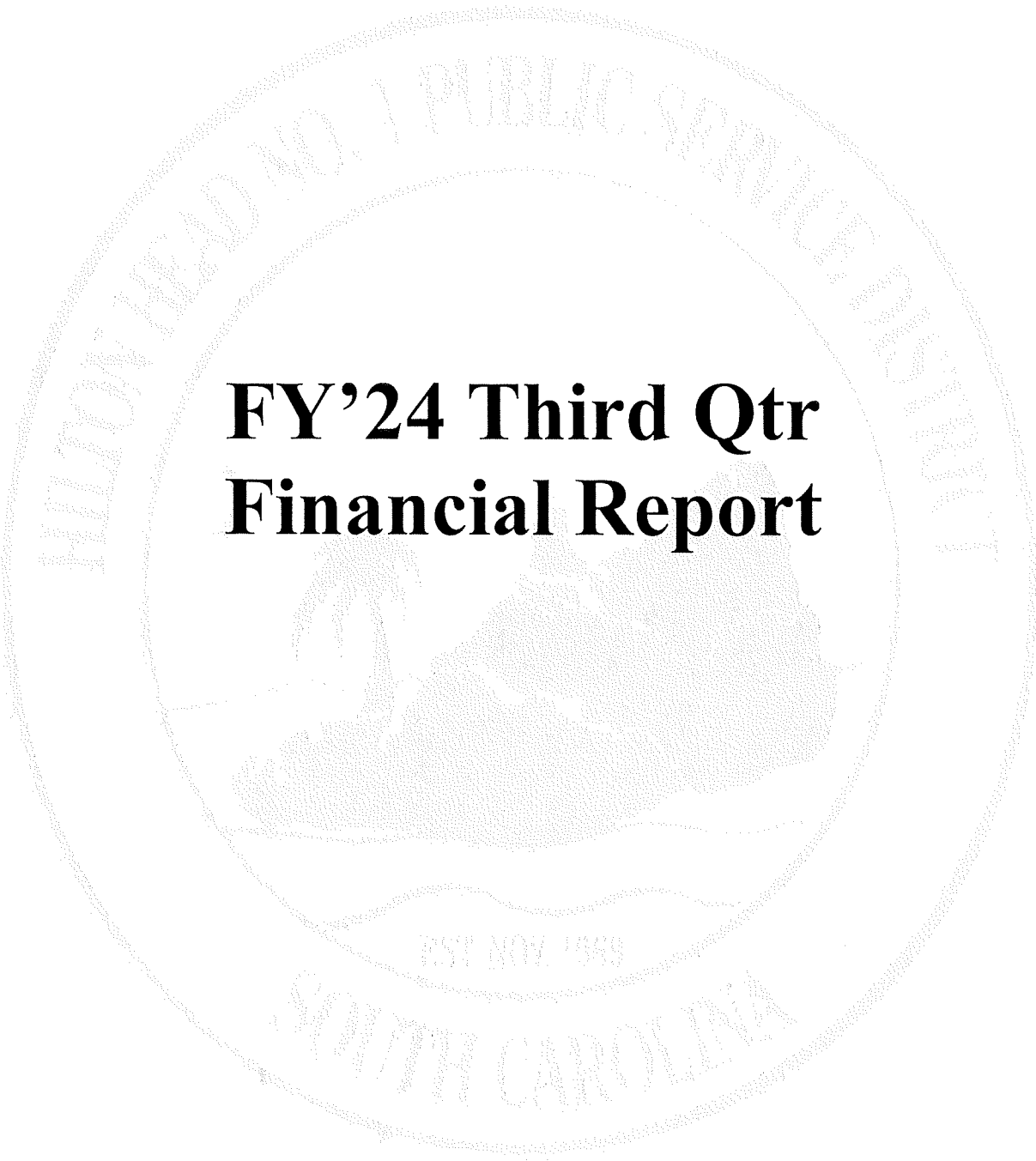
	Projected FY'24	Budget FY'25	Projection FY'26	Projection FY'27	Projection FY'28	Projection FY'29
Total Operating Revenue	\$ 15,036,100	\$ 16,055,400	\$ 16,159,000	\$ 16,263,700	\$ 16,368,900	\$ 16,475,400
Total Operating Expenses with Depreciation	17,477,700	18,627,900	18,959,600	19,301,400	19,653,500	20,016,400
Change in Net Position from Operations	(2,441,600)	(2,572,500)	(2,800,600)	(3,037,700)	(3,284,600)	(3,541,000)
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	1,145,300	765,000	664,400	(284,400)	(1,026,000)
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	\$ 8,965,300	\$ 6,085,000	\$ 984,400	\$ 35,600	\$ (706,000)
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: SCIP 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)	\$ 1,689,900	\$ (1,178,900)	\$ (464,800)	\$ (1,064,100)	\$ (301,300)
Projected Beginning Unrestricted Cash	12,392,700	11,852,000	13,541,900	12,363,000	11,898,200	10,834,100
Projected Ending Unrestricted Cash	\$ 11,852,000	\$ 13,541,900	\$ 12,363,000	\$ 11,898,200	\$ 10,834,100	\$ 10,532,800
Projected Days Cash on Hand	352	369	329	309	275	260
Projected Net Earnings Available for Debt Service	7,020,300	5,626,000	5,451,000	5,264,700	5,070,100	4,866,900
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%	228%	224%	217%	208%	226%
Projected Debt Coverage without Capacity Fees	236%	217%	213%	206%	197%	213%

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HiltonHeadPSD
FY'25 Budget

FY' 25 Schedule of Rates, Fees, and Deposits

<u>Water & Irrigation Monthly Base Rate per Unit:</u>		<u>Sewer Base Monthly Rate per Unit:</u>	
Residential Customers	17.50	Residential Customers	19.50
Commercial Customers	22.50	Commercial Customers	19.50
<u>Residential Water</u>		<u>Residential & Commercial Sewer</u>	
<u>Monthly Usage Rates per 1,000 Gallons:</u>		<u>Monthly Usage Rates per 1,000 Gallons:</u>	2.31
Block 1 - 0 to 10,000 Gal	1.58	Residential sewer usage is capped at 10,000 gallons per month.	
Block 2 - 10,001 to 20,000 Gal	2.24	There is no cap on commercial sewer usage.	
Block 3 - 20,001 to 30,000 Gal	2.79	<u>Reclaimed Golf Course Irrigation</u>	
Block 4 - All Over 30,000 Gal	3.72	Non-pressurized Usage Rate per 1,000 Gallons	0.61
<u>Commercial Water & Irrigation</u>		Pressurized Usage Rate per 1,000 Gallons	0.91
<u>Monthly Usage Rates per 1,000 Gallons:</u>		<u>Meter Install Fees (Existing Service Line)</u>	
Block 1 - 0 to 10,000 Gal	1.69	3/4" Meter	1,180.00
Block 2 - 10,001 to 20,000 Gal	2.24	1" Meter	1,500.00
Block 3 - 20,001 to 30,000 Gal	2.79	2" Meter and Backflow	3,440.00
Block 4 - All Over 30,000 Gal	3.72	Any other size	Time & Materials
<u>Residential Irrigation</u>		<u>Meter Install Fees (No Existing Service Line)</u>	
<u>Monthly Usage Rates per 1,000 Gallons:</u>		3/4" Meter	1,390.00
Block 1 - 0 to 10,000 Gal	2.24	1" Meter	1,710.00
Block 2 - 10,001 to 20,000 Gal	2.24	Any other size	Time & Materials
Block 3 - 20,001 to 30,000 Gal	2.79	<u>Sewer Lateral Installation Fees</u>	Greater of \$1,200 or
Block 4 - All Over 30,000 Gal	3.72		Time & Materials
<u>Other Fees & Charges</u>		<u>Capacity Fees (per unit):</u>	
Grease Trap Inspection Fee	100.00	Water Capacity (House)	2,400.00
Backflow Inspection Fee	175.00	Water Capacity (Mobile Home)	1,800.00
Sewer Connection Fee	150.00	Sewer Capacity	3,040.00
Hydrant Meter Set Fee	200.00	<u>Deposits:</u>	
Late Fees	Greater of \$5 or 2%	Residential Deposit	100.00
Returned Payment Fees	15.00	Contractor Deposit	100.00
Reconnection Fee	35.00	Commercial Deposit	200.00
Meter Tampering	50.00	<u>Hourly Labor Rate</u> for time and materials and for	
System/Meter Damage	Time & Materials	work performed for outside agencies	65.00



FY'24 Third Qtr Financial Report



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

To: Commissioners
Pete Nardi, General Manager

From: Amy Graybill, Finance Manager

Subject: Financial Highlights – Fiscal Year Unaudited Financial Statements and Results,
Period Ending March 31, 2024

Date: May 22, 2024

Introduction

Staff has prepared the following unaudited financial statements and highlights for March 31, 2024 for discussion at the Commission Meeting on May 22, 2024.

No Commission action is required.

Statement of Revenues, Expenses, and Changes in Net Position

Table A-1 on the following page contains the District’s Statement of Revenues, Expenses, and Changes in Net Position as of March 31, 2024 compared to budget.

The change in net position for the period was \$3,121,132 which was \$1,946,294 higher than the budgeted change in net position of \$1,174,838. Three large developer capacity fee payments, stronger interest earnings than budgeted, stronger property tax collections than anticipated, and savings to budget in operating expenses are offsetting lagging operating revenues.

Table A-1
Hilton Head PSD
Budgetary Comparison Schedule
Fiscal Year to Date as of March 31, 2024

	Fiscal Year 2024		FY 24 Actual to FY 24 Budget	
			Comparison	
	Actual	Budget	Dollars Favorable (Unfavorable)	%
Operating Revenues				
Water Service	\$ 5,871,266	\$ 6,024,500	\$ (153,234)	-2.5%
Sewer Service	4,669,190	4,685,900	(16,710)	-0.4%
Tap In Fees - Water	109,643	140,850	(31,207)	-22.2%
Connection Fees - Sewer	274,063	186,300	87,763	47.1%
Golf Course Irrigation	144,001	81,280	62,721	77.2%
Service Fees	16,336	15,075	1,261	8.4%
Other Operating Revenues	25,526	36,925	(11,399)	-30.9%
Total Operating Revenues	11,110,025	11,170,830	(60,805)	-0.5%
Departmental Expenses				
Payroll & Related	3,514,265	3,745,877	231,612	6.2%
Administrative Expenses	799,348	911,950	112,602	12.3%
Operations	2,431,516	2,525,750	94,234	3.7%
Maintenance	1,179,702	1,186,200	6,498	0.5%
Purchased Water	687,199	696,700	9,501	1.4%
Water Tap In Expenses	77,856	105,750	27,894	26.4%
Sewer Connection Expenses	267,063	169,200	(97,863)	-57.8%
Professional Fees	113,117	132,750	19,633	14.8%
Total Departmental Expenses	9,070,066	9,474,177	404,111	4.3%
Depreciation	3,887,035	3,892,500	5,465	0.1%
Total Operating Expenses	12,957,101	13,366,677	409,576	3.1%
Operating income (loss)	(1,847,076)	(2,195,847)	348,771	15.9%
Non-operating revenues				
Property taxes-G.O. Debt Levy	1,732,094	1,470,900	261,194	17.8%
Property taxes-Operations Levy	1,263,600	1,126,700	136,900	12.2%
Rental Income	80,219	80,160	59	0.1%
Tower Lease Income	441,741	428,175	13,566	3.2%
Interest Income - Leases	24,333	24,075.00	258	1.1%
Interest Income	659,081	350,700	308,381	87.9%
Gain (Loss) of disposal of equipment	42,496	94,500	(52,004)	-55.0%
Total Non-operating Revenues	4,243,564	3,575,210	668,354	18.7%
Non-operating Expenses				
Interest expense	207,779	207,900	121	0.1%
Bond Defeasance Amortization	244,097	244,125	28	0.0%
Bond Issuance Costs	-	-	-	0.0%
Total Non-operating Expenses	451,876	452,025	149	0.0%
Total Non-operating Revenues/Exp.	3,791,688	3,123,185	668,503	21.4%
Increase (decrease) in net position, before capital contributions	1,944,612	927,338	1,017,274	109.7%
Water Capacity Fee	498,600	85,500	413,100	483.2%
Sewer Capacity Fee	677,920	117,000	560,920	479.4%
Developer Contributions of Systems	-	45,000	(45,000)	-100.0%
Total Capital Contributions	1,176,520	247,500	929,020	375.4%
Change in net position	\$ 3,121,132	\$ 1,174,838	\$ 1,946,294	165.7%
Net position, beginning of the fiscal year	\$ 56,382,095			
Net position, March 31, 2024	\$ 59,503,227			

Budget to Actual Highlights

Operating Revenues: Actual operating revenues are \$11,110,025 versus budgeted operating revenues of \$11,170,830 which results in a variance of \$60,805 or 0.5% under budget. The following is a summary of material/selected variances for the Operating Revenue categories:

- Water Service revenues are below budget by \$153,234 or 2.5% which is due to lower consumption than expected. Consumption levels were budgeted at prior year levels. Billed water consumption for the first three quarters of fiscal year (FY) 2024 declined 37 million gallons from 1,437 million gallons billed during the first three quarters of FY 2023 to 1,400 million gallons billed during the first three quarters of FY 2024.
- The overage to budget for Sewer Connection Fee revenues is offset by a corresponding overage in Sewer Connection Expenses. These line items vary depending on the number and type of new sewer connections. The District continues to see new sewer connections through Project SAFE, the Town grant program, developer payments, individual owner payments, and its front foot assessment program.
- Golf Course Irrigation revenues are higher than budgeted due to more consumption than anticipated; this revenue is reliant on the operating practices of a few reclaimed irrigation customers.

Total Operating Expenses: Total operating expenses are \$409,576 or 3.1% under budget. The following is a summary of material/selected variances for the Operating Expenses categories:

- Payroll & Related expenses are under budget by \$231,612 or 6.2% which is mostly related to the timing of filling budgeted positions.
- Administrative expenses are under budget by \$112,602 or 12.3%. The District was not able to find a comparably priced policy to replace the underground line insurance policy which was discontinued by the SC Insurance Reserve Fund. The premium on that policy was around \$74,000 per year. Going forward, the District will need to consider this risk when determining the appropriate level of operating reserves to maintain on hand. To date, the District has also incurred lower computer software and supplies, communications, and bad debts expense than anticipated.
- Operations expense is under budget by \$94,234 or 3.7%. To date, biosolids, chemicals, fuel and power, and vehicle fuel have come in lower than budgeted. This is expected to be partially due to lower price increases than anticipated and partially due to timing. This line item may come more in line with budget as the year finalizes.

Non-Operating Revenues: Actual non-operating revenues are \$4,243,564 versus budgeted non-operating revenues of \$3,575,210 which results in a variance of \$668,354, or 18.7% under budget.

- Property Taxes are over budget at March 31, 2024, due to higher assessed values than budgeted. When the FY'24 budget was prepared, the county did not have an estimate of the anticipated FY'24 value of a mil which would include the county's five-year reassessment values. Without an estimate, the budget utilized the prior year value of a mil of \$369.3 million with a modest growth allowance. The actual value of a mil with the reassessment appears to be closer to \$430 million for FY'24.
- Interest Income is \$308,381 over budget in line with continued higher market interest rates. Staff endeavors to keep all cash not needed for current operations in the SC Local Government Investment Pool which is currently seeing rates over 5.5%. Interest was conservatively budgeted at 3.25%.
- Gain on disposal of equipment is under budget by \$52,004. Fewer vehicles have been sold to date than anticipated as new vehicles have not yet been received. Staff may also keep more vehicles on hand to accommodate the new positions in the FY'25 budget.

Capital Contributions: Capacity fees and developer contributions of systems are \$929,090 over budget. Two large developer capacity fee payments were received during the second quarter of FY 2024 and an additional large payment was received during the third quarter of FY 2024.

Statements of Net Position

Table A-2 on the following pages contains the District's Statement of Net Position as of March 31, 2024, compared to the end of the prior fiscal year, June 30, 2023.

Statement of Net Position Highlights

As of March 31, 2024, total assets and deferred outflows of resources are \$91.2 million, exceeding liabilities and deferred inflows of resources by approximately \$59.5 million (See Table A-2, Pages 5-6).

Current Assets

As previously noted, the District received three large cash capacity fee payments during the year and has done better on its interest income and tax collections than anticipated. Other increases/decreases in current assets and current liabilities are mainly timing related. The increases in restricted cash are related to the timing of debt service payments; the District's largest debt service payments are due in the last quarter of each fiscal year.

A/R trade fluctuations are mostly related to the timing of revenue receipts; the District bills out more revenue in the summer months of higher demand than in the winter months of lower demand. The increase in prepaid expenses is primarily related to the District's annual payment of its property and casualty insurance in July which is recorded as a prepaid expense and amortized throughout the policy period in accordance with generally accepted accounting principles. Additionally, the District builds up prepaid water in its ASR from October through April.

Table A-2
Hilton Head PSD
Statements of Net Position

	March 31	June 30
	2024	2023
Assets		
Current Assets		
Cash and Cash Equivalents Available for Operations	\$ 14,049,902	\$ 12,392,680
Cash and Cash Equivalents in Banks (Restricted)	3,220,123	1,875,769
Cash and Cash Equivalents Held by Beaufort County Treasurer (Restricted)	2,287,927	320,827
Accounts Receivable - Trade, net	1,468,748	1,886,393
Accounts Receivable - Project SAFE	146,862	39,310
Lease Receivable, due within one year	81,289	328,120
Sewer and Capacity Assessments, due within one year	19,425	225,629
Inventory	608,211	585,326
Prepaid Expenses	609,350	323,328
Total current assets	22,491,837	17,977,382
Noncurrent Assets		
Property, Plant and Equipment		
Nondepreciable Assets	3,433,300	2,349,182
Depreciable Assets, net	61,022,140	63,767,798
Total Property, Plant and Equipment	64,455,440	66,116,980
Lease Receivable, due after one year	1,134,632	761,196
Sewer and Capacity Assessments, due after one year	2,080,893	1,997,356
Total Noncurrent Assets	67,670,965	68,875,532
Total Assets	90,162,802	86,852,914
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	766,566	766,566
Deferred Outflows from Refinancing Debt	290,543	534,639
Total Deferred Outflows of Resources	1,057,109	1,301,205
Total Assets and Deferred Outflows of Resources	\$ 91,219,911	\$ 88,154,119

Table A-2
Hilton Head PSD
Statements of Net Position (continued)

	<u>March 31</u>	<u>June 30</u>
	<u>2024</u>	<u>2023</u>
Liabilities		
Current Liabilities		
Payable from Unrestricted Assets:		
Accounts Payable-Trade	\$ 531,762	\$ 362,886
Accounts Payable-Construction	93,521	299,288
Finance Purchase Liabilities, due within one year	9,001	36,005
Customer Deposits	126,400	237,368
Unearned Revenue	24,228	15,658
Accrued Payroll & Other Liabilities	408,145	423,900
Total Current Liabilities Payable from Unrestricted Assets	1,193,057	1,375,105
Payable from Restricted Assets:		
Interest Payable	100,815	34,906
Unearned Grant Revenue	1,000,000	1,000,000
Notes Payable, due within one year	35,781	142,589
Bonds Payable, due within one year	3,551,171	3,551,171
Total Current Liabilities Payable from Restricted Assets	4,687,767	4,728,666
Total Current Liabilities	5,880,824	6,103,771
Noncurrent Liabilities		
Finance Purchase Liabilities, due after one year	80,921	80,921
Notes Payable, due after one year	1,786,583	1,786,583
Bonds Payable, due after one year	17,120,094	17,120,094
Net Pension Liability	5,213,073	5,213,073
Total Noncurrent Liabilities	24,200,671	24,200,671
Total Liabilities	30,081,495	30,304,442
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	186,965	186,965
Deferred Inflows Related to Lease Revenue	1,448,224	1,280,617
Total Deferred Inflows of Resources	1,635,189	1,467,582
Total Liabilities and Deferred Inflows of Resources	31,716,684	31,772,024
Net Position		
Net Investment in Capital Assets	42,068,911	43,634,968
Restricted for Debt Service & Grants	5,508,050	2,196,596
Unrestricted	11,926,266	10,550,531
Total Net Position	59,503,227	56,382,095
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 91,219,911	\$ 88,154,119

Current Liabilities/Debt

A/P fluctuations are related to the timing of the invoice receipt as well as the timing of the final check run in any given month. The decrease in customer deposits is related to a fiscal year-end adjustment to reclassify credit balances in accounts receivable.

The \$1,000,000 allocation of ARPA funds from Beaufort County for the Leg-O-Mutton Booster Pump Station project remains on these statements as restricted cash in banks and restricted unearned grant revenue. The District has begun engineering work on these projects out of local funds. The \$1,000,000 ARPA funds are subject to federal procurement requirements so they will be spent on actual construction costs that will be bid in accordance with federal guidelines by our engineers. The funds will be recognized as revenue when those actual construction expenditures are made.

Net Position

Changes in net position resulting from operating and non-operating revenues, expenses and capital contributions increased \$3,121,132 since June 30, 2023. Net position invested in capital assets has decreased \$1,566,057 due to asset activity (including depreciation) and related debt payments, while net position restricted for debt service and grants has increased \$3,311,454 related to the timing of debt payments. Unrestricted net position has increased \$1,375,735.

Capital Assets

Table A-3 on the following page presents a comparison of capital expenditures to date against the FY 2024 capital budget. The table only shows work for which the District has been invoiced through March. Planning and preliminary work has been started on many of these projects that will be completed, invoiced, and reported in upcoming quarters.

The only project that staff currently does not anticipate moving forward with is the \$100,000 budgeted for the US 278 Bridge project. While this project is expected to move forward in future years, it has been separately budgeted in the upcoming FY'25 budget. In accordance with the budget resolution provision that authorizes staff to transfer funds within and between departments to achieve the goals of the budget, staff intends to transfer these funds to the ongoing meter changeout project in the upcoming quarter should no expenditures be necessary for the bridge project.

Net property, plant, and equipment has decreased by \$1,661,540 during the first three quarters of FY 2024. Total additions and transfers of \$2,233,826 were offset by depreciation of \$3,887,035 and a \$8,331 loss on the disposition of a ground-penetrating radar (GPR) locator equipment which was damaged by a contractor. The contractor reimbursed the PSD for the full \$17,726 cost of purchasing a replacement unit.

Table A-3

CIP Projects - Capital

		Expended as of 3/31/2024	2024 Approved Amount	Remaining/ Variance
WWTP				
WWTP Switch gear for generator	Replace Generator switch gear	-	\$ 250,000	\$ (250,000)
Reuse Water System	Upgrades/improvements to reuse system	81,102	80,000	1,102
Reuse Water System	Royal James Irrigation Station install	45,212	45,000	212
Transfer pump seal water system	Repair/replace seal water system	-	75,000	(75,000)
Filter Building	Replace filter blowers (2).	30,200	75,000	(44,800)
Filter Building	Roof repairs at the filter building	-	30,000	(30,000)
(RAS) Pump Actuators	Replace 2 actuators	-	76,500	(76,500)
RAS Pump	Rebuild valves & cartridges for 1 pump	33,512	60,000	(26,488)
Clarifier Rims	Sandblast and coat clarifier rims and table	38,209	40,000	(1,791)
Paint Buildings and Tank	Paint buildings and tanks	78,209	90,000	(11,791)
Sludge Building	Repair metal shed sludge handling bldg	-	50,000	(50,000)
System Rehab	Replace equipment, valves and actuators	118,653	175,000	(56,347)
TOTAL WWTP		425,097	1,046,500	(621,403)
Collection System				
Gravity Main Refurbishment	Gravity main line repairs and relining	-	350,000	(350,000)
Lift Stations - Rehab	Rehab and pumps	15,560	275,000	(259,440)
District Funded MSP Projects	District Funded MSP Projects	32,390	91,000	(58,610)
System Rehab	Replace pipes, manholes, laterals, etc.	36,469	150,000	(113,531)
TOTAL COLLECTION SYSTEM		84,419	866,000	(781,581)
Distribution System				
LOM Generator	New switch gear	33,790	35,000	(1,210)
RO Plant	Replace actuators	38,679	40,000	(1,321)
Fire Hydrants	New and replacement hydrants	5,294	115,000	(109,706)
Transportation Projects	278 Bridge Project/Jenkins Island	-	100,000	(100,000)
Metering System	Changing out meters & base stations	339,909	400,000	(60,091)
Ground storage tank & well pumps	VFD's, PLC's	19,775	81,000	(61,225)
Distribution Lines	Emergency Repair to 12" Line in Marsh	57,329	95,000	(37,671)
System Rehab	Replace valves, equipment, RO membranes etc	38,699	95,000	(56,301)
TOTAL DISTRIBUTION SYSTEM		533,475	961,000	(427,525)
Facilities and Equipment				
4" Bypass Pump	Pumps to bypass lift stations	-	105,000	(105,000)
Operations Equipment - Lab	Micro Early Detection for lab	-	15,000	(15,000)
Admin Building	Paint, Carpet, etc.	16,449	30,000	(13,551)
Technology	General Computer Equipment	11,520	30,000	(18,480)
Vehicles	Fleet replacements	-	250,000	(250,000)
Heavy Equipment	Fork Lift	30,202	40,000	(9,798)
SCADA Improvements	Improve comm betw stations & towers	83,634	125,500	(41,866)
Operations Equipment	GPR Locator Replacement - Reimbursed	17,726	-	17,726
TOTAL FACILITIES AND EQUIPMENT		159,531	595,500	(435,969)
TOTAL NON ARPA RATE FUNDED CIP PROJECTS		\$ 1,202,522	\$ 3,469,000	\$ (2,266,478)
ARPA Projects - See recap on following page		\$ 1,031,304	100,000	
Less: Projects carried over from FY 2023			\$ (424,000)	
Total FY 2024 Additions/Approved Amount		\$ 2,233,826	\$ 3,145,000	

Capital Assets(continued)

SCIIP/ARPA Projects

The District is also moving forward with capital projects that will utilize the Beaufort County ARPA allocation and the SCIIP Grant. Please find below a recap of the status of those projects through March 31, 2024 as well as a recap of the funding sources to date. Staff has made preliminary allocations of the total funding amount between the projects listed below. Once bids are received, these allocations are subject to change and the amount of the grant awards will be added into the overall totals. Staff is anticipating receiving bids for these projects later in the fiscal year. The District is seeking an SRF loan for engineering only on the SCIIP and ARPA projects which is expected to provide reimbursement/funding of these costs.

SCIIP/ARPA Projects	External Funding	Expended FY 2023	FY 2024 to date	Grand Total	Approved Amount	Remaining/ Variance
LOM Booster Pump	BC ARPA	\$ 82,338	\$ 104,727	\$ 187,065	\$ 390,000	\$ (202,935)
RO Plant Expansion	SCIIP	146,294	329,430	475,724	706,000	(230,276)
RO Generator	BC ARPA/SCIIP	59,201	20,757	79,958	80,000	(42)
RO Wells	SCIIP	84,066	222,306	306,372	540,000	(233,628)
ASR 2	SCIIP	265,604	354,084	619,688	760,000	(140,312)
Grand Total		\$ 637,503	\$ 1,031,304	\$ 1,668,807	\$ 2,476,000	\$ (807,193)

Funding Source Recap

August 2022 Commission Authorization	800,000
Less: Amt above authorization allocated to Professional Fees for Application	(74,000)
June 2023 Commission Authorization	1,500,000
FY 2022 Budgeted for Generator, carried over as ARPA matching funds	150,000
FY 2024 Additional Funds Budgeted for LOM Booster Pump	100,000
Grand Total	\$ 2,476,000

Statement of Cash Flow

The cash flow statement presents cash flows from operating, investing and financing activities. The statement of cash flows provides the preparers and users of the statements the following:

- ✓ Enables the assessment of the amounts, timing and uncertainty surrounding future cash flows.
- ✓ Furnishes reconciliation between net income and cash flows from operations.
- ✓ Indicates the impact on the District's financial status of its investing, debt, and financing transactions.
- ✓ Provides information about the District's cash receipts and cash payments for the period.
- ✓ Provides the change in cash and cash equivalents for the period.
- ✓ Ties to page 5, Statements of Net Position under current assets and restricted assets.

Unrestricted cash available for operations increased \$1,657,222 from \$12,392,680 as of June 30, 2023 to \$14,049,902 as of March 31, 2024.

Restricted cash in banks has increased \$1,344,354 from \$875,769 as of June 30, 2023, to \$2,220,123 as of March 31, 2024, in accordance with revenue debt payment activity.

The restricted \$1,000,000 Beaufort County allocation of ARPA funds was deposited at the SC Local Government Investment Pool during November 2022.

Restricted cash held by Beaufort County has increased \$1,967,100 from \$320,827 on June 30, 2023, to \$2,287,927 as of March 31, 2024, in accordance with GO debt activity.

Total combined unrestricted and restricted cash has increased \$4,968,676 since June 30, 2023.

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

	March 31	June 30
	2024	2023
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 11,283,623	\$ 14,333,372
Cash Paid to Suppliers	(6,770,280)	(9,101,296)
Cash Paid to Employees	(2,455,572)	(2,963,123)
Other Revenues	25,526	91,988
Net Cash Provided by Operating Activities	2,083,297	2,360,941
Cash Flows from Investing Activities		
Interest Income	659,081	604,314
Net Cash Provided by Investing Activities	659,081	604,314
Cash Flows from Noncapital Financing Activities:		
Property Taxes Collected - Operations Levy	1,263,600	1,155,522
Rental and Tower Lease Income	595,866	663,218
Sewer Assessments Collected	160,323	149,378
Sewer Assessments Financed	(107,519)	(53,549)
Net Cash Provided by Noncapital Financing Activities	1,912,270	1,914,569
Cash Flows from Capital and Related Financing Activities:		
Capacity Fees	1,176,520	223,480
Capacity Fee Assessments	69,863	72,806
Property Taxes Collected - G.O. Debt Levy	1,732,094	1,583,535
Interest Paid	(141,870)	(314,408)
Proceeds from Series 2023 FFA Bonds	-	235,000
Bond Issuance Costs	-	(37,500)
Principal Payments on Financed Purchase, Bonds and Notes	(133,813)	(3,647,273)
Proceeds from Capital Grant	-	1,000,000
Proceeds from Sale of Property, Plant and Equipment	50,826	49,240
Purchases of Property, Plant and Equipment	(2,439,592)	(2,960,083)
Net Cash Used by Capital and Related Financing Activities	314,028	(3,795,203)
Net Increase (Decrease) in Cash	4,968,676	1,084,621
Cash and Cash Equivalents at Beginning of Year	\$ 14,589,276	\$ 13,504,655
Cash and Cash Equivalents at End of Year	\$ 19,557,952	\$ 14,589,276

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	March 31 2024	June 30 2023
Operating Income (Loss)	\$ (1,847,076)	\$ (2,253,558)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</i>		
Depreciation	3,887,035	5,140,534
Decrease in Allowance for Doubtful Accounts	-	(8,000)
Difference Between GASB 68 and Actual Contributions	-	(58,447)
<i>Changes in Assets and Liabilities</i>		
Accounts Receivable - Trade	417,644	(200,820)
Accounts Receivable - Project SAFE	(107,552)	(39,310)
Inventories	(22,885)	(37,307)
Prepaid Assets	(286,022)	(69,421)
Accounts Payable - Trade	168,876	(125,739)
Customer Deposits	(110,968)	(16,552)
Other Accrued Liabilities	(15,755)	29,561
Net Cash Provided by Operating Activities	\$ 2,083,297	\$ 2,360,941

Schedule of Cash and Cash Equivalents

Available for Operations

Demand Deposits (interest and non-interest bearing)	\$ 816,428	\$ 1,149,379
SC Local Government Investment Pool	11,956,108	11,232,195
Held by Beaufort County Treasurer	1,277,366	11,106
Total Available for Operations	\$ 14,049,902	\$ 12,392,680

Restricted

Cash in Banks	\$ 2,220,123	\$ 875,769
SC Local Government Investment Pool	1,000,000	1,000,000
Held by Beaufort County Treasurer	2,287,927	320,827
Total Restricted	\$ 5,508,050	\$ 2,196,596

Total Cash and Cash Equivalents	\$ 19,557,952	\$ 14,589,276
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Supplemental Disclosures

Noncash Financing Activities:

Developer Contribution of Systems	\$ -	\$ 126,046
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Financial Ratio Analysis

The analysis of financial statement ratios can be a useful tool when evaluating the financial performance of a business entity. Specifically, ratio analysis can identify a business's strengths and weaknesses.

The following table contains ratio benchmarks as determined by the District's financial advisors and the District's financial ratios for the current fiscal year, prior fiscal year to date, and the end of the past fiscal year. The ratios examined below are some of the metrics most commonly examined by the District's rating agencies.

Financial Ratios					
	Benchmarks	Mar 2024 to Mar 2023	March 2024	March 2023	June 2023
Current Ratio	> 6.00	Benchmark Met	14.24	11.96	11.48
Operating Ratio	< 0.60	Benchmark not met	0.79	0.78	0.80
Days Cash on Hand	>150	Benchmark Met	433	400	383
Accounts Receivable (days of revenue)	< 35	Benchmark Met	19	18	30
Long-Term Debt to Net Position	< 0.75	Improvement (Benchmark Met)	0.32	0.40	0.34
Debt Coverage Ratio Projection	>150%	Complies with Bond Covenants	285%	224%	243%

Liquidity Ratios

Liquidity ratios indicate the ability of a company to meet current financial obligations as they become due. As calculated in this section, a higher ratio indicates more of an ability to meet these obligations.

The Current Ratio

The Current Ratio (current non-restricted assets over current liabilities to be paid from non-restricted assets) was 14.24 at March 31, 2024 which is greater than the benchmark of 6.0 and an increase from the March 31, 2023 ratio of 11.96. Current non-restricted assets increased by \$1,676,624 and current liabilities to be paid from non-restricted assets decreased by \$86,483 since March 31, 2023. This increase is mostly attributable to the increase in net position for the year to date. The timing of completion of the District's CIP projects can also cause the District's cash position and this ratio to fluctuate.

The Operating Ratio

The operating ratio, total operating expenses less depreciation to operating revenues, indicates a company's level of operating expenses in relationship to operating revenue. As calculated in this section, a higher ratio indicates a higher level of expense in comparison to operating revenue. The current operating ratio is 0.79 compared to the March 31, 2023 ratio of 0.78 and is higher than the established benchmark of less than 0.60. Total operating expenses less depreciation increased \$302,951 while total operating revenues increased \$174,580. While this benchmark has not been met, any value less than 1.0 indicates that operating expenses less depreciation are being fully covered by operating revenues.

Days Cash on Hand

The days cash on hand ratio measures how many days a company can pay its expenses. The formula for this ratio is current unrestricted cash and investments plus any restricted cash and investments available for general system purposes divided by operating expenditures minus depreciation, divided by 365. A higher days of cash on hand ratio is more desirable as it indicates that an entity has more cash to cover its expenses. The days cash on hand ratio exceeds its benchmark and is 433 as of March 31, 2024, compared to 400 as of March 31, 2023. This increase is related to the positive operating results for the year to date. The timing of completion of the District's CIP projects can also cause the District's cash position and this ratio to fluctuate.

The Accounts Receivable (Days of Revenue) Ratio

The Accounts Receivable (Days of Revenue) ratio indicates the level of accounts receivable in relationship to the level of revenues being collected over a 12-month period (last 12 months or LTM). As calculated in this section, a higher ratio may indicate that receivables are growing in disproportion to revenues. The ratio is calculated by dividing accounts receivable by the average days' operating revenues.¹ This ratio was 19 at March 31, 2024 compared to 18 at March 31, 2023. Both years meet the benchmark of lower than 35 and indicate that the District is carrying less than one month's worth of receivables which is in line with its monthly billing schedule.

Leverage Ratios

The following leverage ratio indicates how much debt the District has in relationship to its net position. As calculated in this section, a higher ratio indicates a higher level of debt in comparison to the net position.

The Long-term Debt to Net Position Ratio

The Long-term Debt to Net Position ratio, long term debt divided by the net position, is 0.32 and has improved from the March 31, 2023, ratio of 0.40. The 0.32 ratio meets the benchmark of less than 0.75. Long-term debt was reduced by \$3,729,765 while the net position has increased by \$3,363,639. When the GO debt is taken out to fund the upcoming SCIIP/ARPA projects, this ratio would be expected to increase.

Debt 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 of March 31, 2024, the debt service projection calculation is 285% which exceeds the fiscal year 2024 budgeted debt coverage ratio of 215%, the required ratio of 120%, and the target ratio of 150%.

¹ For purposes of this analysis, accounts receivable is defined as those trade receivables excluding extraordinary receivables, unbilled revenue, tower lease revenue, and notes receivable. This ratio is derived using the LTM revenues.

Customer Growth

Total water/irrigation service EDUs have increased by 76 since June 30, 2023, for a total of 19,732 EDUs. This is a 0.39% increase for fiscal year 2024 compared to the 0.53% increase experienced during last fiscal year. The current EDUs include 18,620 water service units, 1,033 irrigation service units, and 79 miscellaneous water units such as dock meters, hydrants, pool meters, and golf course water coolers.

<i>Water / Sewer Connection Growth 03/31/2024</i>						
<u>Date</u>	<u>Water & Irr. EDU's</u>	<u>Only Water EDU's</u>	<u>Change in Water EDU's</u>	<u>Sewer EDU's</u>	<u>Change in Sewer EDU's</u>	<u>% Sewer to Water EDU's</u>
06/30/23	19,656	18,549	N/A	17,726	N/A	95.56%
09/30/23	19,679	18,574	23	17,760	34	95.62%
12/31/23	19,703	18,591	24	17,787	27	95.68%
03/31/24	19,732	18,620	29	17,821	34	95.71%
Change in EDU's			<u>76</u>		<u>95</u>	

Sewer service EDUs have increased by 95 since June 30, 2023, for a total of 17,821 EDUs. This is a 0.54% increase for fiscal year 2024 compared to 0.69% for fiscal year 2023. As shown in the above table, the sewer to water customer percentage has increased to 95.71%.

Fiscal Outlook

As of March 31, 2024, the District's financial condition is stable.

Staff looks forward to discussing the third quarter fiscal year 2024 review of the District's financial condition at the May 22, 2024, Commission Meeting.

GM Monthly Report





HILTON HEAD PUBLIC SERVICE DISTRICT

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

May 16, 2024

Dear Commissioners, please see below the following updates:

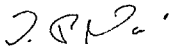
- We are experiencing demand of approx. 6-7 million gallons a day (mgd), which is low for this time of year and due to prevailing weather conditions.
- S.C. Infrastructure Investment Program (SCIIP) and ARPA Projects Update:
 - **Leg O'Mutton Booster Station**
 - Our contractor requires some additional time to prepare necessary documents prior to contract finalization. We will bring the contract forward for Commission approval at its June meeting. No significant savings versus the low bid were identified in the value engineering. The project has a construction completion estimate of summer 2025.
 - **RO Plant Expansion**
 - Prequalified bidders have been invited to bid on the RO Plant Expansion project!
 - June 18 – Planned for bid opening.
 - June 26 – Planned for Commission bid acceptance vote.
 - **RO Well #4, ASR Well #2, and Transmission Mains**
 - Bidding is pending several outstanding permits/easements (e.g., S.C. DHEC Coastal Zone Consistency Permits; U.S. Army Corps of Engineers' Nationwide Permit; Town of HHI permanent easements; encroachment permits from S.C. DOT, Santee Cooper and Palmetto Electric). These permits/easements are in addition to *numerous* permits/easements *already* obtained for these projects and include permits dependent upon other permits – a testament to the *extreme* complexity of these projects that are being performed under the artificially-imposed time crunch of the SCIIP grant deadline. Under normal circumstances, we would bid construction despite outstanding permits/easements, but the SCIIP grant requirements prohibit that. **We nonetheless anticipate syncing the construction contracts so that both the RO Plant Expansion and Wells & Mains projects are completed in summer 2026 – ahead of the grant deadline.**
- Pete Nardi taped a podcast with the Hilton Head Island Chamber of Commerce this month about saltwater intrusion and the island's response. Here's the link:
https://www.podbean.com/media/share/pb-f6j6s-15ff04b?utm_campaign=admin_episode&utm_medium=dlink&utm_source=episode_share
- We are hosting a Clemson Extension Service "Carolina Yards" workshop from 1 to 3 p.m. on May 22 in the Community Room. Clemson didn't confirm the workshop until May 16, but we nonetheless sent

out news releases and extensive digital marketing for it, in addition to the digital marketing Clemson Extension does.

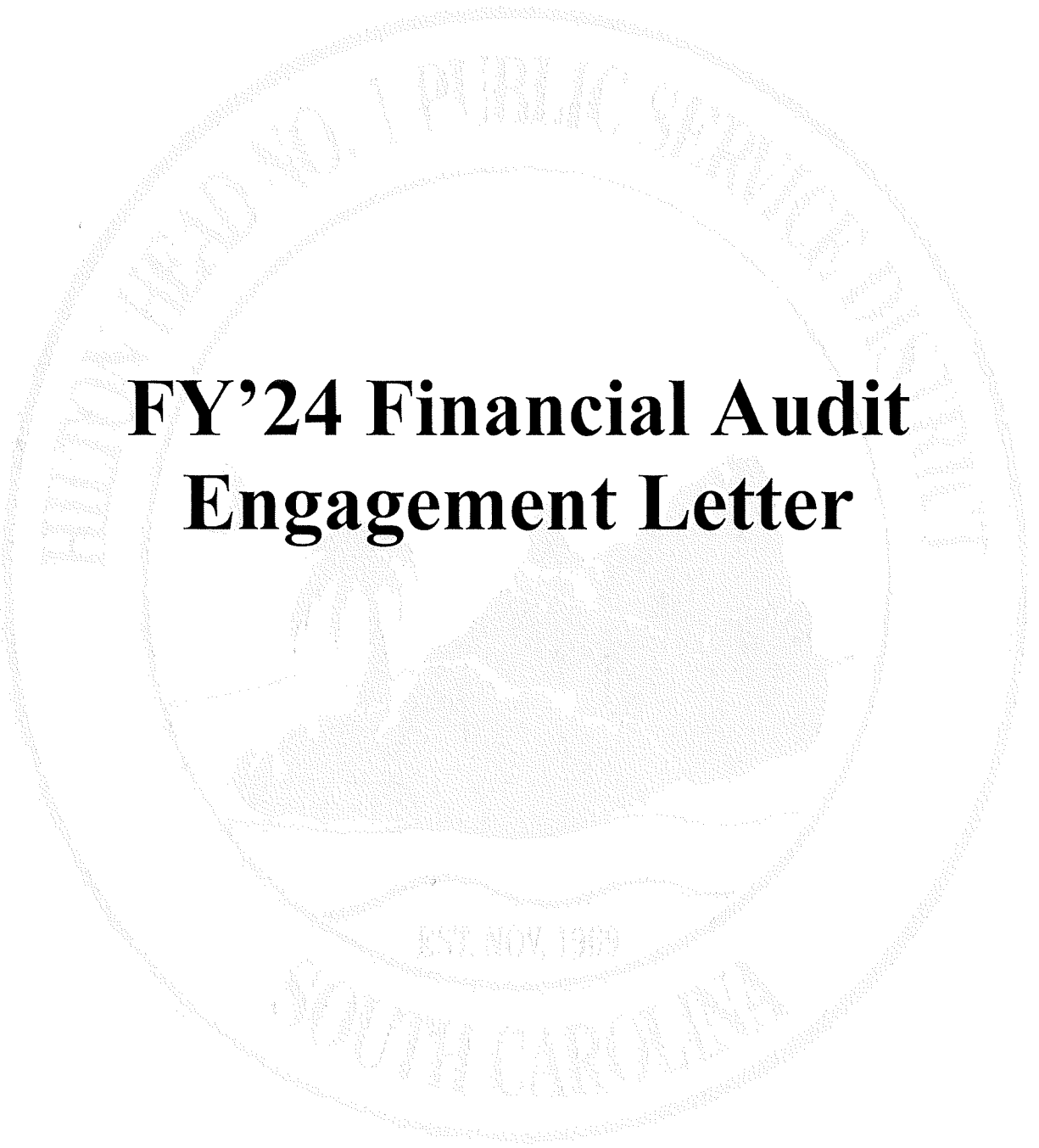
- We will send out the PSD Commission Candidate Filing Notice for the November 2024 General Election by June 1. Candidates will file at the PSD with the General Manager. Districts 2 (Bell), 3 (Soltys), 4 (Cutrer), and 6 (Paterno) are up for election.

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

All my best,



Pete Nardi
General Manager
Hilton Head PSD
(843) 681-0525



**FY'24 Financial Audit
Engagement Letter**



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

To: Commissioners
Pete Nardi, General Manager

From: Amy Graybill, Finance Manager

Subject: FY 2024 Audit Engagement Letter

Date: May 22, 2024

Background

Greene Finney completed the fiscal year (FY) 23 audit and presented their findings to the board during the October 2023 Commission meeting. Staff submitted the ACFR to GFOA and was recently awarded the Certificate of Achievement for Excellence in Financial Reporting for that report. The FY'23 audit was the second year of a three-year proposal presented to the Commission in January 2022.

Discussion

Attached for your review is the FY 2024 audit engagement letter and a FY 2023 Commissioner communication letter, which highlights several key points regarding the proposed engagement, from Greene Finney.

Each of the items listed below are discussed in detail within the attached engagement letter. Staff anticipates that Greene Finney would make a report to the Commission in October/November 2024 on their findings.

- Audit Scope and Objectives
- Auditor's Responsibilities for the Audit of the Financial Statements
- Audit Procedure – Internal Controls
- Audit Procedure – Compliance
- Other Services
- Responsibilities of Management for the Financial Statements
- Engagement Administration, Fees and Other

Recommendation:

Staff recommends executing the attached engagement letter to engage Greene Finney to complete the annual financial audit for fiscal year ending June 30, 2024.

Attachments: Audit Engagement Letter, and Commissioner Communication Letter



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

May 17, 2024

Hilton Head No. 1 Public Service District
21 Oak Park Drive
Hilton Head Island, SC 29926

We are pleased to confirm our understanding of the services we are to provide the Hilton Head No. 1 Public Service District (the "District") for the year ended June 30, 2024.

Audit Scope and Objectives

We will audit the financial statements of the District, and the disclosures, which collectively comprise the basic financial statements of the District as of and for the year ended June 30, 2024. Accounting standards generally accepted in the United States of America ("GAAP") provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America ("GAAS"). These limited procedures will consist principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis.
2. Pension plan schedules.

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and will provide an opinion on it in relation to the financial statements as a whole:

1. Budgetary Comparison Schedule.
2. Notes to Budgetary Comparison Schedule.
3. Summary Schedule of Debt.
4. Schedule of Bond Principal and Interest Payments.
5. Schedule of Note Principal and Interest Payments.

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864.225.8713

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Introductory section.
2. Statistical section.

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of your accounting records of the District and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories (if any), and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement.

Audit Procedures—Internal Controls

We will obtain an understanding of the government and its environment, including the system of internal control, audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial

statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

The District hereby promises that it will make every diligent effort to maintain proper books and records that accurately reflect its business activities, that it will be completely truthful with Greene Finney, LLP ("GFLLP") and that GFLLP may rely upon both oral and written statements and responses to questions. The District further promises to immediately advise GFLLP if it becomes aware of any inaccuracy in its record-keeping or dishonesty in any of its business dealings, including its statements to GFLLP. The District acknowledges that the promises are the cornerstone of its relationship with GFLLP, are made to induce GFLLP to accept this audit engagement, and that GFLLP would not accept this audit engagement without such promises.

Other Services

We will also provide general accounting assistance, as needed, (“nonaudit services”) in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the nonaudit services in accordance with applicable professional standards. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities relating to the nonaudit services we provide; oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of GFCLLP and constitutes confidential information. However, subject to applicable laws or regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a federal or state agency, or its designee, providing direct or indirect funding. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of GFCLLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by a federal or state agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin interim audit work in June 2024 and our year-end audit work in August 2024. We expect to issue our report before October 31, 2024. Emily Sobczak is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be \$26,300, plus any additional costs associated with testing of major programs as part of a single audit, if required. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you in advance and arrive at a new fee estimate before we incur the additional costs. Any services that you may require outside of those related to the audit discussed above will be billed at our hourly standard rate of Partners, \$250 per hour; Managers, \$175 per hour; Supervisors, \$125 per hour; Senior Staff, \$100 per hour; Staff, \$85 per hour. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

Reporting

We will issue a written report upon completion of our audit of the District’s financial statements. Our report will be addressed to the Board of Commissioners of the District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on

internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Auditor's Expectations of Management

Our fee is based upon certain expectations that we have of work that will be completed by the District, which is included in our interim and year-end client assistance packages.

Conclusion

We appreciate the opportunity to be of service to Hilton Head No. 1 Public Service District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign and return it to us.

Very truly yours,



Greene Finney Cauley, LLP
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of Hilton Head No. 1 Public Service District.

Signature: _____
Title: General Manager

Signature: _____
Title: Board of Commissioners - Chair

Date: _____

Date: _____



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

May 17, 2024

To the Commissioners
Hilton Head No.1 Public Service District
21 Oak Park Drive
Hilton Head Island, SC 29926

We are engaged to audit the financial statements of the Hilton Head No. 1 Public Service District (“District”) for the year ended June 30, 2024. Professional standards require that we provide you with the following information related to our audit. Please feel free to contact us, as we would also be glad to meet with you to discuss this information.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated May 17, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the District. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the District’s compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Required Supplementary Information

Generally accepted accounting principles provide for certain required supplementary information (“RSI”) to supplement the basic financial statements. Our responsibility with respect to management’s discussions and analysis and pension plan schedules, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Supplementary Information

We have been engaged to report on the budgetary comparison schedule and related notes, summary schedule of debt, schedule of bond principle and interest payments, and schedule of note principle and interest payments which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

We have not been engaged to report on the introductory section or statistical section, which accompany the financial statements, but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including the system of internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We have identified the following significant risk of material misstatement as part of our audit planning:

- 1) Management override of controls

We expect to begin our interim audit work in June 2024 and our year-end audit work in August 2024. We expect to issue our report by October 31, 2024. Emily Sobczak is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of Commissioners and management of Hilton Head No. 1 Public Service District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Certified Public Accountants

The seal of the Hill Country Public Service District is a circular emblem. It features a central illustration of a mountain range with a winding river in the foreground. The text "HILL COUNTRY PUBLIC SERVICE DISTRICT" is written in a circular path around the top and sides of the seal. At the bottom, it says "SOUTH CAROLINA". In the center of the seal, below the mountains, is the date "NOV 1969".

**GO Bond Authorization
Resolution**



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: GO Bond Resolution

Date: May 22, 2024

Background:

District staff identified several large projects in its Fiscal Year (FY) 2024 and 2025 budgets for which it recommended seeking General Obligation (GO) debt financing. During FY 2024, the District sought and received the required authorization from Beaufort County Council to issue GO debt in an amount not to exceed \$23,000,000 (to be issued in one or more series of bonds).

The District is currently in the process of applying for a low-interest loan of up to \$2,589,929 from the South Carolina Rural Infrastructure Authority State Revolving Fund (SRF) for the engineering only portion of the SCIIP Grant and Beaufort County ARPA Leg O Mutton projects, which will be applied toward the \$23,000,000 authorization. The SRF has provided a loan commitment letter, which is attached for your reference, but has requested that the District wait to finalize the loan agreement and related bond resolution until more concrete engineering and construction figures can be provided. Accordingly, the resolution related to that loan is expected to be brought to the Commission in an upcoming month (likely July).

The District has a dip in its GO debt repayment schedule in FY 2025 which is greater than the proposed SRF loan alone would utilize. To take advantage of this reduction in the debt payment schedule, staff is recommending issuing a second GO debt issuance during FY 2025. The District plans to wrap this issuance around the District's existing debt to minimize millage rate increases to taxpayers in future years to the extent possible. In order to document the District's intent to issue this debt and thereby confirm setting the GO millage rate at the same level as prior years (approximately 4.1 mills), bond counsel is recommending that the Commission adopt the attached resolution prior to fiscal year end.

Discussion:

District staff has identified the following potential large projects for which it may use the proposed GO financing:

- SCIIP Grant Matching Funds – RO Expansion & ASR 2
- BC ARPA Leg O Mutton Booster Pump Matching Funds
- Screw Pump Replacement at the Wastewater Treatment Plant (WWTP)
- WWTP Influent Screen
- WWTP Warehouse & Garage Building Replacement
- WWTP Sludge Building Replacement
- Royal James Lift Station Tank, Pump, & Site Updates
- Purchase of remaining capacity from Beaufort Jasper Water Sewer Authority

Given the uncertain, inflationary construction bidding environment, staff recommends waiting until bids are received on the SCIIP projects to finalize the project list. Once the project list is finalized, staff will work with the District's financial advisors to present a recommended financing plan to the Commission which will include whether to pursue a private placement or public sale. A high-level preview of the two options using current market conditions and assuming the full \$20,500,000 (the \$23,000,000 authorization less the expected SRF loan) is issued has been prepared by the District's financial advisors. These are attached for your reference.

After the SCIIP bids are received, a final project list and bond issuance schedule will be prepared. The District's financial advisors will attend a future meeting to present the proposed financing plan options reflecting the market conditions in effect at that time.

Bond counsel has prepared the attached resolution to authorize the sale and issuance of General Obligation bonds in an amount not to exceed \$20,500,000.

Recommendation:

Staff is recommending that the Commission adopt the attached resolution prepared by bond counsel to authorize the issuance and sale of General Obligation bonds in an amount not to exceed \$20,500,000.

Attachments:

SRF Loan Commitment Letter
First Tryon Financial Analysis
GO Bond Resolution



South Carolina
Rural Infrastructure Authority

May 1, 2024

Mr. Frank Turano, Chairman
Hilton Head No. 1 Public Service District
Post Office Box 21264
Hilton Head Island, South Carolina 29925

Dear Chairman Turano:

On behalf of the South Carolina Water Quality Revolving Fund Authority, it is my pleasure to offer a State Drinking Water Revolving Loan Fund loan to the Hilton Head No. 1 Public Service District subject to the terms and conditions of the Loan Agreement and as identified below.

Purpose: Water System Improvements
Loan Number: X3-103-24-0720006-07

Loan Amount: \$2,589,929

Interest Rate: 2.10%

Term: 20 years, with principal and interest repaid in 80 substantially equal quarterly payments beginning on November 1, 2024.

Closing Fee: \$12,950

Security: The full faith, credit and taxing power of the Hilton Head Island No. 1 Public Service District

Standard Condition: Execution and delivery within 90 days of the date of this letter of a Loan Agreement and Promissory Note that are accompanied by: a Resolution prepared by your bond counsel and duly enacted by the governing body of the District authorizing the execution of the Loan Agreement and Promissory Note; opinion letters from your attorney and bond counsel; a check for the loan closing fee; and such other items as the Authority may reasonably request. All such documents must be acceptable in form and content to the Authority.

Chairman Turano
May 1, 2024
Page 2

In the near future a loan closing package will be sent to the District which contains the Loan Agreement, a model Ordinance/Resolution, sample attorney and bond counsel opinion letters and other information relative to finalizing a Drinking Water SRF loan.

If you have any questions concerning this conditional loan approval or if this office can be of further assistance, please do not hesitate to contact us.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bonnie Ammons".

Bonnie Ammons
Director, Office of Local Government

cc: Pete Nardi, General Manager



First Tryon Advisors

SIMPLIFYING PUBLIC FINANCE

AMY VITNER
MANAGING DIRECTOR
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Email: avitner@firsttryon.com
6101 Carnegie Blvd Suite 210
Charlotte, NC 28209

BRANDON DECOSTE
VICE PRESIDENT
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6101 Carnegie Blvd Suite 210
Charlotte, NC 28209

Hilton Head Public Service District
GO Bond Funding Analysis

May 22, 2024

Estimated Debt Service and Millage Impact

Public Sale Approach

A	B	C	D	E	F	G	H	I
Calendar Year	Existing Debt Service	SRF Debt Service	2024 GO Debt Service ¹	Total Debt Service	Estimated Millage ²	Difference (F - E)	Starting Balance	Ending Balance
2024	1,504,875	-	-	1,504,875	1,797,500	292,625	599,256	891,881
2025	1,293,094	158,923	916,933	2,368,951	1,815,475	(553,476)	891,881	338,406
2026	1,332,188	158,923	914,500	2,405,611	1,833,630	(571,981)	338,406	(233,576)
2027	1,370,594	158,923	914,500	2,444,017	1,851,966	(592,051)	(233,576)	(825,627)
2028	573,563	158,923	1,070,500	1,802,986	1,870,486	67,500	(825,627)	(758,127)
2029	-	158,923	1,647,500	1,806,423	1,889,191	82,767	(758,127)	(675,360)
2030	-	158,923	1,643,625	1,802,548	1,908,082	105,534	(675,360)	(569,826)
2031	-	158,923	1,647,750	1,806,673	1,927,163	120,490	(569,826)	(449,336)
2032	-	158,923	1,644,750	1,803,673	1,946,435	142,761	(449,336)	(306,574)
2033	-	158,923	1,644,625	1,803,548	1,965,899	162,351	(306,574)	(144,224)
2034	-	158,923	1,647,125	1,806,048	1,985,558	179,510	(144,224)	35,286
2035	-	158,923	1,647,125	1,806,048	2,005,414	199,365	35,286	234,652
2036	-	158,923	1,644,625	1,803,548	2,025,468	221,920	234,652	456,571
2037	-	158,923	1,644,500	1,803,423	2,045,723	242,299	456,571	698,870
2038	-	158,923	1,646,500	1,805,423	2,066,180	260,756	698,870	959,627
2039	-	158,923	1,645,500	1,804,423	2,086,842	282,418	959,627	1,242,045
2040	-	158,923	1,646,375	1,805,298	2,107,710	302,412	1,242,045	1,544,457
2041	-	158,923	1,644,000	1,802,923	2,128,787	325,864	1,544,457	1,870,321
2042	-	158,923	1,648,125	1,807,048	2,150,075	343,027	1,870,321	2,213,347
2043	-	158,923	1,648,500	1,807,423	2,171,576	364,152	2,213,347	2,577,500
2044	-	158,923	1,645,125	1,804,048	2,193,292	389,243	2,577,500	2,966,743
Total:	6,074,313	3,178,469	30,152,183	39,404,965				

¹ Based on estimated current market conditions as of May 9, 2024 (+25 bps). Assumes 3 years of principal deferral to wrap around existing GO Bond.

² Assumes 4.1 mills are levied and that one mill generates \$438,000 for 2024. Assumes a 1% annual growth rate for future years.

Note: Preliminary, subject to change



Estimated Debt Service and Millage Impact

Bank Placement Approach

A	B	C	D	E	F	G	H	I
Calendar Year	Existing Debt Service	SRF Debt Service	2024 GO Debt Service ¹	Total Debt Service	Estimated Millage ²	Difference (F - E)	Starting Balance	Ending Balance
2024	1,504,875	-	-	1,504,875	1,797,500	292,625	599,256	891,881
2025	1,293,094	158,923	976,455	2,428,472	1,815,475	(612,997)	891,881	278,884
2026	1,332,188	158,923	973,750	2,464,861	1,833,630	(631,231)	278,884	(352,347)
2027	1,370,594	158,923	973,750	2,503,267	1,851,966	(651,301)	(352,347)	(1,003,648)
2028	573,563	158,923	1,231,480	1,963,966	1,870,486	(93,480)	(1,003,648)	(1,097,129)
2029	-	158,923	1,805,666	1,964,590	1,889,191	(75,399)	(1,097,129)	(1,172,528)
2030	-	158,923	1,805,581	1,964,505	1,908,082	(56,422)	(1,172,528)	(1,228,950)
2031	-	158,923	1,805,454	1,964,377	1,927,163	(37,214)	(1,228,950)	(1,266,164)
2032	-	158,923	1,805,189	1,964,112	1,946,435	(17,677)	(1,266,164)	(1,283,841)
2033	-	158,923	1,805,668	1,964,591	1,965,899	1,308	(1,283,841)	(1,282,533)
2034	-	158,923	1,805,771	1,964,695	1,985,558	20,864	(1,282,533)	(1,261,669)
2035	-	158,923	1,805,405	1,964,328	2,005,414	41,085	(1,261,669)	(1,220,584)
2036	-	158,923	1,805,450	1,964,373	2,025,468	61,095	(1,220,584)	(1,159,489)
2037	-	158,923	1,804,788	1,963,711	2,045,723	82,012	(1,159,489)	(1,077,477)
2038	-	158,923	1,805,275	1,964,198	2,066,180	101,981	(1,077,477)	(975,496)
2039	-	158,923	1,805,746	1,964,670	2,086,842	122,172	(975,496)	(853,324)
2040	-	158,923	1,805,083	1,964,006	2,107,710	143,704	(853,324)	(709,620)
2041	-	158,923	1,805,141	1,964,065	2,128,787	164,723	(709,620)	(544,897)
2042	-	158,923	1,805,733	1,964,656	2,150,075	185,419	(544,897)	(359,478)
2043	-	158,923	1,805,690	1,964,613	2,171,576	206,962	(359,478)	(152,516)
2044	-	158,923	1,804,871	1,963,795	2,193,292	229,497	(152,516)	76,981
Total:	6,074,313	3,178,469	33,041,945	42,294,726				

¹ Based on estimated current market conditions as of May 9, 2024 (+25 bps). Assumes 3 years of principal deferral to wrap around existing GO Bond.

² Assumes 4.1 mills are levied and that one mill generates \$438,000 for 2024. Assumes a 1% annual growth rate for future years.

Note: Preliminary, subject to change



Public Sale vs. Bank Placement Comparison

Public Sale		Bank Placement		Difference
Summary Statistics		Summary Statistics		
Dated Date:	10/31/2024	Dated Date:	10/31/2024	
First Coupon:	5/1/2025	First Coupon:	5/1/2025	
Cost of Issuance	250,000	Cost of Issuance	100,000	(150,000)
Underwriter's Discount:	102,500	Underwriter's Discount:	-	(102,500)
True Interest Cost:	3.76%	Interest Rate:	4.75%	0.99%
All-In True Interest Cost:	3.89%	All-In True Interest Cost:	4.81%	0.92%
Average Annual Debt Service:	1,507,609	Average Annual Debt Service:	1,652,097	144,488
Total Debt Service:	30,152,183	Total Debt Service:	33,041,945	2,889,762
Project Fund:	20,250,000	Project Fund:	20,400,000	150,000

Calendar Year	Annual Debt Service Requirements				Annual Debt Service Requirements			Difference
	Principal	Interest	Debt Service Fund	Net Debt Service	Principal	Interest	Debt Service	
2025	2,210,000	972,597	(2,265,664)	916,933	-	976,455	976,455	59,522
2026	-	914,500	-	914,500	-	973,750	973,750	59,250
2027	-	914,500	-	914,500	-	973,750	973,750	59,250
2028	160,000	910,500	-	1,070,500	264,000	967,480	1,231,480	160,980
2029	760,000	887,500	-	1,647,500	865,000	940,666	1,805,666	158,166
2030	795,000	848,625	-	1,643,625	907,000	898,581	1,805,581	161,956
2031	840,000	807,750	-	1,647,750	951,000	854,454	1,805,454	157,704
2032	880,000	764,750	-	1,644,750	997,000	808,189	1,805,189	160,439
2033	925,000	719,625	-	1,644,625	1,046,000	759,668	1,805,668	161,043
2034	975,000	672,125	-	1,647,125	1,097,000	708,771	1,805,771	158,646
2035	1,025,000	622,125	-	1,647,125	1,150,000	655,405	1,805,405	158,280
2036	1,075,000	569,625	-	1,644,625	1,206,000	599,450	1,805,450	160,825
2037	1,130,000	514,500	-	1,644,500	1,264,000	540,788	1,804,788	160,288
2038	1,190,000	456,500	-	1,646,500	1,326,000	479,275	1,805,275	158,775
2039	1,250,000	395,500	-	1,645,500	1,391,000	414,746	1,805,746	160,246
2040	1,315,000	331,375	-	1,646,375	1,458,000	347,083	1,805,083	158,708
2041	1,380,000	264,000	-	1,644,000	1,529,000	276,141	1,805,141	161,141
2042	1,455,000	193,125	-	1,648,125	1,604,000	201,733	1,805,733	157,608
2043	1,530,000	118,500	-	1,648,500	1,682,000	123,690	1,805,690	157,190
2044	1,605,000	40,125	-	1,645,125	1,763,000	41,871	1,804,871	159,746
Total:	20,500,000	11,917,847	(2,265,664)	30,152,183	20,500,000	12,541,945	33,041,945	2,889,762

Note: Preliminary, subject to change



Public Sale vs. Bank Placement Comparison

Bank Placement

Pros	1)	More streamlined issuance process with lower staff time commitment and the ability to lock in interest rates sooner
	2)	Lower upfront costs of issuance
	3)	Greater prepayment flexibility
	4)	No credit rating requirements
	5)	No (or limited) ongoing reporting requirements
Cons	1)	Higher interest rate in the current market environment
	2)	Limited universe of banks willing to provide 20-year fixed rate term

Public Sale

Pros	1)	Lower interest rate in the current market environment
	2)	No issue securing a 20-year fixed rate term
Cons	1)	Not able to lock in interest rate until closer to closing
	2)	More in-depth issuance process with greater staff time commitment
	3)	Higher upfront costs of issuance
	4)	More restrictive prepayment provisions (typically 10-year no prepayment option)
	5)	Ongoing reporting / continuing disclosure requirements
	6)	Initial and periodic rating agency interactions



First Tryon Advisors

SIMPLIFYING PUBLIC FINANCE

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A RESOLUTION TO PROVIDE FOR THE ISSUANCE AND SALE OF NOT EXCEEDING TWENTY MILLION FIVE HUNDRED THOUSAND DOLLARS (\$20,500,000) AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS OF THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA, TO PRESCRIBE THE PURPOSES FOR WHICH THE PROCEEDS SHALL BE EXPENDED, TO PROVIDE FOR THE PAYMENT THEREOF, AND TO PROVIDE FOR OTHER MATTERS RELATING THERETO.

2024 BOND RESOLUTION

May 22, 2024

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

ARTICLE I

FINDINGS OF FACT

Section 1.01 Findings. Incident to the adoption of this bond resolution (this “**Resolution**”), the Hilton Head No. 1 Public Service District Commission (the “**Commission**”), the governing body of the Hilton Head No. 1 Public Service District, South Carolina (the “**District**”), makes the following findings:

(a) The District was created as a special purpose district established in Beaufort County, South Carolina (the “**County**”), as a body politic and corporate pursuant to the provisions of Act No. 596 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1969, as amended.

(b) The County Council of Beaufort County, South Carolina (the “**County Council**”), as the governing body of the County, is empowered by Title 6, Chapter 11, Article 5 as supplemented and amended by Section 11-27-40 of the Code of Laws of South Carolina 1976, as amended (the “**Act**”), to authorize the governing body of any special purpose district within the County to provide funds to be used in furtherance of any power or function committed to such special purpose district and in effect on March 7, 1973.

(c) The Commission has determined that, in order for the District to adequately serve its customers, it is necessary to undertake certain improvements to its water and sewer system (the “**System**”). The project consists of (i) improvements and/or repairs to the wastewater system, including (A) replacement of three screw pumps, (B) the purchase of on-site chemical generation equipment, (C) upgrades to the lift stations, including tank, pump and site upgrades, (D) construction of a sludge building and warehouse building, and (E) construction of back-up to the band screen, and (ii) improvements and/or repairs to the waterworks system, including (A) construction of an aquifer storage and recovery system and expansion of the District’s reverse osmosis (“**RO**”) plant, (B) purchase of on-site chemical generation equipment, (C) purchase of a generator for the RO plant; and (D) acquiring additional wholesale water capacity from Beaufort-Jasper Water and Sewer Authority, (iii) design and engineering costs related to the U.S. Highway 278 bridge relocation project, and (iv) other general improvements, repairs and expansion to the District’s water and sewer system, expressly including the Leg O Mutton Booster pump station (collectively, the “**Project(s)**”). Upon completion, the Project will be a part of and will constitute a portion of the System.

(d) Pursuant to Section 6-11-830 of the Act, the Commission, after approval by a resolution of the Commission dated July 26, 2023, submitted a petition to the County Council requesting a public hearing and the approval of the issuance and delivery of not exceeding \$23,000,000 of general obligation bonds.

(e) On September 11, 2023, the County Council adopted a resolution calling for a public hearing, and in accordance with Section 6-11-840 of the Act, notice of the public hearing was published once a week for three successive weeks in *The Beaufort Gazette* and in *The Island*

Packet, newspapers of general circulation in the County, on September 15, 2023, September 22, 2023, and September 29, 2023. The public hearing was held on October 9, 2023.

(f) Pursuant to Section 6-11-860 of the Act, the County Council enacted an ordinance dated October 9, 2023 authorizing the District to issue general obligation bonds (the “**Ordinance**”). Subsequent to the enactment of the Ordinance, notice of the adoption thereof was published on October 11, 2023 in *The Beaufort Gazette* and in *The Island Packet*, which as noted above are newspapers of general circulation in the County.

(g) Per the terms of the Ordinance, the District may issue not exceeding \$23,000,000 of general obligation bonds (the “**Approved Bonds**”), in a single issue or from time to time as several separate issues, without receiving further approval from the County Council to defray the costs of the Project. The Commission has now determined to issue a series of general obligation bonds in an amount not exceeding \$20,500,000 for the purpose of defraying a portion of the costs of the Project and issuance costs related thereto (the “**Bonds**”).¹

(h) Section 14 of Article X of the Constitution of the State of South Carolina (the “**State**”) provides that subsequent to November 30, 1977, a special purpose district of the State may borrow that sum of money which is equal to eight percent (8%) of the last completed assessment of all taxable property located in the service area of the District without the necessity of conducting a referendum. According to the Auditor of Beaufort County, South Carolina (the “**Auditor**”), the assessed value of all taxable property located within the service area of the District as of June 30, 2023, which is the latest completed assessment thereof, is not less than the sum of \$375,868,384.² Thus, the constitutional debt limit for the District is \$30,069,470 (the “**Debt Limit**”). Presently, the District has one obligation chargeable against its constitutional debt limitation: the District’s General Obligation Refunding Bond, Series 2020, dated November 2, 2020, in the original principal amount of \$9,910,000 (the “**Series 2020 Bond**”). The Series 2020 Bond is currently outstanding in the principal amount of \$4,470,000 and is chargeable against the Debt Limit; such amount, together with the principal amount authorized by County Council (and by the Commission hereunder) is equal to the sum of \$27,470,000 and does not exceed the Debt Limit. Thus, the District is authorized to issue the Approved Bonds in the principal sum of not exceeding \$23,000,000 by way of general obligation debt.

(i) In light of the foregoing, the District is authorized by Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended, the Act (together, the “**Enabling Act**”) and the Ordinance to issue the general obligation debt authorized hereby.

¹ The District has received a commitment letter from the South Carolina Water Quality Revolving Fund Authority dated May 1, 2024 for a loan from the State Drinking Water Revolving Loan Fund to the District in a principal amount not exceeding \$2,589,929 (the “**SRF Bond**”). Once issued, the SRF Bond will be considered one of the Approved Bonds and will count toward the aggregate par amount limitation of \$23,000,000 imposed by County Council for the Approved Bonds. In the event the SRF Bond are issued in the amount of \$2,589,929 as contemplated by the commitment letter, the final principal amount of the Bonds authorized hereunder will be reduced to \$20,410,071 or whatever other amount is necessary to stay within the limits imposed by County Council for the Approved Bonds.

² As confirmed by a certificate of the Auditor to the District dated May 2, 2024.

(j) On the basis of the foregoing, the Commission has determined to avail itself of the authorization granted by the Enabling Act and the Ordinance, to issue the Bonds to provide funds (1) to defray the costs of the Project and (2) to pay the costs of issuance thereof.

* * *

ARTICLE II

DEFINITIONS AND CONSTRUCTION

Section 2.01 Definitions. As used in this Resolution, unless context otherwise requires, the following terms shall have the following respective meanings:

“Authorized Investments” means and includes any securities which at the time of determination are legal investments for political subdivisions in the State as provided in the South Carolina Code.

“Authorized Officer” means the General Manager, the Finance Manager, the Chairman or the Vice Chairman; any of whom may act individually as the Authorized Officer.

“Bond” or **“Bonds”** has the meaning given such term in Section 1.01, which includes any Bonds of the District authorized by this Resolution, and, where context dictates, Bonds of a Series issued hereunder.

“Bond Counsel” means Pope Flynn, LLC, or any successor firm, or an attorney or firm of attorneys of recognized standing in the field of law relating to municipal, state, and public agency financing.

“Bondholder”; **“Holder”**; **“Holders of Bonds”**; **“Owner”**; **“Registered Owner”** or similar term means, when used with respect to Bonds or a Bond, any person who shall be registered as the owner of any Bonds Outstanding.

“Bond Payment” means the periodic payment of Principal Installments of, interest on, or both, of the Bonds.

“Bond Payment Date” means, as for any Series of Bonds issued hereunder, the date or dates when a Bond Payment is payable.

“Chairman” means the Chairman of the Commission.

“Code” means the Internal Revenue Code of 1986, as amended, and the U.S. Treasury Regulations promulgated thereunder.

“Commission” means the Hilton Head No. 1 Public Service District Commission, the governing body of the District, or any successor governing body of the District.

“Continuing Disclosure Undertaking” means an undertaking executed by an Authorized Officer and delivered at or prior to the closing of a Series of Bonds that is intended to meet the requirements of Rule 15c2-12, and as such undertaking may be from time to time amended in accordance with the terms thereof.

“Corporate Trust Office” when used with respect to any Paying Agent or Registrar, means the office at which its principal corporate trust business shall be administered. In the event the County

Treasurer serves as Paying Agent and Registrar for a Series of Bonds, applicable references to the Corporate Trust Office shall mean the offices of the County Treasurer.

“**County**” means Beaufort County, South Carolina.

“**County Auditor**” means the person holding the office of County Auditor of the County, and any person authorized to act on behalf of such office.

“**County Council**” means the County Council of the County.

“**County Treasurer**” means the person holding the office of County Treasurer of the County, and any person authorized to act on behalf of such office.

“**Direct Placement Purchaser**” means a Purchaser of a Series of Bonds pursuant to Section 4.02(1) hereof.

“**District**” means the Hilton Head No. 1 Public Service District, South Carolina.

“**DTC**” means The Depository Trust Company, New York, New York.

“**Enabling Act**” has the meaning given such term in Section 1.01 hereof.

“**Escrow Agent**” means a financial institution appointed by an Authorized Officer to hold funds for the purpose of defeasing all or a portion of the Bonds in accordance with Article VIII of this Resolution.

“**Fiduciary**” means the entity or entities serving as Paying Agent and the Registrar, and their successors and assigns. The term does not include the District when serving as Registrar and Paying Agent, but does include the County Treasurer when appointed to act as Paying Agent or Registrar.

“**Finance Manager**” shall mean the finance manager of the District.

“**Financial Advisor**” has the meaning given such term in Section 11.02 hereof.

“**General Manager**” shall mean the general manager of the District.

“**Government Obligations**” means (1) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America are pledged; (2) obligations, the payment of the principal (if any), or the interest (if any) on which is fully guaranteed as a full faith and credit obligation of the United States of America; and (3) non-callable, U.S. Treasury Securities – State and Local Government Series Securities.

“**Governmental Unit**” means a state or local governmental unit within the meaning of Section 141(b) of the Code.

“**Nongovernmental Person**” means any Person other than a Governmental Unit.

“Official Notice of Sale” has the meaning given such term in Article IV hereof.

“Other Indicia of Satisfaction” means the delivery of a certificate to the Paying Agent by a Sole Holder in connection with a final payment of all Outstanding Principal Installments of and interest on a Series of Bonds certifying that (1) such payment represents the final payment due on such Series of Bonds, and (2) the District owes no further obligation to the Sole Holder respecting such Series of Bonds. Such certificate may also make provision for the Sole Holder to indemnify the District in connection with the failure to surrender such Bonds.

“Outstanding” when used in this Resolution, with respect to the Bonds, means as of any date, all Bonds theretofore authenticated and delivered pursuant to this Resolution except:

- (1) any Bond cancelled or delivered to the Registrar for cancellation on or before such date;
- (2) any Bond (or any portion thereof) deemed to have been paid in accordance with the provisions of Section 8.01 hereof; and
- (3) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to Article III hereof.

“Paying Agent” means any bank, trust company or national banking association which is authorized to pay the Principal Installments of or interest on a Series of Bonds and has the duties, responsibilities and rights provided for in this Resolution, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to this Resolution. The entity named as Paying Agent may also act as Registrar. Notwithstanding the above definition of Paying Agent, if a Series of Bonds is not delivered in book-entry form, the County Treasurer may be the Paying Agent for such Bonds.

“Person” means an individual, a partnership, a corporation, a trust, a trustee, an unincorporated organization, or a government or an agency or political subdivision thereof.

“Principal Installment” means, as of any date of calculation, the principal amount of all Bonds due on a specified date.

“Project” or **“Projects”** has the meaning given such term in Section 1.01 hereof.

“Project Fund” means a fund which serves as the depository account for the proceeds of a Series of Bonds, which may be held by the County Treasurer, or, upon direction of the District and approval of the County Treasurer, may be held by the District.

“Purchaser” means a purchaser of the applicable Series of Bonds.

“Record Date” means the fifteenth day of the month immediately preceding a month in which there is a Bond Payment Date.

“Redemption Price” when used with respect to a Bond or portion thereof to be redeemed, means the principal amount of such Bonds or such portion thereof plus the applicable premium, if any, and accrued interest, as applicable, payable upon redemption thereof pursuant to this Resolution.

“Registrar” means any bank, trust company, or national banking association which is authorized to maintain an accurate list of those who from time to time shall be the Registered Owners of the Bonds and shall effect the exchange and transfer of Bonds in accordance with the provisions of this Resolution and having the duties, responsibilities, and rights provided for in this Resolution and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to this Resolution. The institution named as Registrar may also act as Paying Agent. Notwithstanding the above definition of Registrar, if Bonds are not delivered in book-entry form, the County Treasurer may be Registrar for such Bonds.

“Registry Books” means the books of the District to be kept at the Corporate Trust Office of the Registrar for the registration and transfer of the Bonds.

“Resolution” means this Resolution, as the same may be amended or supplemented from time to time in accordance with the terms hereof.

“Rule 15c2-12” means Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

“Secretary” shall mean the Secretary of the Commission.

“Securities Depository” means, initially, The Depository Trust Company, New York, New York, or any other recognized securities depository selected by the District, which securities depository maintains a book-entry system in respect of the Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by the Registrar the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system. If DTC is the initial Securities Depository, Cede & Co. shall serve as the initial Securities Depository Nominee hereunder. In all other cases, the Securities Depository Nominee shall be the entity designated as such under the rules of the Securities Depository.

“Series” or **“Series of Bonds”** means Bonds issued hereunder as a single issue; i.e., sold and closed on the same dates with a common bond caption and Series designation.

“Sole Holder” means the Holder of a Series of Bonds when such Series of Bonds shall be delivered as a single Bond to a single Holder.

“South Carolina Code” means the Code of Laws of South Carolina 1976, as amended.

“*State*” means the State of South Carolina.

“*Summary Notice of Sale*” has the meaning given such term in Article IV hereof.

“*Taxable Bonds*” means any Bonds that have been designated as taxable under the Code by an Authorized Officer pursuant to Article V of this Resolution.

“*Vice Chairman*” means the Vice Chairman of the Commission.

Section 2.02 Construction. In this Resolution, unless context otherwise requires:

- (a) Articles and Sections referred to by number mean the corresponding Articles and Sections of this Resolution.
- (b) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms refer to this Resolution, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before the date of adoption of this Resolution.
- (c) Words of the masculine gender shall mean and include correlative words of the female and neuter genders, and words importing the singular number shall mean and include the plural number and vice versa.
- (d) Any Fiduciary shall be deemed to hold an Authorized Investment in which money is invested pursuant to the provisions of this Resolution, even though such Authorized Investment is evidenced only by a book entry or similar record of investment.
- (e) Exhibits to this Resolution constitute an integral part of this Resolution.
- (f) Three asterisks mark the end of each Article.

* * *

ARTICLE III

THE BONDS

Section 3.01 Ordering the Issuance of Bonds. Pursuant to the provisions of the Enabling Act, an Authorized Officer is hereby ordered and directed to cause the issuance of Bonds in order to provide funds (i) to defray the costs of the Projects and (ii) to pay the costs of issuance thereof. The Bonds may be issued in a single Series, or from time to time in multiple Series. The Bonds may, in addition to the title "Hilton Head No. 1 Public Service District, South Carolina, General Obligation Bond[s]," bear a numerical or alphanumeric Series designation as may be necessary to distinguish them from the Bonds of every other Series, or other general obligation bonds of the District, and shall designate the year in which the Series is issued, all as determined by an Authorized Officer. Any Series of Bonds issued as Taxable Bonds shall bear an appropriate designation so as to distinguish its tax status.

Section 3.02 Maturity Schedule. Each Series of Bonds shall mature on the dates and in the principal amounts as determined by an Authorized Officer, upon advice of the Financial Advisor and Bond Counsel, provided that the first maturing principal of a Series of Bonds shall mature not later than five years from the date of issue thereof and the aggregate principal amount of the Bonds issued hereunder shall not exceed \$20,500,000. No Bonds shall mature more than 30 years from their date of delivery.

Section 3.03 Date of Bonds; Interest Rates. Bonds shall be authenticated on such dates as they shall, in each case, be delivered. Bonds shall bear interest, at the rates per annum determined in accordance with Section 3.15 hereof (on the basis of a 360-day year of twelve 30-day months), from the Bond Payment Date to which interest has been paid next preceding the authentication date thereof, unless the authentication date is a Bond Payment Date, in which case from such authentication date, or if authenticated prior to the initial Bond Payment Date for Bonds of that Series, then from the original issue date of that Series.

Section 3.04 Medium of Payment, Bond Payments, Form and Denomination. (a) The Principal Installments of, Redemption Price, if any, and interest on all Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(b) Payment of the Principal Installment or Redemption Price of Bonds shall be payable at the Corporate Trust Office of the Paying Agent upon presentation and surrender for cancellation of such Bonds on or after the maturity date or earlier redemption date, except as set forth at Section 3.04(d) below. Payment of interest on Bonds shall be made by check or draft mailed from the Corporate Trust Office of the Paying Agent to the Person in whose name the Bonds are registered at the close of business on the Record Date; provided, however, that any Registered Owner of Bonds in the aggregate principal amount of \$1,000,000 or more may request, in writing at least 20 days prior to the applicable Record Date delivered to the Paying Agent, that Bond Payments be made by wire transfer to such Registered Owner at an account maintained by a financial institution located in the continental United States which bank is a member of the Federal Reserve System as specified in such request.

(c) The Bonds shall be issued in fully registered form in denominations of \$5,000 or any whole multiple thereof, except as set forth below, not exceeding the principal amount of the Bonds maturing on a given Bond Payment Date. Each Series of Bonds shall be numbered from R-1 upwards in such fashion as to maintain a proper record thereof.

(d) Notwithstanding the foregoing provisions of this Section 3.04, in the event that a Sole Holder is the Registered Owner of a Series of Bonds, the denomination of such Series of Bonds may be the principal amount of such Series, and presentment of such Series of Bonds for payment shall not be required, except for the payment of the final Principal Installment of such Series of Bonds, unless otherwise mutually agreed by the District and the Sole Holder, and upon the delivery of Other Indicia of Satisfaction by the Sole Holder. At the option of the Sole Holder, and upon agreement by the Paying Agent, Bond Payments may be made by wire transfer to such Sole Holder at an account maintained by a financial institution located in the continental United States specified in a request made not less than 20 days prior to the applicable Record Date, or such shorter period as may be acceptable to the Paying Agent.

Section 3.05 Agreement to Maintain Registrar and Paying Agent. (a) As long as any of the Bonds remain Outstanding there shall be a Registrar and a Paying Agent which shall, subject to Section 3.05(b), be a financial institution maintaining Corporate Trust Offices where: (1) Bonds may be presented for registration of transfers and exchanges, (2) notices and demands to or upon the District in respect of the Bonds may be served, and (3) the Bonds may be presented for payment, exchange and transfer. A financial institution so designated by an Authorized Officer may act as both Registrar and Paying Agent. The single institution so chosen shall exercise both the functions of the Registrar and the Paying Agent.

(b) If any Series of Bonds is not issued in book-entry form, the County Treasurer may serve as the Registrar and Paying Agent for such Series of Bonds and may fulfill all functions of the Registrar and Paying Agent enumerated herein. The County Treasurer may also serve as Registrar and Paying Agent should the Bonds initially be held in a book-entry system and such system is subsequently discontinued.

Section 3.06 Execution and Authentication. (a) The Bonds shall be executed in the name of and on behalf of the District by the manual or facsimile signature of the Chairman or Vice Chairman, attested by the manual or facsimile signature of the Secretary or Authorized Officer (other than the Authorized Officer executing the Bonds), with the seal of the District impressed, imprinted or reproduced thereon. Bonds bearing the manual signature of any Person who shall have been an Authorized Officer at the time the Bonds were so executed shall bind the District notwithstanding the fact that such person may have ceased to be such Chairman, Vice Chairman, or Secretary prior to the authentication and delivery of the Bonds or was not such Chairman, Vice Chairman, or Secretary at the date of authentication and delivery of the Bonds.

(b) No Bond shall be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication. Each Bond shall bear a certificate of authentication manually executed by the Registrar in substantially the form set forth in the applicable forms of the Bond attached hereto as Exhibit A.

Section 3.07 Exchange of Bonds. Each Bond, upon surrender thereof at the Corporate Trust Office of the Registrar along with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or his duly authorized attorney, may, at the option of the Registered Owner thereof, be exchanged for a new Bond of the same Series, interest rate and maturity. So long as such Bond remains Outstanding, the District shall make all necessary provisions to permit the exchange of the Bond at the Corporate Trust Office of the Registrar. Such new Bonds shall reflect the principal amount thereof as then yet unpaid.

Section 3.08 Transferability and Registry. Each Bond shall at all times, when the same is Outstanding, be payable to a Person, and shall be transferable only in accordance with the provisions for registration and transfer contained in this Resolution and in such Bond. So long as such Bond remains Outstanding, the Registrar shall maintain and keep the Registry Books, and, upon presentation thereof for such purpose at such Corporate Trust Office, the District shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it may prescribe, such Bond. So long as the Bonds remain Outstanding, the District shall make all necessary provisions to permit the transfer of such Bonds at the Corporate Trust Office of the Registrar.

Section 3.09 Transfer of Bonds. The Bonds shall be transferable only upon the Registry Books, which shall be kept for such purpose at the Corporate Trust Office of the Registrar and maintained for such purpose by the Registrar, upon presentation and surrender thereof by the Registered Owner of the Bond in person or by his attorney duly authorized in writing, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or his duly authorized attorney. Upon surrender for transfer of Bonds, the District shall execute, authenticate and deliver, in the name of the Person who is the transferee, a new Bond of the same principal amount and maturity and rate of interest as the surrendered Bond. Such new Bond shall reflect the principal amount thereof as then yet unpaid.

Section 3.10 Regulations with Respect to Exchanges and Transfers. All Bonds surrendered in any exchanges or transfers shall forthwith be cancelled by the Registrar. For each such transfer of the Bonds, the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer, which sum or sums shall be paid by the Registered Owner requesting such transfer as a condition precedent to the exercise of the privilege of making such transfer. The District shall not be obligated to issue or transfer the Bonds (1) during the period between a Record Date and the next following Bond Payment Date, or (2) following a call for redemption of Bonds.

Section 3.11 Mutilated, Destroyed, Lost and Stolen Bonds. (a) If a Bond is mutilated and thereafter surrendered to the District or if the District receives evidence to its satisfaction of the destruction, loss or theft of a Bond and there is delivered to the District such security or indemnity as may be required by it to save it harmless, then, in the absence of notice that the Bond has been acquired by a *bona fide* purchaser, the District shall execute, and the Registrar shall authenticate and deliver, in exchange for the mutilated Bond or in lieu of any such destroyed, lost, or stolen Bond, a new Bond of like tenor and principal amount, bearing a number unlike that of the mutilated, lost, or stolen Bond, and shall thereupon cancel any such mutilated Bond so surrendered. In case any such mutilated, destroyed, lost, or stolen Bond. The Registrar shall thereupon cancel the mutilated Bond so surrendered. In case the mutilated, destroyed, lost or stolen Bond has become or is to become due

and payable within one month, the District in its discretion may, instead of issuing a new Bond, pay the Bond.

(b) Upon the issuance of any new Bond under this Section 3.11, the District or Registrar may require the payment of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees or other fees, of the District connected therewith.

(c) Each new Bond issued pursuant to this Section 3.11 in lieu of any destroyed, lost, or stolen Bond shall constitute an additional contractual obligation of the District, whether or not the destroyed, lost, or stolen Bond shall at any time be enforceable by anyone, and shall be entitled to all the benefits hereof. Each Bond shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of a mutilated, destroyed, lost, or stolen Bond and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement or payment of the mutilated, destroyed, lost, or stolen Bond or securities.

All expenses necessary for the providing of any duplicate Bond shall be borne by the applicant therefor.

Section 3.12 Registered Owner as Owner of Bond. The District, the Registrar, and the Paying Agent may treat the Registered Owner of any Bond as the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the Principal Installment of and interest on the Bonds and for all other purposes, and payment of the Principal Installments and interest shall be made only to, or upon the order of, such Registered Owner. All payments to such Registered Owner shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the District shall not be affected by any notice to the contrary.

Section 3.13 Cancellation of Bonds. The Registrar shall destroy all Bonds surrendered to it for cancellation and shall deliver a certificate to that effect to the District. No such Bonds shall be deemed Outstanding under this Resolution and no Bonds shall be issued in lieu thereof.

Section 3.14 Payments Due Saturdays, Sundays, and Holidays. In any case where the Bond Payment Date or redemption date shall be a Saturday or Sunday or shall be, at the place designated for payment, a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest on or Principal Installment or Redemption Price of the Bonds need not be made on such date but shall be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close, with the same force and effect as if made on the Bond Payment Date or redemption date, and no interest shall accrue for the period from such Bond Payment Date or redemption date to the date on which payment of the Principal Installment, interest, or Redemption Price, if any, is made.

Section 3.15 Conditions Related to Naming Interest Rates. Bonds shall bear such rate or rates of interest as shall result from the sale procedures of Article IV, but:

- (a) all Bonds of the same maturity and Series shall bear the same rate of interest;
- (b) no rate of interest shall exceed 7.0%³;
- (c) a 0.0% rate is not permitted;
- (d) each interest rate named shall be a multiple of 1/1000th of one percentage point; and
- (e) any premium offered shall be paid in cash as part of the purchase price.

In addition to the foregoing, an Authorized Officer is authorized to impose additional conditions for the sale of Bonds not inconsistent with those set forth above prior to the sale of Bonds and set forth in the Official Notice of Sale, and any amendment thereto.

Section 3.16 Tax Exemption in South Carolina. Both the Principal Installments of and interest on the Bonds shall be exempt from all State, county, municipal, school district, and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer, or certain franchise taxes.

Section 3.17 Security for Bonds. The full faith, credit and taxing power of the District is hereby irrevocably pledged for the payment of the Bonds as the Principal Installments thereof mature and as interest thereon comes due, and to create such sinking fund as may be necessary therefor. There shall be levied annually by the County Auditor and collected by the County Treasurer in the same manner as other County taxes are levied and collected, a tax, without limit, on all taxable property in the District sufficient to pay the Principal Installments of and interest on

³ The interest rate limitation in Section 6-11-190 of the South Carolina Code has been repealed by Section 11-9-360 of the South Carolina Code.

the Bonds as the same mature and come due, respectively, and to create such sinking fund as may be necessary therefor.

Section 3.18 Notice to Auditor and Treasurer to Levy Tax. The County Auditor and the County Treasurer shall each be notified of the issuance of any Series of Bonds, and directed to levy and collect, upon all taxable property in the District an annual tax sufficient to meet the payment of the Principal Installment and interest on said Bonds, as the same respectively mature, and to create such sinking fund as may be necessary therefor. Such levy may be reduced to the extent that, at the time that the annual millage levy for the District is set, the District shall have funds on deposit in the sinking fund to pay Principal Installments of and interest on the Bonds for each such payment thereof coming due and payable from such tax levy.

Section 3.19 Book-Entry Only System. Any Series of Bonds may be held under a book-entry system. In the event of such election by the District, notwithstanding any provision of this Resolution to the contrary, the provisions of this Section 3.19 shall apply.

(a) The Bonds may be issued initially under a book-entry only system in fully registered form, registered in the name of Cede & Co. as the Registered Owner and Securities Depository Nominee of DTC, which will act as initial Securities Depository for the Bonds. So long as the Bonds are being held under a book-entry system of a Securities Depository, transfers of beneficial ownership of the Bonds will be effected pursuant to rules and procedures established by such Securities Depository.

(b) As long as a book-entry system is in effect for the Bonds, the Securities Depository Nominee will be recognized as the Registered Owner of the Bonds for the purposes of: (1) paying the Principal Installments of, interest on, and Redemption Price, if any, of such Bonds, (2) selecting the portions of Bonds of a maturity to be redeemed, if Bonds of a maturity are to be redeemed in part, (3) giving any notice permitted or required to be given to Registered Owners under this Resolution, (4) registering the transfer of Bonds, and (5) requesting any consent or other action to be taken by the Registered Owners of such Bonds, and for all other purposes whatsoever, and the District shall not be affected by any notice to the contrary.

(c) The District shall not have any responsibility or obligation to any participant, any beneficial owner or any other person claiming a beneficial ownership in any Bonds which are registered to a Securities Depository Nominee under or through the Securities Depository with respect to any action taken by the Securities Depository as Registered Owner of such Bonds.

(d) The Paying Agent shall pay all Principal Installments of, interest on, and Redemption Price, if any, of Bonds issued under a book-entry system, only to the Securities Depository or the Securities Depository Nominee, as the case may be, for such Bonds, and all such payments shall be valid and effectual to fully satisfy and discharge the obligations with respect to the Principal Installments of, interest on, and Redemption Price, if any, of such Bonds.

(e) In the event that the District determines that it is in the best interest of the District to discontinue the book-entry system of transfer for the Bonds, or that the interests of the beneficial owners of the Bonds may be adversely affected if the book-entry system is continued, then the District shall notify the Securities Depository of such determination. In such event, the Registrar

shall authenticate, register and deliver physical certificates for the Bonds in exchange for the Bonds registered in the name of the Securities Depository Nominee.

(f) In the event that the Securities Depository for the Bonds discontinues providing its services, the District shall either engage the services of another Securities Depository or arrange with a Registrar for the delivery of physical certificates in the manner described in subparagraph (e) above.

(g) In connection with any notice or other communication to be provided to the Registered Owners of Bonds by the District or by the Registrar with respect to any consent or other action to be taken by the Registered Owners of Bonds, the District or the Registrar, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository Nominee notice of such record date not less than 15 days in advance of such record date to the extent possible.

(h) At the closing of any Series of Bonds and the delivery of the same to the Purchaser thereof through the facilities of DTC, the Registrar may maintain custody of Bond certificates on behalf of DTC in accordance with DTC's "FAST" closing procedures.

Section 3.20 Form of Bonds. The Bonds shall be in a form substantially similar to that attached hereto as Exhibit A, with such revisions as an Authorized Officer may approve upon advice of Bond Counsel. As contemplated in Exhibit A, the form of a Series of Bonds shall reflect the respective manner of sale under Section 4.02 hereof. The execution of the Bonds in accordance with this Resolution shall constitute conclusive evidence of approval of any and all revisions.

* * *

ARTICLE IV

SALE OF THE BONDS

Section 4.01 Sale and Award of Bonds. Each Series of Bonds shall be sold at a date and time certain after public notice thereof at not less than par and accrued interest to the date of delivery. Bids shall be received at such time and date and in such manner as determined by an Authorized Officer. Bids may be received in electronic form only, physical form only, or in such other form or combination of forms as may be determined by an Authorized Officer and set forth in the Official Notice of Sale. The Authorized Officer may reserve the right, on behalf of the District, to waive any irregularities and to negotiate with the lowest responsive bidder. Unless all bids are rejected, the award of Bonds may be made by an Authorized Officer to the bidder offering the most advantageous terms to the District, taking into account the interest cost (calculated on a true-interest-cost basis (TIC)) to the District and any terms or conditions specific to each bid, with the basis of such award to be set forth in the official notice of sale used in connection with the sale of such Bonds (the “*Official Notice of Sale*”), the applicable forms of which are attached hereto as Exhibit C. In lieu of publishing the Official Notice of Sale in its entirety to notice the sale, an Authorized Officer may elect to publish an abbreviated form of such notice (the “*Summary Notice of Sale*”), the form of which is attached hereto as Exhibit B, and thereafter provide the applicable Official Notice of Sale to those parties who request the same pursuant to the instructions provided in the Summary Notice of Sale.

With respect to any Series of Bonds, the Summary Notice of Sale or the Official Notice of Sale, as applicable, shall be published in a newspaper of general circulation in the State, or, if deemed appropriate by an Authorized Officer, in a financial publication published in the City of New York, New York, not less than seven days prior to the date set for the sale of such Bonds. The forms of the Summary Notice of Sale and the Official Notice of Sale may be adjusted or amended by an Authorized Officer upon advice of Bond Counsel or the Financial Advisor prior to the sale of the Bonds, consistent with the terms of this Resolution.

Section 4.02 Manner of Public Sale. Not less than seven days following the publication of either the Official Notice of Sale or Summary Notice of Sale as set forth herein, any Series of the Bonds may be sold pursuant to either of the following methods as determined by an Authorized Officer:

- (a) *Competitive Direct Placement.* Any Series of Bonds may be sold to Direct Placement Purchaser as a single instrument as a means of making a commercial loan. In such case, the Commission authorizes the Authorized Officer to distribute the Official Notice of Sale to prospective purchasers of the Bonds and award the Bonds to the Direct Placement Purchaser on the basis of the terms and conditions contained therein. Such Bonds may be issued as a single Bond or multiple Bonds, without CUSIP identification (unless otherwise agreed by the Direct Placement Purchaser and an Authorized Officer on behalf of the District), shall not be issued in book-entry-only form, and no official statement shall be prepared in connection with the sale of such Bond. The Direct Placement Purchaser of any such Series of Bonds shall execute an investor letter to the District acknowledging its purchase of such Bond or Bonds as a means of making a commercial loan.

- (b) *Competitive Public Offering.* Any Series of Bonds may be sold in the public capital markets to an underwriter for the purpose of reselling such Bonds. In such case, the Commission hereby authorizes an Authorized Officer to prepare, or cause to be prepared, a preliminary official statement and distribute the preliminary official statement and the Official Notice of Sale to prospective purchasers of the Bonds. The Commission authorizes an Authorized Officer to designate the preliminary official statement as “final” for purposes of Rule 15c2-12. The Authorized Officer is further authorized to see to the completion of the final form of the official statement upon the sale of the Bonds so that it may be provided to the Purchaser.

Section 4.03 Authorization to Negotiate Sale in Certain Circumstances. (a) An Authorized Officer may negotiate the sale of the Bonds directly with a purchaser in either of the following circumstances:

- (1) In the event no bids are received or in the event all bids are rejected in accordance with Section 11-27-40(9)(c) of the Act; or
- (2) Should Bonds be sold as a Series in an amount not exceeding \$1,500,000 and mature not later than ten years from its date of issuance, the sale of such Series of Bonds may be negotiated at private sale at an interest rate to be agreed to by an Authorized Officer and the purchaser of the Bonds. In negotiating the sale of such Bonds, an Authorized Officer is authorized to solicit bids from qualified lenders for the purchase of the Bonds and the award of any such solicitation shall be made under the same standards as provided in Section 4.01 above.

(b) If the Bonds are sold under the provisions of this section, notice of the sale of the Bonds (meeting the requirements of 11-27-40(4) of the Act) shall be given not less than seven days prior to delivery of such Bonds.

* * *

ARTICLE V

CERTAIN DELEGATIONS AND AUTHORIZATIONS

Section 5.01 Certain Delegations. The Commission hereby expressly delegates to an Authorized Officer the authority, with respect to any Series of Bonds, to determine:

- (a) whether to issue the Bonds as a single Series or from time to time in several Series;
- (b) the conduct and manner of sale of such Bonds in accordance with Article IV hereof;
- (c) the award of such Bonds in accordance with Article IV hereof;
- (d) the final form, Series designation, and the exact principal amount of such Bonds;
- (e) the date of issue, Bond Payment Dates, rate or rates of interest obtained using the sale procedures of Article IV hereof, maturity amounts and schedule, and the final maturity of each Series of Bonds;
- (f) whether such Bonds shall be subject to optional or mandatory redemption prior to maturity, and if so, the Redemption Prices applicable thereto;
- (g) the Registrar and Paying Agent for such Bonds;
- (h) whether such Bonds shall be issued in book-entry form as permitted by Section 3.19 hereof;
- (i) whether to use bond insurance or other credit enhancement, and if so, to make appropriate arrangements therefor;
- (j) whether such Bonds will be designated as “qualified tax-exempt obligations” pursuant to the Code;
- (k) whether such Bonds shall be issued as Taxable Bonds;
- (l) whether to utilize the provisions of Section 11-27-40(8) of the Act to issue the contemplated notice and allow the District to proceed more expeditiously to issue the Bonds;
- (m) whether to use and the final form of a Continuing Disclosure Undertaking or other continuing disclosure agreement or covenant; and
- (n) such other matters regarding the Bonds as are necessary or appropriate.

* * *

ARTICLE VI

APPLICATION OF PROCEEDS

Section 6.01 Deposit and Use of Proceeds. The proceeds derived from the sale of each Series of Bonds issued pursuant to this Resolution shall be applied in accordance with the Enabling Act, as follows:

- (a) any accrued interest shall be applied to the payment of the first installment of interest to become due on such Bonds;
- (b) any premium shall be deposited into the sinking fund and applied to the payment of the first Principal Installment of such Bonds; and
- (c) the remaining proceeds shall be disbursed, as directed by an Authorized Officer, to the Project Fund to defray or reimburse the costs of the Projects and the costs of issuance of the Bonds.

Pending the use of the proceeds of the Bonds, the same shall be invested and reinvested in Authorized Investments, as appropriate; provided, that neither the Purchaser nor any Registered Owner of the Bonds shall be liable for the proper application of the proceeds thereof.

* * *

ARTICLE VII

REDEMPTION OR PURCHASE OF BONDS

Section 7.01 Authorization of Redemption. Bonds may be subject to redemption, in whole or in part, at any time in any order of maturity to be determined by an Authorized Officer, upon such dates and at such Redemption Prices as he or she shall have determined.

Section 7.02 Election to Redeem. In the event that the District shall elect to redeem Bonds, it shall give notice to the Registrar and Paying Agent of each optional redemption, which notice may be conditional in the discretion of an Authorized Officer. Each notice of redemption shall specify the date fixed for redemption and the Bonds which are to be redeemed. Such notice shall be given at least 30 days prior to the date fixed for redemption or such lesser number of days as shall be acceptable to the Registrar.

Section 7.03 Notice of Redemption. (a) When any Bonds are to be redeemed, the Registrar shall give notice of the redemption of the Bonds in the name of the District specifying: (1) the Bonds, the particular Series thereof, and maturities to be redeemed; (2) the redemption date; (3) the Redemption Price (or calculation thereof); (4) the numbers and other distinguishing marks of the Bonds to be redeemed unless all of the Bonds Outstanding are to be redeemed; (5) the place or places where amounts due upon such redemption will be payable; (6) whether the redemption of the Bonds is conditioned upon any event; and (7) in the case of Bonds to be redeemed in part only, the respective portions of the principal thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, and that, from and after such date, interest thereon shall cease to accrue; provided, however, that in the event of any conditional provision in the notice, the Bonds will not become due and payable as provided in this section unless such condition has been satisfied as of the redemption date. The Registrar shall mail by registered mail a copy of such notice, postage prepaid, not less than 30 days before the redemption date to the Registered Owners of all the Bonds or portions of the Bonds which are to be redeemed at their addresses which appear upon the Registry Books, but failure to so mail any such notice to any of such Registered Owners shall not affect the validity of the proceedings for the redemption of the Bonds held by Registered Owners to whom written notice has been mailed. The obligation of the Registrar to give the notice required by this Section shall not be conditioned upon the prior payment to the Paying Agent of money or the delivery to the Paying Agent of Authorized Investments sufficient to pay the Redemption Price of the Bonds to which such notice relates or the interest thereon to the redemption date.

(b) Notice of redemption having been given as provided in subsection (a) hereof, the Bonds or portions thereof so to be redeemed shall, on the date fixed for redemption, become due and payable at the Redemption Price specified therein, and upon presentation and surrender thereof at the place specified in such notice, such Bonds or portions thereof shall be paid at the Redemption Price; provided, however, that in the event of any conditional provision in the notice, the Bonds will not become due and payable as provided in this section until such condition has been satisfied as of the redemption date. On and after the redemption date (unless the District shall default in the payment of the Redemption Price, or any conditional provision in the notice shall not have been satisfied as of the redemption date), such Bonds shall cease to bear interest, and such Bonds shall no longer be considered as Outstanding hereunder. If money sufficient to pay the Redemption Price has not been made available by the District to the Paying Agent on the redemption date, such

Bonds shall continue to bear interest until paid at the same rate as they would have borne, had they not been called for redemption, until the same shall have been paid.

Section 7.04 Selection by Registrar of Bonds to be Redeemed. (a) If less than all of the Bonds of like Series and maturity are to be redeemed, the particular Bonds or portions of the Bonds to be redeemed shall be selected, not less than 30 days prior to the date fixed for redemption, or such lesser number of days as shall be acceptable to the Registrar, by the Registrar by lot or in such other manner as the Registrar may deem to be appropriate, provided, however, that for so long as the Bonds are held in book-entry only form, the selection of Bonds to be redeemed hereunder shall be in accordance with the rules of the Securities Depository.

(b) In making such selection, the Registrar shall treat each Bond to be redeemed as representing that number of Bonds of the lowest authorized denomination as is obtained by dividing the principal amount of such Bond by such denomination. If any Bond is to be redeemed in part, the portion to be so redeemed shall be in a principal amount of an authorized denomination.

(c) The Registrar shall promptly notify the District in writing of the Bonds so selected for redemption.

Section 7.05 Deposit of Redemption Price. On or before any date fixed for redemption of any Bonds, cash and/or a principal amount of non-callable Government Obligations maturing or redeemable at the option of the Registered Owner thereof not later than the date fixed for redemption which, together with income to be earned on such Government Obligations prior to such date fixed for redemption, will be sufficient to provide cash to pay the Redemption Price of all Bonds or portions thereof which are to be redeemed on such date, shall be deposited with the Paying Agent unless such amount shall have been previously deposited with the Paying Agent. Provided, however, that in the event of a conditional redemption such condition is not met, this Section 7.05 is inapplicable.

Section 7.06 Partial Redemption of Bonds. In the event part but not all of Bonds Outstanding shall be selected for redemption, upon presentation and surrender of such Bond by the Registered Owner thereof or his attorney duly authorized in writing (with, if the District or the Registrar so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the District and the Registrar duly executed by, the Registered Owner thereof or his attorney duly authorized in writing) to the Registrar, the District shall execute and the Registrar shall authenticate and deliver to or upon the order of such Registered Owner, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond or Bonds of any authorized denomination of like tenor. The Bonds, if so presented and surrendered, shall be cancelled in accordance with Section 3.13 hereof.

Section 7.07 Purchases of Bonds Outstanding. Purchases of Bonds Outstanding may also be made by the District at any time with money available to it from any source. Upon any such purchase the District shall deliver such Bonds to the Registrar for cancellation.

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ARTICLE VIII

DEFEASANCE OF BONDS

Section 8.01 Defeasance. (a) If all of the Bonds issued pursuant to this Resolution shall have been paid and discharged, then the obligations of this Resolution hereunder, and all other rights granted thereby shall cease and determine. Any Bonds shall be deemed to have been paid and discharged within the meaning of this section under any of the following circumstances:

- (1) The Paying Agent, or other Escrow Agent, shall hold, at the stated maturities of such Bonds, in trust and irrevocably appropriated thereto, sufficient moneys for the payment of the Principal Installment and interest, or Redemption Price, thereof; or
- (2) If default in the payment of the principal of such Bonds or the interest thereon shall have occurred on any Bond Payment Date, and thereafter tender of such payment shall have been made, and at such time as the Paying Agent, or other Escrow Agent, shall hold in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of such payment; or
- (3) If the District shall elect to provide for the payment of such Bonds prior to their stated maturities and shall have deposited with the Paying Agent, or other Escrow Agent, in an irrevocable trust moneys which shall be sufficient, or Government Obligations, the principal of and interest on which when due will provide moneys, which together with moneys, if any, deposited with the Paying Agent or Escrow Agent at the same time, shall be sufficient to pay when due the Principal Installments or Redemption Price and interest due and to become due on such Bonds on and prior to their maturity dates or redemption dates, as the case may be. In the event that the District shall elect to redeem such Bonds prior to their stated maturities, the District shall proceed in the manner prescribed by Article VII hereof and provide irrevocable direction to redeem such Bonds; or
- (4) The Paying Agent shall have received Other Indicia of Satisfaction from the Sole Holder of the Bonds.

Neither the Government Obligations nor moneys deposited with the Paying Agent or Escrow Agent pursuant to this Section nor the principal or interest payments thereon shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal Installment and interest, or Redemption Price, of said Bonds; provided that any cash received from such principal or interest payments on Government Obligations deposited with the Paying Agent or Escrow Agent, if not then needed for such purpose, shall, to the extent practicable, be invested and reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the Principal Installment and interest, or Redemption Price, to become due on said Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and interest earned from such reinvestments not required for the payment of the Principal Installment and interest, or Redemption Price, may be paid over to the District, as received by the Paying Agent or Escrow Agent, free and clear of any trust, lien or pledge.

(b) In addition to the above requirements of paragraphs (a)(1), (2), (3) and (4), in order for this Resolution to be discharged, all other fees, expenses and charges of the Paying Agent or Escrow Agent shall have been paid in full at that time.

(c) Notwithstanding the satisfaction and discharge of this Resolution, the Paying Agent or Escrow Agent, as applicable, shall continue to be obligated to hold in trust any moneys or investments then held by the Paying Agent or Escrow Agent for the payment of the Principal Installments and interest, or Redemption Price, of the Bonds, to pay to the owners of Bonds the funds so held by the Paying Agent or Escrow Agent as and when payment becomes due.

(d) Any release under this Section shall be without prejudice to the rights of the Paying Agent or Escrow Agent to be paid reasonable compensation for all services rendered under this Resolution and all reasonable expenses, charges, and other disbursements and those of their respective attorneys, agents, and employees, incurred on and about the performance of the powers and duties under this Resolution.

(e) Any moneys which at any time shall be deposited with the Paying Agent or Escrow Agent by or on behalf of the District for the purpose of paying and discharging any Bonds shall be and are hereby assigned, transferred, and set over to the Paying Agent or Escrow Agent, as applicable, in trust for the respective Registered Owners of the Bonds, and the moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. If, through lapse of time or otherwise, the Registered Owners of such Bonds shall no longer be entitled to enforce payment of their obligations, then, in that event, it shall be the duty of the Paying Agent or Escrow Agent to transfer the funds to the District.

(f) Any Escrow Agent shall be appointed by an Authorized Officer and shall accept in writing its acceptance to its obligations under this Resolution.

* * *

ARTICLE IX

CONCERNING THE FIDUCIARIES

Section 9.01 Fiduciary; Appointment and Acceptance of Duties. Any financial institution chosen pursuant to Section 3.05 hereof to act as Paying Agent or Registrar hereunder shall accept the duties and trusts imposed upon it by this Resolution and shall agree in writing to perform such trusts but only upon the terms and conditions set forth in this Article IX. Similarly, each financial institution appointed as a successor Registrar or as a successor Paying Agent shall signify its acceptance of the duties and trusts imposed by this Resolution by a written acceptance.

Section 9.02 Responsibilities of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the District and no Fiduciary assumes any responsibility for the correctness of the same except in respect of the authentication certificate of the Registrar endorsed on the Bonds. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds or as to the security afforded by this Resolution, and no Fiduciary shall incur any liability in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof or to advance any of its own moneys, unless indemnified to its reasonable satisfaction. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

Section 9.03 Evidence on Which Fiduciaries May Act. (a) Each Fiduciary, upon receipt of any notice, resolution, request, consent order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the District, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

(b) Whenever any Fiduciary shall deem it necessary or desirable that a matter to be proved or established prior to taking or suffering any action under this Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may deem reasonable.

(c) Except as otherwise expressly provided in this Resolution any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the District to any Fiduciary shall be sufficiently executed if executed in the name of the District by an Authorized Officer.

Section 9.04 Compensation. The District shall pay to each financial institution Fiduciary, other than the County Treasurer, from time to time reasonable compensation based on the then standard fee schedule of the Fiduciary for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Resolution subject to the appropriation of funds therefor in each applicable fiscal period; provided, however, that any specific agreement between this Resolution and a Fiduciary with respect to the compensation of such Fiduciary shall control the compensation to be paid to such Fiduciary.

Section 9.05 Certain Permitted Acts. Any financial institution serving as a Fiduciary may become the owner or underwriter of any Bonds, notes or other obligations of the District or conduct any banking activities with respect to the District, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution.

Section 9.06 Resignation of Any Fiduciary. Any Fiduciary may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than 60 days written notice to the District and not less than 30 days written notice to the Registered Owners of the Bonds as established by the Registry Books prior to the next succeeding Bond Payment Date and such resignation shall take effect upon the date specified in such notice unless previously a successor shall have been appointed by the District pursuant to Section 9.08 hereof in which event such resignation shall take effect immediately on the appointment of such successor. In no event, however, shall such a resignation take effect until a successor has been appointed.

Section 9.07 Removal of Fiduciary. Any Fiduciary may be removed at any time by an instrument or concurrent instruments in writing, filed with the District and such Fiduciary, and signed by the Registered Owners representing a majority in principal amount of the Bonds then Outstanding or their attorneys in fact duly authorized, excluding any Bonds held by or for the account of the District.

Section 9.08 Appointment of Successor Fiduciaries. In case any Fiduciary hereunder shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable or acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor shall be appointed by the District. Any financial institution appointed as a successor Fiduciary pursuant to the provisions of this Section, shall be a trust company or bank organized under the laws of the United States of America or any State thereof and which is in good standing, within or outside the State, having a stockholders' equity of not less than \$50,000,000 if there be such an institution willing, qualified and able to accept the trusts upon reasonable and customary terms.

If in a proper case no appointment of a successor Fiduciary shall be made by the District pursuant to the foregoing provisions of this Section within 45 days after any Fiduciary shall have given to the District written notice as provided in Section 9.06 hereof or after a vacancy in the office of such Fiduciary shall have occurred by reason of its removal or inability to act, the former Fiduciary or any Registered Owner may apply to any court of competent jurisdiction to appoint a successor.

Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor.

Section 9.09 Transfer of Rights and Property to Successor. Any successor Fiduciary appointed under this Resolution shall execute, acknowledge and deliver to its predecessor, and also to the District, an instrument accepting such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiduciary, with like effect as if originally named in such capacity; but the Fiduciary ceasing to act shall nevertheless, on the written request of the District, or of the successor, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the right, title and interest of the predecessor Fiduciary in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Fiduciary any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the District be required by such successor Fiduciary for more fully and certainly vesting in and confirming to such successor any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the District. Any such successor Fiduciary shall promptly notify the Paying Agent and depositaries, if any, of its appointment as Fiduciary.

Section 9.10 Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it may be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any State of the United States or a national banking association, and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

Section 9.11 Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Registrar may adopt the certificate of authentication of any predecessor Registrar so authenticating such Bonds and deliver such Bonds so authenticated. In case any such Bonds shall not have been authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in the name of the successor Registrar, and in all such cases such certificate shall be of full force and effect.

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ARTICLE X

TAX AND DISCLOSURE COVENANTS

Section 10.01 Tax Covenants. (a) *General Tax Covenant.* The District will comply with all requirements of the Code in order to preserve the tax-exempt status of the Bonds, including without limitation, (1) the requirement to file Form 8038-G, *Information Return for Tax-Exempt Government Obligations*, with the Internal Revenue Service, and (2) the requirement to rebate certain arbitrage earnings to the United States Government pursuant to Section 148(f) of the Code. In this connection, the District covenants to execute any and all agreements or other documentation as it may be advised by Bond Counsel will enable it to comply with this Section 10.01, including its certification on reasonable grounds that the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Code.

(b) *Tax Representations.* The District hereby represents and covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Bonds to become includable in the gross income of the Registered Owners thereof for federal income tax purposes pursuant to the provisions of the Code. Without limiting the generality of the foregoing, the District represents and covenants that:

- (1) All property financed or refinanced with the proceeds of the Bonds will be owned by the District or another political subdivision of the State so long as the Bonds are Outstanding in accordance with the rules governing the ownership of property for federal income tax purposes.
- (2) The District shall not use, and will not permit any party to use, the proceeds of the Bonds, or any bonds refunded thereby, in any manner that would result in (i) ten percent (10%) or more of such proceeds being considered as having been used directly or indirectly in any trade or business carried on by any Nongovernmental Person, (ii) five percent (5%) or more of such proceeds being considered as having been used directly or indirectly in any trade or business of any Nongovernmental Person that is either “unrelated” or “disproportionate” to the governmental use of the financed facility by the District or by any other Governmental Unit (as the terms “unrelated” and “disproportionate” are defined for purposes of Section 141(b)(3) of the Code) or (iii) more than five percent (5%) of such proceeds, but in no event more than \$5,000,000, being considered as having been used directly or indirectly to make or finance loans to any Nongovernmental Person.
- (3) The District is not a party to, and will not enter into or permit any other party to enter into, any contract with any person involving the management of any facility financed or refinanced with the proceeds of the Bonds or by notes paid by the Bonds that does not conform to the guidelines set forth in Revenue Procedure 2017-13, or a successor revenue procedure, or Code provision.

- (4) The District will not sell, or permit any other party to sell, any property financed or refinanced with the Bonds to any person unless it obtains an opinion of Bond Counsel that such sale will not affect the tax-exempt status of the Bonds.
- (5) The Bonds will not be “federally guaranteed” within the meaning of Section 149(b) of the Code. The District shall not enter into, or permit any other party to enter into, any leases or sales or service contract with any federal government agency with respect to any facility financed or refinanced with the proceeds of the Bonds and will not enter into any such leases or contracts unless it obtains the opinion of Bond Counsel that such action will not affect the tax-exempt status of the Bonds.

(c) *Arbitrage Bonds, Rebate.* The District covenants that no use of the proceeds of the sale of the Bonds shall be made which, if such use had been reasonably expected on the date of issue of such Bonds, would have caused the Bonds to be “arbitrage bonds” as defined in the Code, and to that end the District shall:

- (1) comply with the applicable regulations of the Treasury Department previously promulgated under Section 103 of the Internal Revenue Code of 1954, as amended, and any regulations promulgated under the Code, so long as the Bonds are Outstanding;
- (2) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebate of certain amounts to the United States Government;
- (3) make such reports of such information at the time and places required by the Code; and
- (4) take such other action as may be required to assure that the tax-exempt status of the Bonds will not be impaired.

(d) *Bank Qualified.* Any Series of Bonds may be designated by an Authorized Officer pursuant to Article V hereof as “qualified tax-exempt obligations” in accordance with Section 265(b)(3)(B) of the Code.

(e) *Tax Certificate.* An Authorized Officer is hereby authorized and directed to execute, at or prior to delivery of any Series of Bonds, a certificate or certificates specifying actions taken or to be taken by the District, and the reasonable expectations of such officials, with respect to such Series of Bonds, the proceeds thereof, or the District. The District agrees to comply with its undertakings on its part set forth in any such certificate delivered with respect to Bonds.

(f) *Reimbursement Declaration.* The District hereby declares its intention to reimburse itself for a portion of the costs of the Projects with the proceeds of the Bonds. To that end, the Commission determines and declares as follows:

- (1) No funds from any sources other than the Bonds are or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside by the District pursuant to the budget or financial policies of the District for the financing of the portion of the costs of acquisition, construction, and equipping of the Projects to be funded with the Bonds;
- (2) The District reasonably expects that all or a portion of the expenditures incurred for the Projects and the issuance of the Bonds will be paid prior to the issuance of the Bonds;
- (3) The District intends and reasonably expects to reimburse itself for all such expenditures paid by it with respect to the Projects prior to the issuance of the Bonds from the proceeds of the Bonds, and such intention is consistent with the budgetary and financial circumstances of the District;
- (4) All of the costs to be paid or reimbursed from the proceeds of the Bonds will be for costs incurred in connection with the issuance of the Bonds, or will, at the time of payment thereof, be properly chargeable to the capital account of the Projects (or would be so chargeable with a proper election) under general federal income tax principles; and
- (5) this Bond Resolution shall constitute a declaration of official intent under United States Department of the Treasury Regulation Section 1.150-2.

(g) *Taxable Bonds.* Prior to or upon the issuance of a Series of Bonds, an Authorized Officer may, in consultation with Bond Counsel, designate a Series of Bonds as Taxable Bonds pursuant to the delegation authorization in Article V hereof. The election to issue a Series of Taxable Bonds shall be clearly indicated by including the phrase "Taxable Series," or words to that effect, in the series designation of such Taxable Bonds. The above provisions of this Section 10.01 shall not be applicable to any Series of Taxable Bonds.

Section 10.02 Continuing Disclosure. (a) The District hereby covenants and agrees that it will comply with and carry out all of the provisions of any continuing disclosure certificate or agreement, executed by an Authorized Officer and dated the date of delivery of the Bonds, which will meet the requirements, as applicable, of Section 11-1-85 of the South Carolina Code, which may require, among other things, that the District file with a central repository when requested: (1) a copy of its annual independent audit within 30 days of its receipt and acceptance and (2) event-specific information, within 30 days of an event adversely affecting more than five percent of its revenues or five percent of its tax base. The only remedy for failure by the District to comply with the covenants in this Section 10.02 shall be an action for specific performance of this covenant. The District specifically reserves the right to amend this covenant to reflect any change in Section 11-1-85 of the South Carolina Code, without the consent of any Registered Owner.

(b) The District hereby covenants and agrees that it will comply with and carry out all of the provisions of any Continuing Disclosure Undertaking, executed by an Authorized Officer in connection with the issuance and delivery of a Series of Bonds. Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure

Undertaking shall not be considered an event of default hereunder; however, any Registered Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under this Section. The execution of the Continuing Disclosure Undertaking shall constitute conclusive evidence of the approval by the person executing the same of any and all modifications and amendments thereto. Additionally, the Authorized Officer is authorized to contract with a dissemination agent for certain dissemination services associated with the execution and delivery of the Continuing Disclosure Undertaking.

(c) In the event a Series of Bonds are not sold as securities, but rather sold to a Direct Placement Purchaser as a commercial loan, no Continuing Disclosure Undertaking shall be required, but the District hereby covenants and agrees to provide financial information to the purchaser of such Series of Bonds as may be mutually agreed by an Authorized Officer and the Direct Placement Purchaser, including an agreement to provide audited financial statements within a fixed period or by a set date. Any failure by the District to comply with this paragraph, or an agreement or covenant authorized hereby, shall be enforceable solely by an action for specific performance to provide the appropriate documents or information, and shall not be a default under this Resolution or the Bonds.

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ARTICLE XI

MISCELLANEOUS

Section 11.01 Failure to Present Bonds. Anything in this Resolution to the contrary notwithstanding, any money held by the Paying Agent in trust for the payment and discharge of any of the Bonds, or the interest thereon, which remains unclaimed for such period of time, after the date when such Bonds have become due and payable, that the Registered Owner thereof shall no longer be able to enforce the payment thereof, the Paying Agent shall at the written request of the District pay such money to the District as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Registered Owner shall look only to the District for the payment of such Bonds; provided, however, the Paying Agent shall forward to the District all moneys which remain unclaimed during a period five years from a Bond Payment Date, provided, however, that before being required to make any such payment to the District, the Paying Agent, at the expense of the District, may conduct such investigations as may in the opinion of the Paying Agent be necessary to locate the Registered Owner of those who would take if the Registered Owner shall have died.

Section 11.02 Professional Services. The Commission hereby authorizes, approves or ratifies, as applicable, the engagement of First Tryon Advisors to act as financial advisor (the "*Financial Advisor*") and Pope Flynn, LLC to act as Bond Counsel and disclosure counsel (if applicable) in connection with the issuance of the Bonds and authorizes an Authorized Officer to engage the services of such other professionals and institutions of a type and in a manner customary in connection with the issuance of municipal bonds, including, but not limited to, contractual arrangements with other professionals, rating agencies, verification agents, financial and trust institutions, printers and the suppliers of other goods and services in connection with the sale, execution and delivery of the Bonds, as is necessary and desirable.

Section 11.03 Filing of Copies of Resolution. Copies of this Resolution shall be filed in the office of the Secretary and in the office of the Clerk of Court for the County (as a part of the Record of Proceedings).

Section 11.04 Ratification of Prior Action; Further Action by Officers of the District. The Commission hereby ratifies any actions previously taken that are contemplated or authorized herein. The Commission hereby authorizes any Authorized Officer, and all other appropriate officials of the District, to execute all such agreements, documents and instruments as may be necessary, required or appropriate to effect the issuance of the Bonds. The Secretary is authorized and directed to attest and otherwise certify all appropriate agreements, documents and instruments in connection with the issuance of the Bonds.

Section 11.05 Resolution to Constitute Contract. In consideration of the purchase and acceptance of Bonds, the provisions of this Resolution shall constitute a contract between the District and the Registered Owners from time to time of the Bonds.

Section 11.06 Savings Clause. If any one or more of the covenants or agreements provided in this Resolution should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution.

Section 11.07 Successors. Whenever in this Resolution the District is named or referred to, it shall be deemed to include any entity, which may succeed to the principal functions and powers of the District, and all the covenants and agreements contained in this Resolution or by or on behalf of the District shall bind and inure to the benefit of said successor whether so expressed or not.

Section 11.08 General Repealer; Effective Date. All rules, regulations, and resolutions and parts thereof, procedural or otherwise in conflict herewith or the proceedings authorizing the issuance of the Bonds are to the extent of such conflict, hereby repealed and this Resolution shall take effect and be in full force upon adoption hereof.

* * *

(Signature Page Follows)

DONE IN MEETING DULY ASSEMBLED, THIS 22ND DAY OF MAY 2024.

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

By: _____
Chairman
Hilton Head No. 1 Public Service District Commission

(SEAL)

Attest:

Secretary
Hilton Head No. 1 Public Service District Commission

EXHIBIT A
FORMS OF BONDS

[FORM OF BOND FOR COMPETITIVE DIRECT PLACEMENT]

NOTWITHSTANDING ANY CONTRARY PROVISION CONTAINED IN THE RESOLUTION, THIS BOND MAY BE SOLD OR TRANSFERRED ONLY TO SUBSEQUENT PURCHASERS WHO EXECUTE AN INVESTMENT LETTER DELIVERED TO THE DISTRICT, IN FORM SATISFACTORY TO THE DISTRICT, CONTAINING CERTAIN REPRESENTATIONS, WARRANTIES AND COVENANTS AS TO THE SUITABILITY OF SUCH PURCHASERS TO PURCHASE AND HOLD THE BOND. SUCH RESTRICTION SHALL BE COMPLIED WITH BY EACH TRANSFEREE OF THE BOND.

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
GENERAL OBLIGATION BOND
SERIES 2024

No. R-1

REGISTERED OWNER:

PRINCIPAL AMOUNT: \$ _____

ORIGINAL ISSUE DATE:

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA (the "*District*"), a public body corporate and politic and a political subdivision of the State of South Carolina (the "*State*"), acknowledges itself indebted and for value received hereby promises to pay to the Registered Owner named above, or registered assigns, solely as hereinafter provided. This bond (this "*Bond*") is being issued in the principal amount of \$_____, pursuant to and in accordance with the Constitution and laws of the State of South Carolina, including Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 6, Chapter 11, Article 5 of the Code of Laws of South Carolina 1976, as amended, and Title 11, Chapter 27 of the Code of Laws of South Carolina 1976, as amended; an authorizing ordinance enacted by the County Council of Beaufort County, South Carolina, on October 9, 2023; and a bond resolution duly adopted by the Hilton Head No. 1 Public Service District Commission, as the governing body of the District, on May 22, 2024 (the "*Resolution*"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Resolution.

This Bond shall be payable with respect to principal on ____ 1 of the years 20__ through 20__, inclusive, and shall be payable with respect to interest each ____ 1 and ____ 1 (the "*Bond Payment Dates*"), beginning ____ 1, 20__, through and including ____ 1, 20__. The payments due on the Bond Payment Dates (the "*Bond Payments*") are set forth at Exhibit A hereto. This Bond shall bear interest at the rate of ___% per annum, calculated on the basis of a 360-day year consisting of twelve 30-day months, from the original issue date of this Bond and shall be paid by way of the Bond Payments to the person in whose name this Bond is registered at the close of business on the

EXHIBIT A
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fifteenth day of the month next preceding each Bond Payment Date. The Bond Payments shall be payable by check or draft mailed at the times provided herein from the Paying Agent to the person in whose name this Bond is registered at the address shown on the registration books. [Insert wire or other payment provisions, if any] The Bond Payments are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The District and the Registered Owner have mutually agreed to waive all requirements for presentation and surrender of this Bond in connection with the payment thereof; provided, however that upon the payment of final Bond Payment, the Purchaser will either (1) present and surrender this Bond, (2) provide other Indicia of Satisfaction, or (3) [insert mutually agreed mechanism].

[This Bond is not subject to optional redemption prior to maturity.] [This Bond is subject to optional redemption at the option of the District, in whole, or in part, at any time at []% of the principal amount redeemed plus accrued interest to the date of redemption.] [This Bond is subject to optional redemption at the option of the District before _____, 20__, [in whole, but not in part], at any time at []% of the principal amount redeemed plus accrued interest to the date of redemption. After _____, 20__, the Bond is subject to redemption at the option of the District, in whole, but not in part, at any time at []% of then outstanding principal plus accrued interest to the date of redemption.]

If this Bond is called for redemption, the Registrar will give notice to the Registered Owner of this Bond in the name of the District, of the redemption of such Bonds, or portions thereof. Notice and redemption conditions shall otherwise comply with Section 7.03 of the Resolution.

THE FULL FAITH, CREDIT, AND TAXING POWER OF THE DISTRICT ARE HEREBY IRREVOCABLY PLEDGED FOR THE PAYMENT OF THIS BOND, AND THERE SHALL BE LEVIED AND COLLECTED ANNUALLY A TAX ON ALL TAXABLE PROPERTY IN THE DISTRICT, WITHOUT LIMIT, SUFFICIENT TO PAY THE PRINCIPAL OF AND INTEREST ON THIS BOND AS THE SAME MATURES AND COMES DUE, RESPECTIVELY, AND TO CREATE SUCH SINKING FUND AS MAY BE NECESSARY THEREFOR.

This Bond shall be transferable only upon the Registry Books maintained for such purpose by the Registrar, upon presentation and surrender thereof by the Registered Owner of the Bond in person or by his attorney duly authorized in writing, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or his duly authorized attorney. Upon surrender for transfer of Bonds, the District shall execute, authenticate and deliver, in the name of the Person who is the transferee, a new Bond of the same principal amount and maturity and rate of interest as the surrendered Bond. Such new Bond shall reflect the principal amount thereof as then yet unpaid. The District, the Registrar, and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes.

For every exchange or transfer of this Bond, the District or the Paying Agent or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

EXHIBIT A
FORMS OF BONDS

[The District shall deliver to the Registered Owner within ___ days of each fiscal year end audited financial statements of the District for such fiscal year. Any failure of the District to comply with the terms of this paragraph shall be enforceable solely through an action for specific performance to provide the appropriate documents or information and shall not be a default under this instrument.]

Under the laws of the State of South Carolina, this Bond and the interest hereon are exempt from all State, county, municipal, school district and other taxes or assessments, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate or transfer taxes, but the interest hereon may be included in certain franchise fees or taxes.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State of South Carolina to exist, to happen and to be performed precedent to or in the issuance of this Bond exist, have happened and have been performed in regular and due time, form and manner as required by law; that the amount of this Bond, together with all other general obligation and bonded indebtedness of the District does not exceed the applicable limitation of indebtedness under the laws of the State of South Carolina; and that provision has been made for the levy and collection of a tax, without limit, on all taxable property in the District sufficient to pay the principal and interest of this Bond as they become due and payable and to create such sinking fund as may be necessary therefor.

This Bond shall not be valid or obligatory for any purpose, until the Certificate of Authentication hereon shall have been duly executed by the Registrar.

[Signature Page Follows]

**EXHIBIT A
FORMS OF BONDS**

IN WITNESS WHEREOF, the Hilton Head No. 1 Public Service District Commission has caused this Bond to be signed by the Chairman of the Commission and its corporate seal to be hereunto impressed and attested to by the manual signature of its Secretary.

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

By: _____
Chairman, Hilton Head No. 1 Public Service District
Commission

(SEAL)

Attest:

By: _____
Secretary, Hilton Head No. 1 Public Service District Commission

**EXHIBIT A
FORMS OF BONDS**

CERTIFICATE OF AUTHENTICATION

This Bond has been registered in the name of [PURCHASER], on the registration books kept by the Office of the Beaufort County Treasurer, as Registrar.

By: _____
Treasurer
Beaufort County, South Carolina

**EXHIBIT A
FORMS OF BONDS**

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ (Name and Address of Transferee) _____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

(Authorized Officer)

Notice: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agents Medallion Program ("STAMP") or similar program.

Notice: The signature to the assignment must correspond with the name of the registered holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

[FORM OF BOND FOR COMPETITIVE PUBLIC OFFERING]

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
GENERAL OBLIGATION BONDS
SERIES 2024

No. R-____

INTEREST RATE MATURITY DATE ORIGINAL ISSUE DATE CUSIP

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$_____

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA (the “*District*”), a public body corporate and politic and a political subdivision of the State of South Carolina (the “*State*”), acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above, or registered assigns, the principal amount stated above on the Maturity Date set forth above, unless this Bond be subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender of this bond (this “*Bond*”) at the Corporate Trust Office of _____ (the “*Paying Agent*” or the “*Registrar*”), and to pay interest on such principal sum at the Interest Rate set forth above (calculated on the basis of a 360-day year of twelve 30-day months), until the District’s obligation with respect to the payment of such principal amount shall be discharged. Interest on this Bond is payable semiannually on ____ 1 and ____ 1 of each year commencing ____ 1, 20__ (each a “*Bond Payment Date*”), until this Bond matures. This Bond shall bear interest, at the interest rate per annum set forth above (on the basis of a 360-day year of twelve 30-day months), from the Bond Payment Date to which interest has been paid next preceding the authentication date thereof, unless the authentication date is a Bond Payment Date, in which case from such authentication date, or if dated prior to the initial Bond Payment Date hereof, then from the original issue date set forth above.

Both the principal of and interest on this Bond shall be payable by check or draft mailed to the person in whose name this Bond is registered on the Registry Books (as defined in the Resolution) maintained at the Corporate Trust Office of _____ (the “*Registrar*”), at the close of business on the 15th day of the calendar month next preceding each Bond Payment

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Date. The principal and interest on this Bond are payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts.

This Bond is one of an issue of bonds (the “*Series 2024 Bonds*”) of like date of original issue, tenor and effect, except as to number, date of maturity, denomination and rate of interest, issued in an original aggregate principal amount of \$_____, issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina, including Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 6, Chapter 11, Article 5 of the Code of Laws of South Carolina 1976, as amended, and Title 11, Chapter 27 of the Code of Laws of South Carolina 1976, as amended; an authorizing ordinance enacted by the County Council of Beaufort County, South Carolina, on October 9, 2023; and a bond resolution duly adopted by the Hilton Head No. 1 Public Service District Commission, as the governing body of the District, on May 22, 2024 (the “*Resolution*”). Terms with initial capitals used herein and not otherwise defined have the meaning given such terms in the Resolution.

[The Series 2024 Bonds [maturing on or before ____1, 20__] are not subject to optional redemption prior to maturity.][The Series 2024 Bonds maturing after ____1, 20__, are subject to redemption prior to maturity, in whole or in part, at the option of the District, at any time on and after ____1, 20__, at a redemption price of par plus accrued interest to the date of redemption.]

If this Bond is called for redemption, the Registrar will give notice to the Registered Owner of this Bond in the name of the District, of the redemption of such Bond, or portions thereof. Notice and redemption conditions shall otherwise comply with Section 7.03 of the Resolution.

THE FULL FAITH, CREDIT, AND TAXING POWER OF THE DISTRICT ARE HEREBY IRREVOCABLY PLEDGED FOR THE PAYMENT OF THIS BOND, AND THERE SHALL BE LEVIED AND COLLECTED ANNUALLY A TAX ON ALL TAXABLE PROPERTY IN THE DISTRICT, WITHOUT LIMIT, SUFFICIENT TO PAY THE PRINCIPAL OF AND INTEREST ON THIS BOND AS THE SAME MATURES AND COMES DUE, RESPECTIVELY, AND TO CREATE SUCH SINKING FUND AS MAY BE NECESSARY THEREFOR.

The Series 2024 Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Resolution. One Series 2024 Bond certificate with respect to each date on which Series 2024 Bonds are stated to mature, registered in the name of the Securities Depository Nominee, is being issued and required to be deposited with the Securities Depository and immobilized in its custody. The book-entry system will evidence positions held in the Series 2024 Bonds by the Securities Depository's Participants, beneficial ownership of the Series 2024 Bonds in the principal amount of \$5,000 or any multiple thereof being evidenced in the records of such Participants. Transfers of ownership shall be effected on the records of the Securities Depository on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository and its Participants. The District, the Registrar, and the Paying Agent will recognize the Securities Depository Nominee, while the Registered Owner of this Bond, as the owner of this Bond for all purposes, including payments of principal of, interest on, and Redemption Price, if any, on this Bond, notices and voting. Transfer of principal and interest payments to Participants of the

EXHIBIT A
FORMS OF BONDS

Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, interest, and Redemption Price, if any, payments to beneficial owners of the Series 2024 Bonds by Participants of the Securities Depository will be the responsibility of such Participants and other nominees of such beneficial owners.

The District will not be responsible or liable for such transfers of payments or for maintaining, supervision or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, its Participants or persons acting through such Participants. While the Securities Depository Nominee is the Registered Owner of this Bond, notwithstanding the provision hereinabove contained, payments of principal, interest, and Redemption Price, if any, on this Bond shall be made in accordance with existing arrangements between the Paying Agent or its successors under the Resolution and the Securities Depository.

This Bond is transferable only upon the Registry Books kept for that purpose at the Corporate Trust Office of the Registrar by the Registered Owner hereof in person or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. Thereupon a new fully registered Bond or Bonds of the same series, aggregate principal amount, interest rate, and maturity shall be issued to the transferee in exchange herefor as provided in the Resolution. The District, the Registrar, and Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes.

For every exchange or transfer of Series 2024 Bonds, the District or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

Under the laws of the State of South Carolina, this Bond and the interest hereon are exempt from all State, county, municipal, school district and other taxes or assessments, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate and transfer taxes, but the interest hereon may be included for certain franchise fees or taxes.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State of South Carolina to exist, to happen and to be performed precedent to or in the issuance of this Bond exist, have happened and have been performed in regular and due time, form and manner as required by law; that the amount of this Bond, together with all other general obligation and bonded indebtedness of the County, does not exceed the applicable limitation of indebtedness under the laws of the State of South Carolina; and that provision has been made for the levy and collection of a tax, without limit, on all taxable property in the County sufficient to pay the principal and interest of this Bond as they respectively become due and to create such sinking fund as may be necessary therefor.

This Bond shall not be valid or obligatory for any purpose, until the Certificate of Authentication hereon shall have been duly executed by the Registrar.

**EXHIBIT A
FORMS OF BONDS**

IN WITNESS WHEREOF, HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, has caused this Bond to be signed by the manual signature of the Chairman of the Commission, the same to be attested by the manual signature of the Secretary, and the seal of the District to be impressed hereon.

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

By: _____
Chairman, Hilton Head No. 1 Public Service
District, Commission

(SEAL)

Attest:

By: _____
Secretary, Hilton Head No. 1 Public Service District, Commission

**EXHIBIT A
FORMS OF BONDS**

CERTIFICATE OF AUTHENTICATION

This is the Bond described in the within mentioned Resolution of the Hilton Head No. 1 Public Service District Commission, South Carolina dated May 22, 2024.

[NAME OF REGISTRAR],
as Registrar

By: _____

Date of Authentication: _____

**EXHIBIT A
FORMS OF BONDS**

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

the within bond and does hereby irrevocably constitute and appoint

attorney to transfer the within bond on the books kept for registration thereof, with full power of
substitution in the premises.

Dated: _____

Signature

(Authorized Officer)

Notice: The signature to the assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B
FORM OF SUMMARY NOTICE OF SALE

NOTICE OF SALE

Bids will be received by Hilton Head No. 1 Public Service District, South Carolina, at 12:00 p.m. (Eastern Time) on [_____], pursuant to, and subject to the terms of, the Official Notice of Sale with respect to the sale of the \$[PAR] General Obligation Bond, Series 2024 of Hilton Head No. 1 Public Service District, South Carolina. The par amount of the bonds is subject to adjustment as set forth in the Official Notice of Sale. The Official Notice of Sale and other information is available from Amy Vitner, First Tryon Advisors, Financial Advisor to the Hilton Head No. 1 Public Service District (telephone (704) 926-2457; email avitner@firsttryon.com).

EXHIBIT C
FORMS OF NOTICE OF SALE

[FORM FOR COMPETITIVE DIRECT PLACEMENT]

OFFICIAL NOTICE OF SALE

Hilton Head No. 1 Public Service District, South Carolina
\$ _____ * General Obligation Bond, Series 2024

Hilton Head No. 1 Public Service District, South Carolina (the “*District*”), pursuant to this Official Notice of Sale, is requesting bids from financial institutions with respect to its \$ _____ * General Obligation Bond, Series 2024 (the “*Bond*”) to finance the costs of certain capital projects and to pay the costs of issuance thereof.

Your response to this Official Notice of Sale would be greatly appreciated. The following terms and key assumptions are to be utilized in preparing your bid:

Time and Place of Sale: NOTICE IS HEREBY GIVEN that bids addressed to the District will be received by the District until 12:00 p.m., Eastern Time, on _____, 2024, at which time said bids will be publicly opened for the award of a commercial loan to be evidenced by the Bond.

Issuer: Hilton Head No. 1 Public Service District, South Carolina

The District was created by Act No. 596 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1969 as a special purpose district of perpetual succession within Beaufort County, South Carolina (the “*County*”).

Purpose: Proceeds of the Bond will be used to provide funds to defray the costs of: (1) (i) improvements and/or repairs to the District’s wastewater system, including (A) replacement of three screw pumps, (B) the purchase of on-site chemical generation equipment, (C) upgrades to the lift stations, including tank, pump and site upgrades, (D) construction of a sludge building and warehouse building, and (E) construction of back-up to the band screen, and (ii) improvements and/or repairs to the District’s waterworks system, including (A) construction of an aquifer storage and recovery system and expansion of the District’s reverse osmosis (“*RO*”) plant, (B) purchase of on-site chemical generation equipment, (C) purchase of a generator for the RO plant; and (D) acquiring additional wholesale water capacity from Beaufort-Jasper Water and Sewer Authority, (iii) design and engineering costs related to the U.S. Highway 278 bridge relocation project, and (iv) other general improvements, repairs and expansion to the District’s water and sewer

* Preliminary, subject to change.

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

system, expressly including the Leg O Mutton Booster pump station; and (2) to pay the costs of issuance of the Bond.

- Tax Treatment: Tax-Exempt
- Bank Qualified: No
- Audit: The last three years of audited financial statements are provided under separate attachment.
- Security: The Bond is a general obligation of the District secured by an irrevocable pledge of the full faith, credit, and taxing power of the District. There shall be levied and collected annually in the same manner as other property taxes are levied and collected, an *ad valorem* tax, without limit as to rate or amount, on all taxable property in the District sufficient to pay the principal of and interest on the Bond as it matures and to create such sinking fund as may be necessary therefor.
- Rating: No rating is expected to be obtained for the Bond.
- Issue Size: \$ _____*
- Debt Structure: A preliminary amortization has been provided below and should be used in preparation of your bid. The District reserves the right to modify the amortization to achieve its desired debt service structure. The Bond shall bear a single fixed rate for the entire term thereof.
- [insert schedule]

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

- Principal Payments: Annual principal payments payable on _____ 1 of each year, commencing _____ 1, 20__ through _____ 1, 20__.
- Interest Payments: Semi-annual interest payments payable on _____ 1 and _____ 1 of each year, commencing _____ 1, 20__. Interest will be calculated on a 30/360 basis.
- Optional Redemption: The District is seeking flexibility with respect to redemption provisions. Please specify the redemption structure(s) that would provide the District with flexibility at the lowest cost of funds. Proposals with multiple redemption options are permitted.
- Bid Requirements: Bidders shall specify a single, fixed rate of interest for the Bond.
- Bidders shall specify the rates of interest per annum which the Bond is to bear, to be expressed in multiples of 1/1000 of 1%. The fixed rate must be held firm until closing. A bid for less than the entire amount of the Bond, or a bid at a price less than par, will not be considered. The interest rate bid must be held firm until at least _____, 20__.
- No Increased Costs: The District may deem any bids that require contractual provisions specifying future interest rate adjustments, including those relating to (1) the successful bidder's increased costs, taxes, changes in capital adequacy, or capital requirements; or (2) events of taxability or default related to the Bond as nonresponsive to this Official Notice of Sale and may, in its discretion, disallow such bids.
- Closing Costs: The costs of issuance of the Bond will be borne by the District. However, the District does not anticipate paying any closing costs to or on behalf of the successful bidder. Please specify any exceptions. Any closing costs to be borne by the District must be included as absolute figures and will be included in calculating total interest cost as described below under "Award."
- Ongoing Costs: None anticipated to be paid to or on behalf of the successful bidder. Please specify any exceptions. Any ongoing costs to be borne by the District must be included as absolute figures and will be included in calculating total interest cost as described below under "Award."
- Closing: Closing is anticipated to take place on _____, 2024.

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

Ongoing Disclosure: The District will agree to provide its audit, upon request, to the purchaser of the Bond annually within 270 days of the end of its fiscal year. Bidders must specify any other ongoing disclosure obligations in their bid.

Award: The award will be based on the lowest total financing cost (including both interest cost, and upfront and ongoing fees and expenses); provided, however, the District reserves the right to select the bidder offering terms that best meet the needs of the District, including, without limitation, flexible prepayment terms and an absence of additional terms and conditions. In the event of tie bids, each tie bidder will be allowed to submit one or more lower bids on a modified auction basis until there is an award. The District reserves the right to request additional information from the bidders and to waive any irregularity or informality and to negotiate provisions and covenants directly with any bidder. The District also reserves the right to reject all bids for any reason.

Sale to a Financial Institution: The Bond shall be sold to a single financial institution. No official statement, prospectus, offering circular, or other comprehensive offering statement containing material information with respect to the District and the Bond is being issued.

Loan Treatment: By submitting a bid in response to this Official Notice of Sale, each bidder acknowledges and represents to the District and its Financial Advisor that (1) no official statement or other offering material will be furnished other than this Notice of Sale; (2) the bidder has knowledge and experience in financial and business matters and that it is capable of evaluating the merits and risks of making the commercial loan to be evidenced by the Bond and is financially able to bear the economic risk of holding the Bond; (3) no CUSIP number will be obtained for the Bond; and (4) the bidder intends to acquire the Bond solely for its own account as a vehicle for making a commercial loan and with no present intention to distribute or resale the Bond or any portion thereof.

Investment Letter: The successful bidder will be required to execute a letter to the District acknowledging, among other things, that (1) no official statement or other offering material has been furnished other than this Official Notice of Sale; (2) the successful bidder had an opportunity to make inquiries of, and receive answers from such officials, employees, agents and attorneys of the District; (3) the successful bidder has knowledge and experience in financial and business matters and that it is capable of evaluating the merits and risks of making the loans to be evidenced by the Bond and is financially able to bear the economic risk of holding the

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

Bond; (4) the successful bidder is acquiring the Bond as a vehicle for making a commercial loan and without a present view to the distribution or resale thereof (subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be under its control) within the meaning of the federal securities laws; and (5) the successful bidder is acquiring the Bond solely for its own account and no other person now has any direct or indirect beneficial ownership or interest therein. The form of the investment letter is available upon request.

Legal Opinion: Pope Flynn, LLC will prepare all documents and closing papers in connection with the issuance of the Bond, and provide a validity opinion and an opinion as to the treatment of the interest on the Bond under federal tax law at the District's expense.

Date: This Official Notice of Sale is dated _____, 2024.

To be considered, a proposal must be received by 12:00 p.m. on _____, 2024. Email submission of the proposal to the following individuals is preferred:

agraybill@hhpsd.com
pnardi@hhpsd.com
lflynn@popeflynn.com
avitner@firsttryon.com
bdecoste@firsttryon.com

Questions may be addressed to the District through its financial advisor using the contact information below:

Financial Advisor
Amy Vitner
First Tryon Advisors
6101 Carnegie Blvd., Suite 210
Charlotte, NC 28209
(704) 926-2457
avitner@firsttryon.com

Bond Counsel
Lawrence E. Flynn III
Pope Flynn, LLC
1411 Gervais St., Suite 300
Columbia, SC 29201
(803) 354-4902
lflynn@popeflynn.com

[FORM FOR COMPETITIVE PUBLIC OFFERING]

OFFICIAL NOTICE OF SALE

[\$[PAR]]*
HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
GENERAL OBLIGATION BONDS
SERIES 2024

(BOOK-ENTRY-ONLY)

ELECTRONIC BIDS for the purchase of the \$[PAR]* General Obligation Bonds, Series 2024, of Hilton Head No. 1 Public Service District, South Carolina (the “**Bonds**”) will be received by Hilton Head No. 1 Public Service District, South Carolina (the “**District**”), in the Office of the District Manager, 21 Oak Park Drive, Hilton Head Island, South Carolina 29926 until __:00 a.m. (Eastern Time) on _____, 2024 (the “**Sale Date**”) (unless postponed as provided herein).

PARITY[®] Only. The District will only accept electronic bids submitted through the BiDCOMP/Parity Electronic Bid Submission System (“*PARITY*[®]”). No other form of bid or provider of electronic bidding services will be accepted. Information about the electronic bidding services of *PARITY*[®] may be obtained from IPREO, Municipal Services, telephone (212) 849-5023, or parity@ipreo.com.

Purpose. Proceeds of the Bond will be used to provide funds to defray the costs of: (1) (i) improvements and/or repairs to the District’s wastewater system, including (A) replacement of three screw pumps, (B) the purchase of on-site chemical generation equipment, (C) upgrades to the lift stations, including tank, pump and site upgrades, (D) construction of a sludge building and warehouse building, and (E) construction of back-up to the band screen, and (ii) improvements and/or repairs to the District’s waterworks system, including (A) construction of an aquifer storage and recovery system and expansion of the District’s reverse osmosis (“**RO**”) plant, (B) purchase of on-site chemical generation equipment, (C) purchase of a generator for the RO plant; and (D) acquiring additional wholesale water capacity from Beaufort-Jasper Water and Sewer Authority, (iii) design and engineering costs related to the U.S. Highway 278 bridge relocation project, and (iv) other general improvements, repairs and expansion to the District’s water and sewer system, expressly including the Leg O Mutton Booster pump station; and (2) to pay the costs of issuance of the Bond.

Authorization for the Bonds. The issuance of the Bonds is authorized pursuant to the provisions of Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 6, Chapter 11, Article 5 of the Code of Laws of South Carolina 1976, as amended, and Title 11, Chapter 27 of the Code of Laws of South Carolina 1976, as amended; an authorizing ordinance enacted by the County Council of Beaufort County, South Carolina, on October 9, 2023;

* Preliminary, subject to change.

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

and a bond resolution duly adopted by the Hilton Head No. 1 Public Service District Commission, as the governing body of the District, on May 22, 2024 (the “*Bond Resolution*”).

Security. The Bonds are general obligations of the District secured by an irrevocable pledge of the full faith, credit, and taxing power of the District. There shall be levied and collected annually in the same manner as other property taxes are levied and collected, an *ad valorem* tax, without limit as to rate or amount, on all taxable property in the District sufficient to pay the principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

Description of the Bonds. The Bonds will initially be subject to a system of book-entry registration maintained by The Depository Trust Company, New York, New York (“*DTC*”). Principal of the Bonds when due will be paid upon presentation and surrender of such Bonds at the Corporate Trust Office of the Paying Agent, as identified herein. The Bonds will be dated the date of delivery thereof, and bear interest from their dated date at a rate or rates to be named by the successful bidder (the “*Purchaser*”). Interest on the Bonds will be payable on ____1 and ____1 of each year commencing ____1, 20__. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Both principal of and interest on the Bonds will be paid in any coin or currency of the United States of America, which, at the time of payment, is legal tender for the payment of public and private debts. The Bonds will be issued in denominations of \$5,000 or any multiple thereof. The Bonds will mature on ____1 in the years and principal amounts as follows:

____1	Principal Amount*
-------	----------------------

* Preliminary, subject to adjustment as set forth herein.

Optional Redemption. [The Bonds maturing on or prior to [_____] 1, 20__ are not subject to option redemption prior to their maturity. The Bonds maturing after [_____] 1, 20__ are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the District, on and after [_____] 1, 20__ at the redemption price of par plus accrued interest to the date fixed for redemption.]

Mandatory Sinking Fund Redemption. [If two or more consecutive serial maturities of the Bonds are designated as a term bond, as provided below in “CONDITIONS OF SALE,” such term bond shall be subject to mandatory redemption in each year on the principal payment date and in the entire amount of each serial maturity designated for inclusion in such term bond.]

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

Adjustments to Principal Amounts of the Bonds. As promptly as reasonably possible after the bids are received, the District will notify the bidder to which the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the District of the initial public offering prices of each maturity of the Bonds (the “*Initial Reoffering Prices*”). The Initial Reoffering Prices of the Bonds will be used to calculate the final maturity schedules and the final aggregate principal amount of the Bonds (the “*Final Amounts*”), which schedules and aggregate principal amount are subject to adjustment in the discretion of the District to achieve the District’s debt service objectives and to comply with State law. The Purchaser may not withdraw its bid or change the interest rates bid or the Initial Reoffering Prices as a result of any changes made to the revised amounts.

The dollar amount bid by the Purchaser will be adjusted to reflect any adjustments in the aggregate principal amount of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount or premium, if any, but will not change the selling compensation per \$1,000 of par amount of the Bonds from the selling compensation that would have been received based on the purchase price for the Bonds of the winning bid and the Initial Reoffering Prices. The interest rate specified by the Purchaser for each maturity of the Bonds at the Initial Reoffering Prices for such maturity will not change.

The Final Amounts and the adjusted purchase price will be communicated to the Purchaser as soon as possible, but no later than 5:00 p.m. (Eastern Time) on the Sale Date.

Electronic Bidding Procedures. Bids to purchase Bonds (all or none) must be submitted electronically via PARITY®. Bids will be communicated electronically to the District at _____ (Eastern Time) on the Sale Date. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via PARITY®, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via PARITY® to the District, each bid will constitute an irrevocable and unconditional offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on PARITY® shall constitute the official time. The District will not accept bids by any means other than electronically via PARITY®.

Disclaimer. Each prospective bidder shall be solely responsible to submit its bid via PARITY® as described above. Each prospective bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the District nor PARITY® shall have any duty or obligation to provide or assure access to PARITY® to any prospective bidder, and neither the District nor PARITY® shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The District is using PARITY® as a communication mechanism, and not as the District’s agent, to conduct the electronic bidding for the Bonds. The District is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the “CONDITIONS OF SALE” hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via PARITY® are the sole responsibility of the bidders; and the District is not responsible,

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, the bidder should telephone PARITY® at (212) 849-5023 and notify the District's Financial Advisor, Amy Vitner, First Tryon Advisors, by telephone at (704) 926-2457. To the extent any instructions or directions set forth in PARITY® conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about PARITY®, potential bidders may contact PARITY® at (212) 849-5023.

CONDITIONS OF SALE

Bidders are invited to name the rate or rates of interest which the Bonds are to bear, and unless all bids are rejected, they will be awarded to the bidder offering to purchase them at the lowest interest cost (as defined below) to the District at a price of not less than par. Bidders may name any number of rates of interest, in any variations selected by the bidder except that:

- (1) all Bonds of the same maturity shall bear the same rate of interest;
- (2) no rate of interest shall exceed 7.0%;
- (3) a zero (0.0) percentage point rate of interest is not permitted;
- (4) each interest rate named shall be a multiple of 1/8th or 1/20th of one percentage point;
- (5) any sum named by way of premium shall be paid in cash as a part of the purchase price; and
- (6) All bids must be for no less than 100 percent of the par value of the Bonds.

Bidders may designate in their proposal two or more consecutive annual principal payments of a series of the Bonds as a term bond, which matures on the maturity date of the last annual principal payment of the sequence. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal payment designated for inclusion in such term bond. There is no limitation on the number of term bonds for the Bonds.

By submitting a bid, each bidder represents that the bidder's proposal is genuine, and not a sham or collusive, and is not made in the interest of or on behalf of any person not therein named, the bidder has not directly or indirectly induced or solicited any other bidder to submit a sham bid or any other person, firm or corporation to refrain from bidding, and the bidder has not in any manner sought by collusion to secure for it an advantage over any other bidder. By submitting a bid for the Bonds, each bidder also represents and warrants to the District that (i) it has an established industry reputation for underwriting new issuances of municipal bonds; and (ii) such bidder's bid for the purchase of the Bonds (if a bid is submitted in connection with the sale) is

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

submitted for and on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

No Good Faith Deposit. No good faith deposit shall be required.

Basis of Award. The Bonds will be awarded to the bidder offering to purchase all of the Bonds at the lowest interest cost to the District. The lowest interest cost shall be determined in accordance with the true interest cost (TIC) method. In the event two or more bidders offer to purchase the Bonds at the same lowest TIC, the District will award the Bonds to one of such bidders based upon which bid was received first, as determined by reference to the time stamp displayed on PARITY®. Bids submitted may not be withdrawn prior to the award.

Issue Price Determination. The District expects that the bid for the Bonds will satisfy the federal tax requirements for a qualified competitive sale of bonds, including, among other things, receipt of bids for the Bonds from at least three underwriters, who have established industry reputations for underwriting new issuances of municipal bonds (a “*Qualified Competitive Bid*”). The District will advise the successful bidder as promptly as possible after the bids are opened whether the bid constitutes a Qualified Competitive Bid, or, in the alternative, a bid that fails to satisfy such requirements (a “*Nonqualified Competitive Bid*”).

If the bid is a Qualified Competitive Bid, as promptly as possible after the bids are opened, the District will notify the successful bidder, and such bidder, upon such notice, shall advise the District, of the reasonably expected Initial Offering Price, as applicable, of each maturity of the Bonds. In addition, the winning bidder shall be required to provide to the District information to establish the initial expected offering prices for each maturity of the Bonds for federal income tax purposes by completing a certificate acceptable to Bond Counsel to the District, on or before the date of issuance of the Bonds, substantially in the form set forth in Exhibit A to this Official Notice of Sale, with appropriate completions, amendments and attachments.

If the bid is a Nonqualified Competitive Bid, as promptly as possible after the bids are opened, the District will notify the successful bidder, and such bidder, upon such notice, shall advise the District of the initial sale price or Initial Offering Price, as applicable, of each maturity of the Bonds. In addition, the winning bidder shall be required to provide to the District information and assurances to establish the initial sale price or the initial offering price to the public, as applicable, for each maturity of the Bonds for federal income tax purposes by completing a certification acceptable to Bond Counsel in substantially the form set forth in Exhibit B attached to this Official Notice of Sale, with appropriate completions, omissions and attachments. **It is noted that procedures for a Nonqualified Competitive Bid may require the winning bidder and, if applicable, other underwriters of the Bonds, to hold the initial offering prices for certain maturities of the Bonds for up to five business days after the sale date, as further specified in the form of such certification.**

Undertakings of the Successful Bidder. The successful bidder with respect to the Bonds agrees to provide certificates, including, but not limited to, an issue price certificate in the form attached hereto either as Exhibit A or as Exhibit B, as applicable.

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

Acceptance or Rejection of Bids. Bids will be accepted or rejected promptly after receipt and not later than by [2:00] p.m. (Eastern Time) on the Sale Date.

Rights Reserved. The District reserves the right to reject any and all bids and to reject any bids not complying with this Official Notice of Sale. The District also reserves the right to waive any irregularity or informality with respect to any bid.

Right to Change this Official Notice of Sale and to Postpone Offering. The District reserves the right to make changes to this Official Notice of Sale and also reserves the right to postpone, from time to time, the date and time established for the receipt of bids. Any such postponement will be announced via Thomson Municipal News, Bloomberg, or other electronic information service. If canceled, the sale may be thereafter rescheduled within 60 days of the date of the publication of this Official Notice of Sale, and notice of such rescheduled date of sale will be posted at least 48 hours prior to the time for receipt of bids through Thomson Municipal News, Bloomberg, or other electronic information service. On any such alternative sale date and time, any bidder may submit an electronic bid for the purchase of the Bonds in conformity in all respects with the provisions of this Official Notice of Sale, except for the date and time of sale and except for any changes announced over Thomson Municipal News, Bloomberg, or other electronic information service at the time the sale date and time are announced.

Delivery of Bonds. The Bonds will be delivered through the facilities of DTC on or about _____, 2024, against payment of the purchase price therefor in federal funds.

Documents to be Delivered at Closing. The Purchaser will be furnished with the Bonds, an opinion as to their validity by Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel, and the usual closing documents, which will include a certificate that there is no litigation threatened or pending to restrain the issuance or sale of the Bonds.

Blue Sky Laws: The District has not undertaken to register the Bonds under the securities laws of any state, nor has the District investigated the eligibility of any institution or person to purchase or participate in the underwriting of the Bonds under any applicable legal investment, insurance, banking or other laws. By submitting a bid for the Bonds, each winning bidder represents that the sale of the Bonds in states other than the State of South Carolina will be made only under exemptions from registration or, wherever necessary, each winning bidder will register the Bonds in accordance with the securities laws of the state in which Bonds are offered or sold. The District agrees to cooperate with each winning bidder, at their respective written request and expense, in registering the Series 2024A Bonds or obtaining an exemption from registration in any state where such action is necessary, but shall not be required to consent to service of process in any such state.

Tax Opinion. The opinion of Bond Counsel will also state that (a) interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; and (b) the Bonds and the interest thereon are exempt from all State, county, municipal, school district and all other taxes or assessments imposed within the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer or certain franchise

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

taxes. The opinion will further state that the Code establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds remains excluded from gross income for federal income tax purposes. Noncompliance may cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such noncompliance occurs or is ascertained. The District has covenanted to comply with the requirements of the Code in the Bond Resolution pursuant to which the Bonds are issued and, in rendering its opinion, Bond Counsel will assume compliance with such covenants.

CUSIP Numbers. It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Purchaser thereof to accept delivery of and pay for said Bonds in accordance with the terms of its proposal. The District's Financial Advisor will timely apply for CUSIP numbers with respect to the Bonds as required by MSRB Rule G-34. All expenses of preparation of the Bonds shall be paid by the District, but the CUSIP Global Services charge for the assignment of the numbers shall be paid by the Purchaser.

Registrar and Paying Agent. _____, shall serve as Registrar and Paying Agent for the Bonds. So long as the Bonds remain outstanding in book-entry form with DTC, all payments of principal and interest with respect to the Bonds shall be through the facilities of DTC.

Official Statement. The Preliminary Official Statement dated _____, 2024 (the "**Preliminary Official Statement**") has been deemed final by the District for purposes of Rule 15c2-12 of the United States Securities and Exchange Commission (the "**Rule**") but is subject to revision, amendment and completion in a final Official Statement as provided in the Rule. The Preliminary Official Statement is available via [munios.com]. The District will furnish the Purchaser with a sufficient number of copies of the final Official Statement in order to allow the bidder to comply with the Rule, without charge, within seven business days of the acceptance of a bid for the Bonds. The Purchaser must notify the District in writing within two business days of the award of the Bonds of the number of copies of the Official Statement it requires.

Continuing Disclosure: In order to assist bidders in complying with the provisions of the Rule, the District will undertake, pursuant to the Bond Resolution and a Continuing Disclosure Undertaking, to provide certain annual information reports and notices of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. The delivery by the District of a fully executed Continuing Disclosure Undertaking by the District dated the date of delivery of the Bonds, is a condition precedent to the delivery of the Bonds as described in this Official Notice of Sale. Failure by the District to deliver such Continuing Disclosure Undertaking will relieve the Purchaser of its contractual obligation arising from the acceptance of its bid.

In accordance with Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended, the District has covenanted in the Bond Resolution authorizing the issuance of the Bonds to file for availability in the secondary bond market when requested an annual independent audit, within thirty (30) days of the District's receipt of the audit; and event-specific information, within thirty (30) days of an event adversely affecting more than five percent (5%) of the District's revenue or tax base. The only remedy for failure by the District to comply with this covenant shall

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

be an action for specific performance. Moreover, the District has specifically reserved the right to amend the covenant to reflect any change in such Section 11-1-85 without the consent of any bondholder.

Additional Information. Persons seeking additional information should communicate with (1) _____ (telephone: _____; email: _____); (2) Lawrence E. Flynn III, Pope Flynn, LLC, bond counsel, 1411 Gervais Street, Columbia, South Carolina 29201 (telephone: (803) 354-4902; email: lflynn@popeflynn.com); or (3) Amy Vitner, First Tryon Advisors, financial advisor to the District with respect to the offering of the Bonds, 6101 Carnegie Blvd, Suite 210 Charlotte, NC 28209 (telephone (704) 926-2457 email: avitner@firsttryon.com).

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA

Official Notice of Sale dated:

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

EXHIBIT A TO OFFICIAL NOTICE OF SALE

CERTIFICATE AS TO ISSUE PRICE

FORM OF ISSUE PRICE CERTIFICATE FOR QUALIFIED COMPETITIVE BID

\$ _____^{*}
HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
GENERAL OBLIGATION BONDS
SERIES 2024

The undersigned, a duly authorized officer of _____, as the purchaser (the “**Purchaser**”) of the above-captioned bonds (the “**Bonds**”) issued by Hilton Head No. 1 Public Service District, South Carolina (the “**District**”), represents and certifies, to establish the “issue price” of the Bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “**Code**”), and certain other matters, as follows:

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A-1 (the “**Expected Offering Prices**”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule A-2 is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

(d) The Purchaser has an established industry reputation for underwriting new issuances of municipal bonds.

2. Defined Terms.

(a) “**Maturity**” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

* Subject to adjustment as set forth in the Official Notice of Sale.

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

(b) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(c) “*Sale Date*” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2024.

(d) “*Underwriter*” as used herein means (1) any person that agrees pursuant to a written contract with the District (or with the lead Underwriter to form a syndicate) to participate in the initial sale of the Bonds to the Public, and (2) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser’s interpretation of any laws, including specifically Sections 103 and 148 of the Code and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Pope Flynn, LLC, as bond counsel to the District, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Bonds.

Signed this ____ day of _____, 2024.

[PURCHASER]

By: _____

Name: _____

Title: _____

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

Schedule A-1

Expected Offering Prices

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

Schedule A-2

Copy of Winning Bid

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

EXHIBIT B TO OFFICIAL NOTICE OF SALE

CERTIFICATE AS TO ISSUE PRICE

FORM OF ISSUE PRICE CERTIFICATE FOR NONQUALIFIED COMPETITIVE BID

\$ _____*
HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
GENERAL OBLIGATION BONDS
SERIES 2024

The undersigned, a duly authorized officer of _____, as the purchaser (the "**Purchaser**") of the above-captioned obligations (the "**Bonds**") issued by the Hilton Head No. 1 Public Service District, South Carolina (the "**District**"), represents and certifies, to establish the "issue price" of the Bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and certain other matters, that:

1. **Sale of the General Rule Maturities.** As of the date of this certificate (this "**Certificate**"), for each Maturity of the General Rule Maturities, the first price at which 10% of such Maturity was sold by _____ to the Public is the respective price listed in Schedule A.

2. **Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) _____ offered the Hold-the-Offering Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "**Initial Offering Prices**") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

(b) As set forth in the Official Notice of Sale and bid award, the _____ has agreed in writing that, (1) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "**hold-the-offering-price rule**"), and (2) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to the foregoing, no Underwriter has offered or sold any Maturity of the Hold-the-Offering Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. **Defined Terms.**

(a) "**General Rule Maturities**" means those Maturities of each series of the Bonds shown in Schedule A hereto as the "General Rule Maturities."

* Subject to adjustment as set forth in the Official Notice of Sale.

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

(b) “*Hold-the-Offering-Price Maturities*” means those Maturities of each series of the Bonds listed in Schedule A hereto as the “*Hold-the-Offering-Price Maturities*.”

(c) “ *Holding Period*” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth business day after the Sale Date, or (2) the date on which _____ has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “*Maturity*” means Bonds of a series with the same credit and payment terms. Bonds of a series with different maturity dates, or Bonds of a series with the same maturity date but different stated interest rates, are treated as separate Maturities.

(e) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) “*Sale Date*” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2024.

(g) “*Underwriter*” means (1) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (2) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this Certificate are limited to factual matters only. Nothing in this Certificate represents the Purchaser’s interpretation of any laws, including specifically Sections 103 and 148 of the Code and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Pope Flynn, LLC, as bond counsel to the District, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Bonds.

Signed this ____ day of _____, 2024.

[PURCHASER]

By: _____
Name: _____
Title: _____

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

Schedule A

Expected Initial Offering Prices of the Bonds

EXHIBIT C
FORMS OF OFFICIAL NOTICE OF SALE

Schedule B

Copy of Winning Bid



Executive Committee

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 EXECUTIVE COMMITTEE MEETING MAY 15, 2024

I. The meeting was called to order by Chairman Frank Turano at 4:04 p.m.

II. Those in attendance were:

Mr. Frank Turano	Chair
Mr. Jerry Cutrer	Vice Chair
Mr. Stuart Bell	Treasurer
Mrs. Patti Soltys	Secretary

Present by request:

Ms. Connie Whitehead	Commission Recording Secretary
----------------------	--------------------------------

III. Executive Session to Discuss the GM Performance Evaluation

Action

- Mr. Cutrer moved to enter into executive session for the purpose of discussing the General Manager Performance Evaluation. Mrs. Soltys seconded. The motion passed unanimously.
- Executive session began at 4:04 p.m.
- Ms. Whitehead was not present during executive session.

IV. Reconvene Regular Session

Action

- Regular session reconvened at 5:05 p.m.
- No action was taken as a result of executive session.

V. Adjournment

Action

- The meeting adjourned at 5:06 p.m.

HILTON HEAD PUBLIC SERVICE DISTRICT

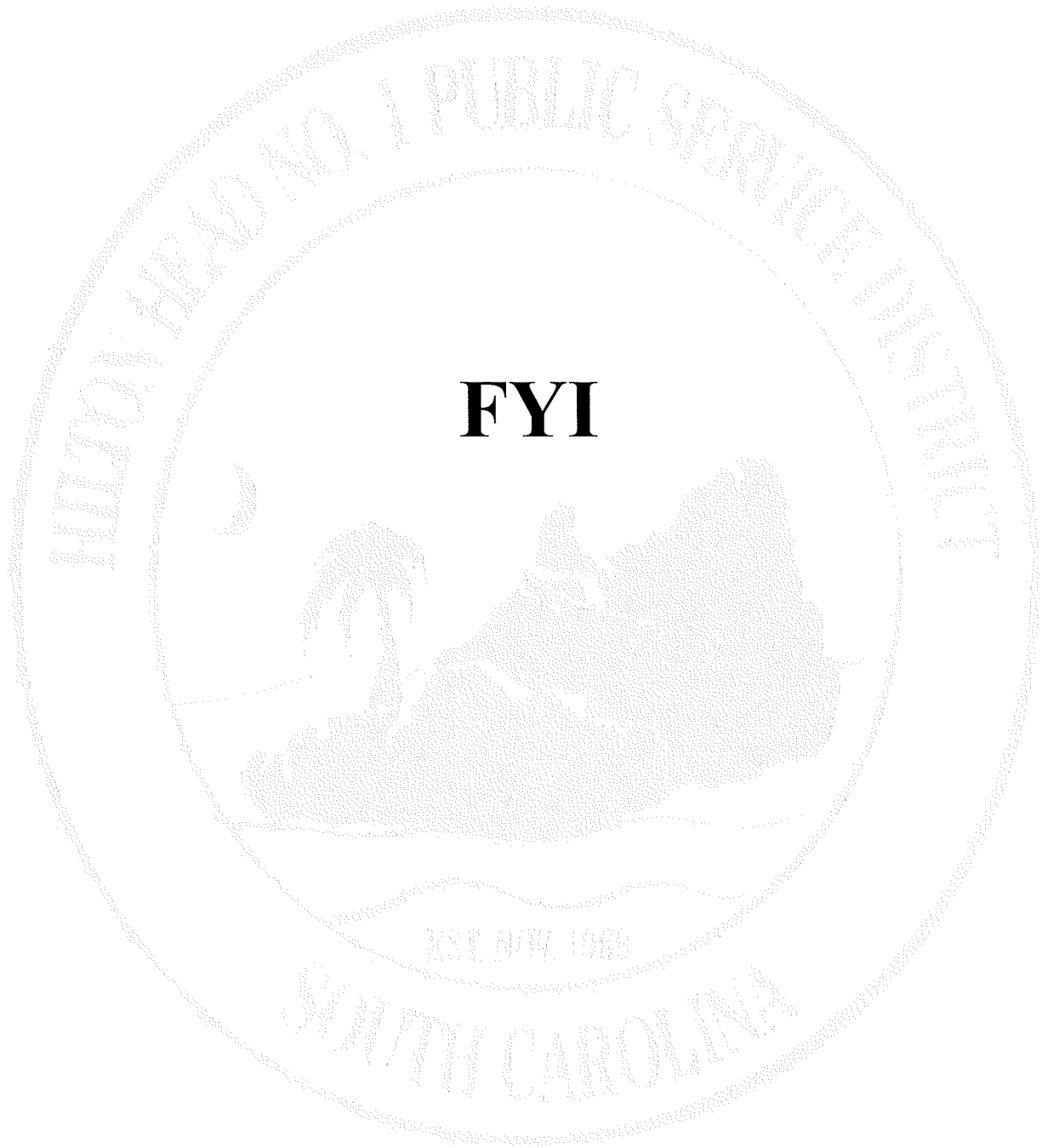
21 OAK PARK DRIVE – POST OFFICE BOX 21264
HILTON HEAD ISLAND, SOUTH CAROLINA 29925
TELEPHONE 843-681-5525 – FAX 843-681-5052
www.hhpsd.com

AGENDA

Hilton Head Public Service District Commission
Executive Committee
4:00 p.m.
May 15, 2023

Administrative Conference Room
Hilton Head PSD Customer Service Center
21 Oak Park Drive
Hilton Head Island, SC 29926

- I. Call to Order & Freedom of Information Act Announcement
- II. Executive Session: General Manager's Annual Performance Review
- III. Possible Actions by Committee Concerning Matters Discussed in Executive Session
- IV. Adjournment



FYI



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 fax: 312.977.4806

4/29/2024

Pete Nardi
General Manager
Hilton Head Public Service District #1, South Carolina

Dear Pete:

We are pleased to notify you that your annual comprehensive financial report for the fiscal year ended June 30, 2023 qualifies for GFOA's Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

When a Certificate of Achievement is awarded to a government, an Award of Financial Reporting Achievement (AFRA) is also presented to the individual(s) or department designated by the government as primarily responsible for its having earned the Certificate. This award has been sent to the submitter as designated on the application.

We hope that you will arrange for a formal presentation of the Certificate and Award of Financial Reporting Achievement, and give appropriate publicity to this notable achievement. A sample news release is included to assist with this effort.

We hope that your example will encourage other government officials in their efforts to achieve and maintain an appropriate standard of excellence in financial reporting.

Sincerely,

Michele Mark Levine
Director, Technical Services



HILTON HEAD ISLAND-BLUFFTON
CHAMBER OF COMMERCE

William G. Miles, IOM, CCE
President & CEO

April 30, 2024

Mr. Pete Nardi
Hilton Head Public Service District
PO Box 21264
Hilton Head Island, SC 29925

Dear Pete,

Congratulations to you and the entire team at Hilton Head Public Service District for receiving the prestigious Financial Reporting Award from the Government Finance Officers Association for the 14th consecutive year.

This remarkable achievement is a testament to the dedication and professionalism exhibited by you and your colleagues in maintaining the highest standards of financial reporting. Your consistent efforts have demonstrated your organization's commitment to transparency and accountability in public service.

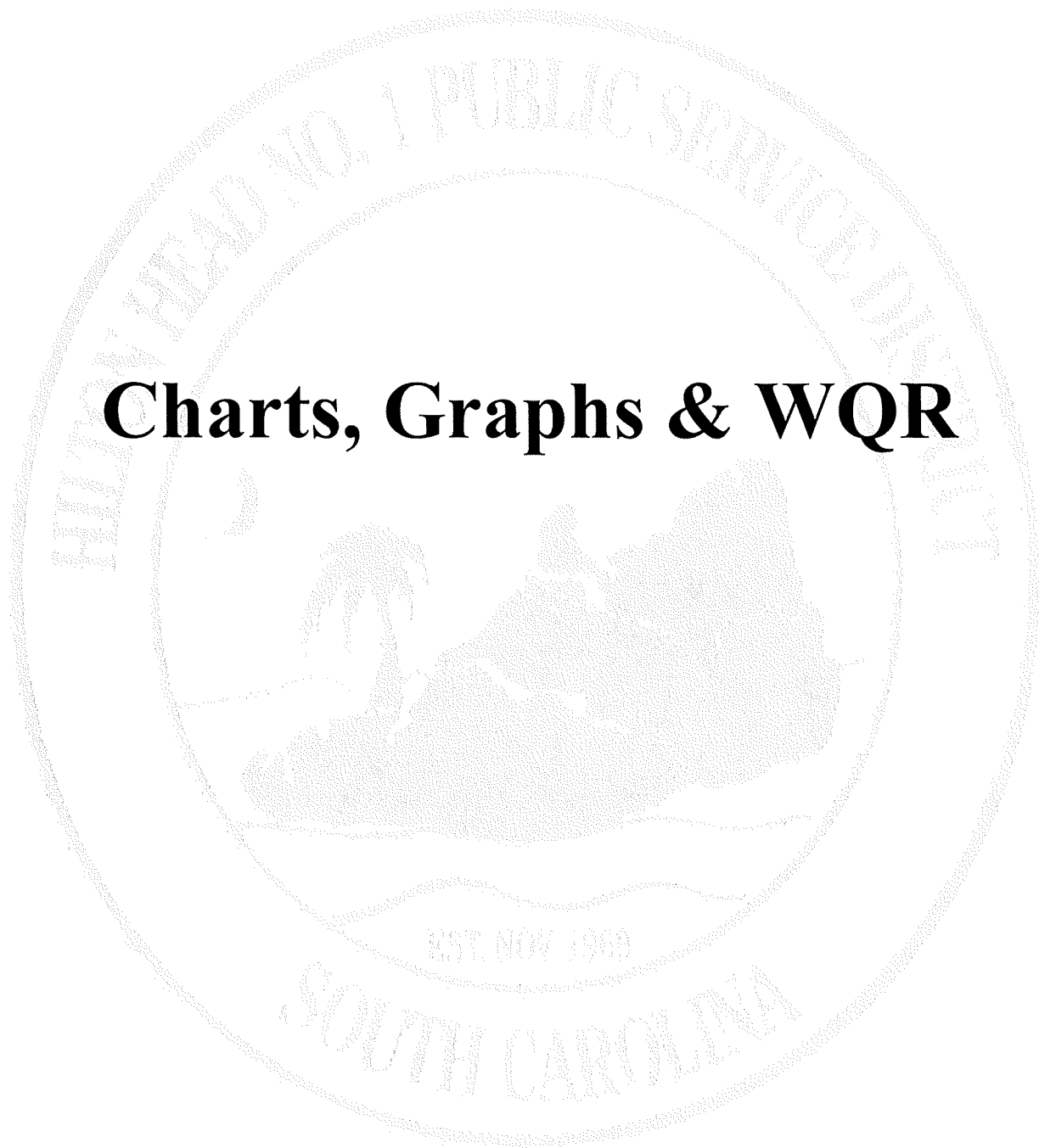
Once again, congratulations to you and the entire team at the Public Service District on this outstanding achievement.

All the best,

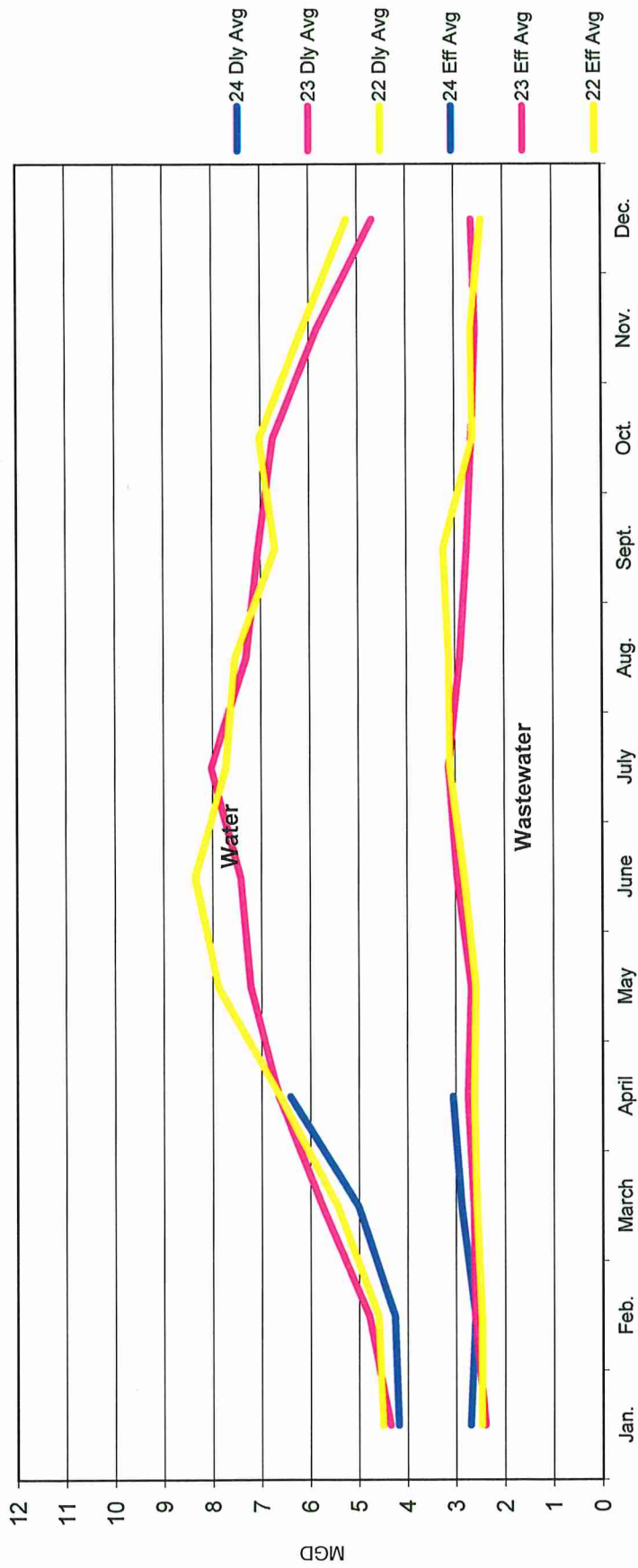
William G. Miles, IOM, CCE
President & CEO

WGM/ck

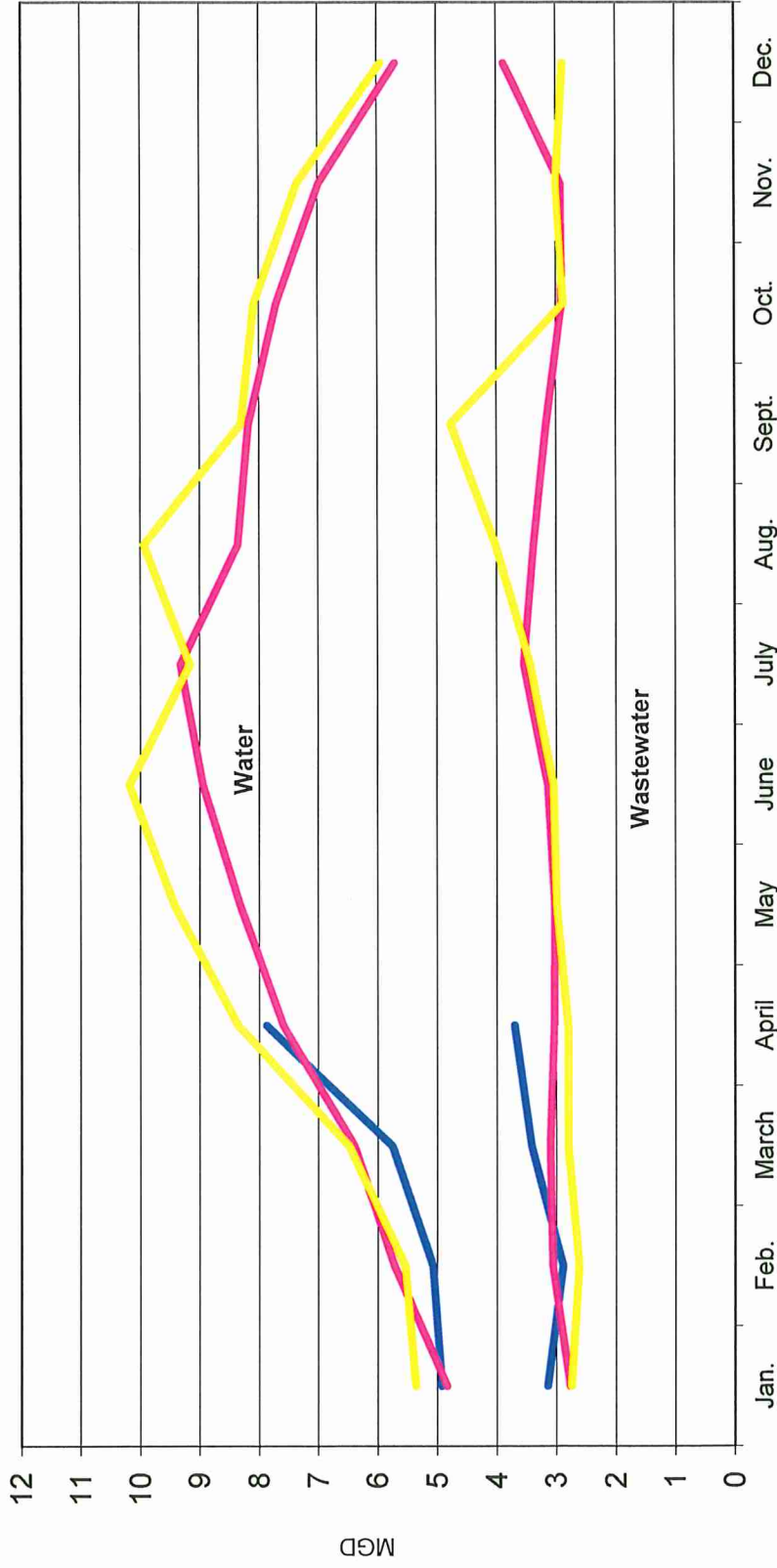
Charts, Graphs & WQR



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



Apr-24

Monthly Water Quality Report

Water Supply Source	MG Per Month												% of Supply YTD	
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.		YTD
Purchased	0.00	7.75	22.32	30.48									60.55	10.0%
RO Plant	107.87	95.01	117.34	115.26									435.48	73.0%
UFA Wells	20.12	21.59	15.06	24.71									81.48	14.0%
ASR Recovery	0.00	0.00	0.00	19.62									19.62	3.0%
Total	127.99	124.35	154.72	190.07									597.13	100.0%

System-wide Water Quality Testing

Type of Test	Results by Month											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Bacteriological	PASS	PASS	PASS	PASS								
Chlorine (avg)	1.92	1.96	1.86	1.89								
Ph (avg)	N/A	N/A	N/A	N/A								
Disinfection By-products (DBPs) (qtrly.)	In Compliance			In Compliance			In Compliance			In Compliance		
Hardness (range)	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)	2.12	Y			
RO Raw Water MFA Wells (range)	n/a	Y			
Finished RO Water	2.65	Y			
Fire Station UFA	2.20	Y			
Leg O' Mutton UFA	2.39	Y			
Wild Horse UFA	2.09	Y			
Seabrook UFA	2.72	Y			
Union Cemetery UFA	1.10	Y			
ASR (recharge)	2.20	Y			

Customer Inquiries

Type of Inquiry	Number of Inquiries	Resolved?	Comments
Low Pressure	5	y	
Customer break/leak	29	y	
PSD break/leak	16	y	
Water Outage	8	y	
Odor/Taste/Color	1	y	
Miscellaneous	122	y	
Sewer issues & Inspections	126	y	
Total	307		

Other Water Quality Notes for This Month
 4/11/2024 - Changed cartridge filters