

# 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

## JANUARY 2025 AGENDA PACKET CONTENTS

1. Agenda for the January 22, 2025, Regular Commission Meeting
2. Draft Minutes of the December 11, 2024, Regular Commission Meeting
3. FY'25 2<sup>nd</sup> Quarter Management Report
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5. FYI Section:
  - A. Letter from S.C. Rural Infrastructure Authority
  - B. Notice of Public Hearing: BJWSA FY'26-28 Rate Increases
  - C. Ella C. White Memorial Scholarship Fund Thank You Letter
  - D. Article from *Moody's Ratings* Entitled "Water and Sewer Utilities – US: 2025 Outlook – Stable as higher costs will be absorbed by rate increases"
6. Charts, Graphs and Water Quality Report



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## AGENDA

Hilton Head Public Service District Commission  
9 a.m.  
January 22, 2025  
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 December 11, 2024, Regular Meeting
- VI. Change of June 2025 Commission Meeting Date to June 18 (Action)
- VII. FY '25 2<sup>nd</sup> Quarter Management Report
- VIII. General Manager's Monthly Report
- IX. Advanced Metering Infrastructure & Customer Portal Presentation
- X. Executive Session
  - A. Under S.C. Code 30-4-70 (2) (“...receipt of legal advice ...”) – GO Bond Approval Authority
- XI. Possible Action by Commission Concerning Matters Discussed in Executive Session
- XII. Adjournment

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



# Draft Minutes

# HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT

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## MINUTES COMMISSION MEETING DECEMBER 11, 2024

**I. The meeting was called to order by Chairman Frank Turano at 9:04 a.m.**

**II. Those in attendance were:**

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

Present by request:

Mr. Pete Nardi	General Manager
Mr. Bill Davis	Operations Manager
Ms. Amy Graybill	Finance Manager
Ms. Connie Whitehead	Commission Recording Secretary

Visitors

None

**III. Pledge of Allegiance**

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

**IV. Swearing-In of Newly Re-Elected Commissioner**

Key Discussion Points

- Chairman Turano administered the Oath of Office to newly re-elected commissioner, Patti Soltys.

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

None

## **VI. Adoption of Resolution in Honor of Vermell Doctor Scott**

### Key Discussion Points

- Mr. Turano presented a resolution on behalf of the Board in honor of Vermell Doctor Scott and her 24 years of service.
- Ms. Scott, the PSD's customer service supervisor, is set to retire from the PSD January 1, 2025.

### Action

- Mr. Cutrer moved to adopt the resolution as presented. Mr. Abdul-Malik seconded. The motion passed unanimously.

## **VII. Adoption of Draft Minutes of the November 13, 2024, Commission Meeting**

### Action

- Mr. Bell moved to adopt the minutes of the November 13, 2024, meeting as presented. Mr. Marks seconded. The motion passed unanimously.

## **VIII. Strategic Goals & Objectives**

### Key Discussion Points

- At the November meeting, the Board directed staff to draft proposed changes to the Strategic Goals & Objectives. Mr. Nardi presented the draft updates for review.

### Action

- Mr. Cutrer moved to adopt the draft revisions to the Strategic Goals and Objectives with the addition of a new Item 1.7 in relation to the water main relocation for the bridge project. Mr. Abdul Malik seconded. The motion passed unanimously.

## **IX. 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.
- PSD staff held a meeting with local school representatives to inform them of the PSD's summer internship and career opportunities. Mr. Nardi met with the superintendent of Beaufort County Schools to discuss opportunities for the PSD to participate in Hilton Head High School's planned vocational tech building.

## **X. 2025 PSD Calendar**

### Key Discussion Points

- Staff presented the draft 2025 PSD Calendar for board consideration. The calendar follows the standard fourth-Wednesday-of-the-month format, with the

exception of the November and December meetings which are held earlier in the month to accommodate the holidays.

Action

- Mr. Cutrer moved to adopt the Draft 2025 PSD Calendar as presented. Mr. Paterno seconded. The motion passed unanimously.

**XI. Election of 2025 Commission Officers**

Key Discussion Points

- At the November meeting, Mr. Cutrer nominated the current slate of commission officers to serve in the same capacity in 2025.

Action

- Mr. Cutrer moved to adopt the current slate of commission officers to serve in the same capacity in 2025. Mr. Abdul-Malik seconded. The motion passed unanimously.

**XII. Adjournment**

Action

- Mr. Bell moved to adjourn the meeting. Mr. Paterno seconded. The meeting adjourned at 10:01 a.m.



**FY'25 2<sup>nd</sup> Qtr  
Management Report**





**HILTON HEAD PUBLIC SERVICE DISTRICT  
STRATEGIC GOALS & OBJECTIVES  
Adopted: December 2024**

**2<sup>nd</sup> Qtr. Fiscal Year '25 Management Report:**

**("New:" indicates update for 2<sup>nd</sup> Qtr. Report)**

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

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

1.1 Management Tactics:

- 1) **New:** The PSD passed its annual S.C. Department of Environmental Services (DES) inspection of the RO Plant.
- 2) **New:** The PSD passed its annual DES inspection of the Water Distribution System.
- 3) PSD water supply capacity is currently adequate and water quality is meeting or exceeding all current state and federal water quality standards, and all required reporting and monitoring is in compliance.
- 4) We are currently conducting water quality monitoring under the U.S. Environmental Protection Agency's Unregulated Contaminant Monitoring Rule 5 (aka "UCMR 5"). This is a national scientific monitoring program in which the EPA periodically requires sampling for potential contaminants in order to determine potential regulations in the future.

**New:** UCMR 5 sampling conducted in December was for PFAS at the intertie with Beaufort-Jasper Water & Sewer Authority. It detected PFAS barely above proposed limits in three out of the 30 PFAS compounds sampled (PFBS, PFOS, and PFOA).

Our UCMR 5 monitoring will continue through June 2025.

- 5) **New:** The PSD Water Quality Laboratory in August was once again named a Laboratory of Excellence by the S.C. Department of Environmental Services (DES). A news release was sent.
- 6) **New:** The PSD completed its mandatory Lead Service Line Inventory ahead of the October deadline and submitted it to the S.C. DES. The PSD completed the inventory using a combination of building records research and field team inspections.
- 7) **New:** The PSD's membership in the peer-reviewed Partnership for Safe Water was recertified. This program requires the utility to document our programs and procedures related to the optimization of our

water distribution system. Ourselves and Beaufort-Jasper Water & Sewer Authority are the only Partnership members in Beaufort County.

We have created a "Lead in Water" web page (<https://hhpsd.com/lead/>) invites customers to contact us to have their water tested, and provides other useful links on the topic.

1.2 Utilize best available technologies where economically feasible.

1.2 Management Tactics:

- 8) PSD supervisory control and data acquisition (SCADA) system upgrades and enhancements are continuous.
- 9) **New:** We have added real-time water distribution system pressure monitoring to our SCADA system. The program monitors pressure at multiple key locations throughout the system.
- 10) Ongoing cybersecurity programs and training are in place. **New:** A multi-part cybersecurity training and examination program was conducted with all staff during 2<sup>nd</sup> Qtr. FY '25.

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

1.3 Management Tactics:

- 11) Long range water supply planning updated in spring 2022, including future capital project options and updated hydrogeological modeling of aquifer conditions and expectations.

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

1.4 Management Tactics:

- 12) **New:** The PSD earned a national U.S. EPA 2024 WaterSense Excellence Award for Education and Outreach! This was the PSD's third WaterSense Excellence Award. It was given in recognition of our outstanding customer communications on water efficiency throughout the year as well as our collaboration with Clemson Extension Service on sustainable landscaping education for residents. A news release was sent.
- 10) Multiple items in 1st. qtr. e-newsletters and Summer 2024 bill insert newsletter provided information about water efficiency, including the island's local irrigation ordinance and a new program by U.S. EPA WaterSense to encourage water-efficient swimming pool operations.
- 11) PSD hosted and promoted a Clemson University Extension Service public workshop on the "Carolina Yards & Neighborhoods" environmentally-sustainable, water-efficient landscape program in August.

1.5 Negotiate a new Purchased Water Agreement with Beaufort-Jasper Water & Sewer Authority.

1.5 Management Tactics:

- 13) **New:** PSD management team met with representatives from Raftelis to discuss the PSD's goals for the new agreement with BJWSA. Raftelis also met with BJWSA management. A set of draft terms for staff and board review is anticipated in first calendar quarter of 2025.

1.6 Manage construction and grant administration of the S.C. Infrastructure Improvement Program and American Rescue Plan Act Long Range Water Supply projects

1.6 Management Tactics:

14) **New:** RO Plant Expansion Update:

- PSD staff, general contractor Harper Construction, design engineers W.K. Dickson, and RO equipment provider Veolia held a workshop to review detailed plans for the plant expansion to ensure agreement on the plans, equipment selection, and construction sequencing.
- A construction schedule has been established. Significant milestones are:
  - HVAC Improvements Finish in January 2026
  - Emergency Generator Install in March 2026
  - Plant Exterior Sitework Finish in April 2026
  - Sodium Hypochlorite Bulk Storage Tank Finish in May 2026
  - RO Filter Skids Install Finish in October 2026
- Grant and project budget updates will be provided in Quarterly Financial Reports to Commission.

15) **New:** RO Well #4, ASR #2 & Pipelines Update:

- A construction schedule has been established. Significant milestones are:
  - RO Well #4 Drilling Finish in July 2025
  - RO Well #4 Pipeline to RO Plant Finish in November 2025
  - RO Well #4 Finish in February 2026
  - ASR #2 Drilling Finish in April 2026
  - ASR #2 Pipeline to Water Distribution System Finish in May 2025
  - ASR #2 Finish in April 2027

16) **New:** Leg O' Mutton Booster Station Update:

- A construction schedule has been established. Significant milestones are:
  - Concrete work Finish in February 2025.
  - Emergency Generator install Finish in February 2025.
  - Booster Pump Station install Finish in April 2025.

1.7 Manage the funding and relocation of the Hilton Head PSD-Broad Creek PSD treated drinking water pipeline, resulting from the U.S. 278 Corridor Project.

1.7 Management Tactics:

- 17) The SCDOT has begun locating PSD water and sewer infrastructure in the vicinity of the U.S. 278 Corridor Project. **New:** We have sent the SCDOT a set of requests to ensure to the safety of our pipeline during proposed geotechnical barge-based borings in the Mackey and Skull creeks. No response to the request to date.
- 18) Beaufort County has informed the PSD there could be a potential to jump-start the pipeline relocation using County funds pledged to the Corridor Project. A meeting among the County, DOT, and PSDs is pending.

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

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

2.1 Management Tactics:

- 19) PSD currently has more than 96% of customers connected to the sewer system, versus a national
- 20) percentage of 80% and versus BJWSA percentage of 60%.
- 21) Multiple programs and customer communications in place to facilitate customer conversions from septic to sewer, including our “Connect Now” customer communications campaign, PSD long-term low interest connection financing, Project SAFE sewer connection grants, and the Town of Hilton Head sewer connection grant program. **New:** We created a bill insert for Project SAFE donations. The insert will be mailed to approximately 12,000 addresses.
- 22) “Connect Now” postcards are mailed to all customer accounts that could add sewer but have not yet done so. Postcard contains info. about both grant opportunities and PSD long-term, low-interest financing.
- 23) **New:** The Old House Creek subdivision POA has decided to complete the sewer system in its subdivision off Spanish Wells Road. A low-pressure sewer project is under design. Twenty-six (26) parcels will receive sewer access as a result.

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

2.2 Management Tactics:

- 24) We received a “Satisfactory” rating on our annual DHEC Sanitary Survey inspection of the Recycled Water Plant in March. Only “Satisfactory” or “Unsatisfactory” ratings are given.

2.3. Utilize best available technologies where economically feasible.

2.3 Management Tactics:

- 25) We have initiated an engineering study necessary to complete replacement of our screw pumps in the Recycled Water Plant. **New:** We were awarded a \$1.5-million grant from the S.C. Rural Infrastructure Authority for our screw pump replacement project. The project has a preliminary estimated cost of \$4.4 million. We will initiate design during this fiscal year.
- 26) Our FY '25 budget includes a program to monitor ammonia and nitrate to enhance our wastewater quality analysis and regulatory compliance program.
- 27) We have completed installation of a real-time monitoring system on the majority of our sewer lift stations. The system, called Streametric, provides an array of readings related to the pump operations of the lift stations (alarms, run times, starts/stops, motor amperage, etc.). It is a more comprehensive, technologically advanced, and cost-effective system than our prior system. The system is critical for effective sanitary sewer operations and to avoid sanitary sewer overflows at lift stations. **New:** We have added an asset-management component to Streametric that allows for digital updating of lift station maintenance activities and needs.

- 28) **New:** We have received a preliminary estimate for the installation of an Ultraviolet Light disinfection system for the Recycled Water Plant. This system would reduce or eliminate our use of liquid chlorine as a cost-control measure, and would

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

#### 2.4 Management Tactics:

- 29) Multiple odor control measures are in place, including dosing of odor-control agent and deployment of deodorization blocks at key sewer lift stations.
- 30) We have implemented a new odor-reduction tactic that provides real-time monitoring and data acquisition of odor levels that allows us to optimize our odor-control agent dosing.

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

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

#### 3.1 Management Tactics:

- 31) We continue to monitor for PFAS in our water supply and are following the national regulatory developments related to PFAS via our trade associations, particularly the S.C. Water Quality Association. Our most recent round of PFAS monitoring showed no detection of PFAS in any of the PSD groundwater sources. The only detection comes at the intertie with the wholesale water provided by BJWSA.
- 32) Due to our non-detection of PFAS, the PSD Commission voted unanimously to opt out of multiple PFAS class action settlements, to preserve the PSD's right to seek legal remedies in the future should a problem arise in our groundwater sources. The non-detection of PFAS would have resulted in the PSD receiving no funds from the settlement since the utility would not be able to demonstrate an impact.

3.2. Introduce sustainable environmental initiatives as appropriate.

#### 3.2 Management Tactics:

- 33) A key movement toward long-term sustainability of our water resources is the PSD's effort to continue to move away from our reliance on the freshwater Upper Floridan Aquifer and instead develop the brackish Middle Floridan aquifer and increase our use of Aquifer Storage & Recovery.
- 34) Pete Nardi is serving as a member of WateReusSC, our state's chapter of the national WateReuse Association. In August, WateReuseSC presented draft legislation to DES that would require the creation of recycled water regulations in our state, thereby expanding the recycled water toolbox for South Carolina. DES currently is performing an internal legal review of the legislation. A next step will be to identify General Assembly member(s) to introduce the legislation.
- 35) Our Recycled Water Plant has been re-certified as an Audubon Cooperative Sanctuary, which is a recognition of sustainable practices at our business. We are the only wastewater treatment plant in the United States with this designation.

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

3.3 Management Tactics:

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

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

3.4 Management Tactics:

37) Our RO Plant expansion project includes increasing the liquid chlorine storage capacity at the plant to a 30-day supply.

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

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

4.1 Management Tactics:

38) Customer Service and Field Service teams are currently adequately staffed to respond to daily customer calls.

39) Monthly telephone hold time average is less than one minute.

40) 24-hour emergency hotline and Field Services on-call are in place.

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

4.2 Management Tactics:

41) Ongoing and extensive customer communications in place, including website, news releases, bill insert newsletters, social media on multiple platforms, and in-person presentations to groups, including:

**New (k. - n.):**

a. Pete Nardi appeared on WHHI-TV's "Talk of the Town" in July to promote the August 15<sup>th</sup> "Carolina Yards" customer workshop and water efficiency in the summer months.

b. The "Carolina Yards" workshop, led by Clemson Extension Service staff, was attended by approx. 30 people.

c. Jerry Cutrer and Pete Nardi gave a presentation on the Commission and PSD resources and services to more than 60 people at The Cypress on Aug. 21.

d. Summer 2024 bill insert newsletter mailed to all customer accounts.

e. Pete Nardi interviewed by Island Packet newspaper for a story about PFAS as it relates to local water sources.

f. News release sent in August on PSD Water Quality Laboratory earning "Laboratory of Excellence" recognition from S.C. DES.

- g. PSD hosted students from Heritage Academy on Sept. 17 to tour the Recycled Water Plant and learn about PSD water resources.
- h. Members of the HHI-Bluffton Leadership Class of 2024-25 toured the Recycled Water Plant and interviewed Pete Nardi on leadership on Oct. 2 as part of their required Community Enrichment Activities.
- i. PSD earned 2024 EPA WaterSense Excellence Award for Education and Outreach. A news release was sent.
- j. Pete Nardi spoke to the HHI-Bluffton Leadership Class of 2024-25 about local water resources on Oct. 9 as part of their annual Government Day.
- k. PSD hosted a group of residents from The Cypress in October for a tour of our Recycled Water Plant and the RO Plant.
- l. We held an information meeting with residents of Old House Creek about their pending low-pressure sewer project.
- m. We hosted 80 middle school students from John Paul II Catholic School in Okatie for a tour of the Recycled Water Plant and RO Plant, and a presentation on water and wastewater treatment and sources.
- n. Pete Nardi appeared on WHHI-TV's "Talk of the Town" to give an update on our Water Supply & Resiliency Projects.

- 42) **New:** PSD Commissioners Stuart Bell (District 2); Patricia Flynn Soltys (Dist. 3); Jerry Cutrer (Dist. 4); and Andrew Paterno (Dist. 6) were each reelected to four-year terms during the November General Election.
- 43) PSD staff continue to be involved in array of industry-related volunteer activities that both enhance the PSD's reputation and provide knowledge transfer to/from our utility, including: **New:** 12 new Operator licenses have been earned so far in FY '25; training and conferences attended include: Certified Government Finance Officer; S.C. Assoc. of CPAs; WEFTEC '24; WaterSmart Innovations '24; WEASC Sea Island District; E-One Low-Pressure Sewer; WEASC Operator's Conference; SCAWWA Water Loss Control Workshop; WaterReuse SC-Water Research Foundation Recycled Water Communications Workshop; S.C. Rural Water Conference.

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

#### 4.3 Management Tactics:

- 44) A key tactic of this objective is achieved via the PSD hiring process, which places an emphasis on customer service aptitude and experience. Many current PSD team members have joined us from customer-facing roles in the local hospitality, health care, and residential and commercial maintenance industries.
- 45) Employee Recognition Program in place to recognize team members via customer, coworker, and supervisor input. Employee Recognition Program recognizes team members quarterly based on customer and co-worker feedback. **New:** Team members Arthur Washington, Shaun Chisolm, Shani Wittingham, Renee White, Dustin McVey and Quintin Smalls were recognized during the 2<sup>nd</sup> Qtr. XXX team members received Employee Recognition during the 2<sup>nd</sup> qtr.

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

#### 4.4 Management Tactics:

46) **New:** A presentation will be given to the Commission in January on the PSD's Advanced Metering Infrastructure (AMI) system and our Customer Portal for bill payment and consumption tracking and alerts.

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

#### 4.5 Management Tactics:

47) Staff drafted and the Commission adopted in September an updated Drought Management Plan and Drought Response Regulation, using current guidance from the S.C. Climatology Office. This was the first update of the plan and regulation since 2003.

48) The FY '25 budget process resulted in implementation of revised sewer connection and backflow prevention inspection fees to reflect current costs incurred by the PSD.

4.6. Celebrate District and Staff accomplishments.

#### 4.6 Management Tactics:

49) News releases, bill insert announcements, and social media posts sent on: Water Quality Laboratory once again being recognized as a Laboratory of Excellence as part of its annual certification by the S.C. DHEC; PSD earning its third U.S. EPA WaterSense Excellence Award for Education and Outreach; Temporary Irrigation Cessation Request; Cold Weather and Your Water Service; Annual Chlorination & Line Flushing.

50) PSD partnered with Community Foundation of the Lowcountry to create a scholarship campaign in recognition of Customer Service Supervisor Vermell Scott, who retired in 2025.

51) **New:** A retirement celebration was held for Vermell Scott, whose last day with the District after 24 years in our Customer Service department was Dec. 31.

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

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

#### 5.1 Management Tactics:

52) FY '25 rate adjustments were based on cost-of-service analysis.

5.2. Plan and use debt prudently.

#### 5.2 Management Tactics:

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

54) The S.C. Drinking Water State Revolving Fund has approved our use of SRF funds for \$2.5 million in our engineering costs related to our SCIP/ARPA projects.

55) The PSD had \$14.4 million in projects for our Recycled Water Plant (WWTP) placed on the S.C. Clean Water (wastewater) State Revolving Fund (SRF) FY '25 Intended Use Plan. This is the first step necessary to be approved for a low-interest loan through the SRF. The projects include replacement of screw pumps,



construction of a new influent screen as backup, warehouse and garage replacement, and onsite sodium hypochlorite generation system. Our projects ranked 12th out of 22 utilities/municipalities placed on the list, which totals approximately \$520 million in estimated project costs. Attached is the full FY '25 Intended Use Plan.

- 56) The PSD obtained a 20-year, \$20.4-million tax exempt non-bank qualified general obligation bond (Series 2024B) at 3.65% interest from TD Bank to cover the local commitment necessary for our SCIIP projects. The bond, which can be prepaid subject to a 2% prepayment penalty as early as May 2027, is set for closing on Nov. 5.

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

5.3 Management Tactics:

- 57) We actively monitor non-revenue water to reduce water production costs. Non-revenue water is currently in an acceptable 10-15% range.
- 58) Our FY '25 budget includes a program to monitor nitrate and ammonia in our WWTP aeration basins to aid in our adjustment of our aeration to save energy costs.

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

5.4 Management Tactics:

- 59) We are carrying out our ongoing meter changeout program, which is a key tactic to ensure that the PSD is capturing consumption and generating accurate bills.
- 60) We are lowering our bad debt expense via pro-active communications with delinquent payers.
- 61) We are reducing the number of and dollar amount of leak adjustments by proactively communicating with customers.
- 62) We are participating in the S.C. Local Government Investing Pool, which is an investment mechanism authorized by the General Assembly to provide local governments an opportunity to acquire maximum returns on investments by pooling available funds with funds from other political subdivisions.

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

5.5 Management Tactics:

- 63) Appropriate internal controls are in place and routinely reviewed.

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

5.6 Management Tactics:

- 64) Quarterly financial reporting provides ratios/benchmarks update.

65) PSD earned 14<sup>th</sup>-straight GFOA award for Excellence in Financial Reporting for our FY '23 Annual Comprehensive Financial Report.

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

5.7 Management Tactics:

66) Our FY '25 budget included consumption rate increases in the upper tiers to send a price signal to promote water efficiency among customers.

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

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

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

6.1 Management Tactics:

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

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

70) Active shooter response training led by former law enforcement officers was held in October.

71) The Beaufort County Sheriff's Office conducted a free assessment of PSD Oak Park Drive campus physical security. Several security-related improvements have been implemented as a result of Sheriff's Office recommendations.

72) PSD Workers' Compensation coverage provided by the S.C. State Accident Fund, which continues to provide premium based on PSD incident history. We have had one (non-OSHA reportable) workplace injury in FY '25 to date.

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

6.2 Management Tactics:

73) Competitive compensation and benefits packages are funded in the FY '24 budget and included in the draft FY '25 budget.

74) PSD recruits in a variety of formats that include diversity-focused recruitment websites/listings.

75) Word-of-mouth and recommendations from existing team members continue to provide a key resource for recruitment, particularly at the local level.

76) We participate in potential recruitment with a variety of partners, including our local schools and trade associations. We utilize word-of-mouth, social media, and traditional media in our recruitment advertising.

77) We have signed up as a participating utility in the S.C. Rural Water Association's brand new Pre-Apprenticeship Program, wherein our costs of adding an intern who is still in high school may be subsidized by the association and wherein the association may match interns with us.

78) We have signed up to participate in a new Workforce Collaborative effort by the S.C. AWWA/WEASC. The program is being modeled off Baywork program in San Francisco. The member utilities will pool resources

(training, recruitment, referrals, etc.) to create a sustainable water/wastewater workforce for the state of South Carolina.

- 79) Multiple training programs and opportunities are in place utilizing trade associations, in-house resources, and independent study. **New:** Training examples this FY include: Biological Wastewater Treatment, Water Treatment, E-One Low-Pressure Sewer Pumps, Effectively Driving Change, and Email Habits and Non-Verbal Communication Skills, Financial Planning and Budgeting, Wastewater Collections; EPA Lead & Copper Rule Compliance; Essential Cybersecurity Awareness; Presentation & Public Speaking Skills.
- 80) **New:** S.C. Labor Licensing and Regulation operator licenses earned this fiscal year: "D" Water Distribution, "A" Wastewater Collections, "C" Wastewater Collections, "C" Water Treatment, "D" Water Treatment, "A" Biological Wastewater (2); "B" Biological Wastewater (4), "C" Biological Wastewater (2), "D" Biological Wastewater (2).
- 81) The PSD should continue to add staff as necessary to work toward a generally accepted water/wastewater sector goal of a 400-to-1 customer-to-staff ratio. Current ratio is approximately 593-to-1.
- 82) **New:** We met with the Career Development Directors of Hilton Head Island High School and May River High School to provide an overview of careers at the PSD, internship and job shadowing opportunities, and to discuss water/wastewater technician and operator training for the new vocational education wing at HHI H.S. Bluffton High School also is included in the career development opportunities with us.

6.3. Define and implement organizational succession planning.

#### 6.3 Management Tactics:

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

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

#### 6.4 Management Tactic:

- 84) Clerk to Commission Connie Whitehead developed a hard-copy Commissioner Orientation Manual and it has been provided to the Commission.
- 85) **New:** Commission meeting agenda items included: Purchasing Policy Updates; Long-Term Financial Planning; Drought Management & Response; Purchased Water Agreements; a presentation will be given to the Commission in January on the PSD's AMI metering system and Customer Portal.

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

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

#### 7.1 Management Tactics:

- 86) Water and wastewater systems' preventative maintenance program is in place and utilizing Geographic Information Systems, particularly in the area of sewer lift station maintenance.
- 87) Appropriate staff level is a key tactic to minimize the number, severity, and duration of loss of service incidents, particularly due to a small amount of available contractors to assist in such situations.

- 88) The adopted FY '25 budget supports a staff level appropriate to meet current system needs and help prepare for continued growth in the PSD customer base.
- 89) **New:** The entire PSD team in October engaged in Asset Management training sessions with Tacoma Zach of MentorAPM, a leading asset management/computerized maintenance management system provider. The sessions focused on the benefits of reliability-centered maintenance for product quality, sustainability, and safety. A big thanks to PSD Asset Management Specialist Hal Hylton for arranging this training.

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

#### 7.2 Management Tactics:

- 90) PSD asset inventory is up to date and serves as basis of S.C. Insurance Reserve Fund (IRF) policies covering utility assets. "Self-insurance" tactic (days cash on hand) review among staff and the Commission was part of the FY '25 budget process and will be an ongoing consideration.
- 91) Replacements/enhancements funded in FY '25 Capital Improvement Plan.
- 92) PSD Capital Improvement Plan is updated annually and prepared on a 5-year basis. The adopted FY '25 budget includes a 5-year replacement plan and supports an appropriate annual capital improvement program.

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

#### 7.3 Management Tactics:

- 93) Emergency Response Plan is up to date and certified to U.S. EPA.
- 94) PSD has a key seat at the table for all Beaufort County and Town of Hilton Head Island multi-agency emergency planning activities. Our critical assets are listed for priority attention by the Town, County, and Palmetto Electric.

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

#### 7.4 Management Tactics:

- 95) Our System Specifications for development have been updated and are in use. The specifications provide the PSD's standard requirements for utility infrastructure in order to assist developers in planning and construction.
- 96) Internal and external project management is in place on developer and PSD projects.

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

#### 7.5 Management Tactics:

- 97) PSD is insured by the State of South Carolina Insurance Reserve Fund (IRF) at adequate levels. We annually review our insured assets and coverage and make modifications thereto.
- 98) Cybersecurity insurance has been added.

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

7.6 Management Tactics:

- 99) Cybersecurity systems are in place on all business and operational systems.
- 100) Cybersecurity training is being implemented for all staff members. **New:** A multi-part cybersecurity training and examination program was conducted with all staff during 2nd Qtr. FY '25

7.7. Maintain physical security of property and equipment.

7.7 Management Tactics:

- 101) Extensive camera surveillance of PSD facilities is in place.
- 102) Alarm systems in place on key PSD facilities.
- 103) Beaufort County Sheriff's Office performed free assessment of PSD Oak Park Drive campus physical security and PSD implemented multiple security enhancements based on Sheriff's Office review.
- 104) Security in place for field assets.

7.8. Utilize best available technologies were economically feasible.

7.8 Management Tactics:

- 105) Detailed asset inventory and naming system created for Recycled Water Plan Assets. **New:** Reverse Osmosis Plant assets completed.
- 106) Detailed asset inventories and naming systems underway to plug into Computerized Maintenance Management Systems (CMMS) when selected.
- 107) Advanced Metering Infrastructure in place.
- 108) Supervisory Control and Data Acquisition system enhancements are ongoing.
- 109) Geographic Information System enhancements are ongoing and utilizing field- and desktop-based updating.
- 110) Computerized water distribution model update completed.

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

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

8.1 Management Tactics:

- 111) Town staff assisted the PSD in response to S.C. DOT plans for barge-based geotechnical boring in vicinity of PSD subaqueous drinking water pipeline in Mackay and Skull creeks.
- 112) Hilton Head Town Council voted in 2022 in support of working with the PSD on development of our second Aquifer Storage & Recovery well on the Town-owned Ashmore Tract, as well as the expansion of

our Reverse Osmosis Drinking Water Treatment Facility, which involves the Town-owned Old Welcome Center site and Jenkins Island Tract. Town staff and Town Council have been very supportive and helpful in addressing our need for easements on Town-owned property to complete our SCIIP projects. Town Council approved the easements at its Oct. 17 meeting. Town Council unanimously approved during 1<sup>st</sup> Qtr. FY '25 all necessary easements for PSD SCIIP projects.

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

### 8.2 Management Tactics:

113) PSD General Manager Pete Nardi has helped launch the new S.C. Chapter of WateReuse Association to influence reuse water regulations/legislation.

114) **New:** We are monitoring legislation via our involvement in S.C. Water Utility Council and S.C. Water Quality Association (SCWQA). Below are the 2025 S.C. General Assembly Pre-filed Bills we are monitoring, including commentary from the SCWQA:

Utility Relocation Sunset Provision – Would extend the sunset provision in the water and sewer utility relocation funding act from July 1, 2026, to July 1, 2031. This is expected to pass. It has not yet been assigned a bill number.

Governor's Executive Budget – Governor McMaster's budget request includes \$193.5M for additional income tax cuts down to 6%. It also includes \$13.7M to the Department of Environmental Services for "permitting reform" and \$240M for disaster relief. That program includes \$150M for a grant program administered by the South Carolina Emergency Management Division (SCEMD). The grant program "will allow local governments, public utilities, nonprofit, and charitable aid organizations to apply for disaster recovery funds – funds that were either denied by the federal government or did not meet federal FEMA thresholds." The full budget request can be viewed here: <https://www.governor.sc.gov/news/2025-01/governor-henry-mcmaster-announces-fiscal-year-2025-2026-executive-budget>

Signs at Outfalls – S 139 Would require NPDES permittees to post signs at outfalls (Devine – D) This is not a big deal and routinely required in almost every other state. We suggest the SCWQA take no position on this. The sign must be at least eighteen inches square and include the following information:

- (1) the words "Treated Wastewater" or "Cooling Water", as appropriate;
- (2) the name of the permittee and the facility;
- (3) the permit number;
- (4) a telephone number for the permittee; and
- (5) a telephone number for reporting to the department.

Development Impact Fees – H 3165 Would change development impact fee definition and applicability (Wooten – R). Generally, SCWQA thinks the changes this bill would implement are beneficial to local governments.

Definition of a public facility is revised to include vehicles with a cost less than \$100K. Previously, it was only vehicles with a cost greater than \$100K.

The definition of “system improvement costs” previously excluded (1) repair and O&M of existing or new capital improvements and (2) administrative/operating costs of the governmental entity. These costs would now be included in system improvement costs.

The development impact fee would no longer have to be based “on actual improvement costs or reasonable estimates of the costs, supported by sound engineering studies.” This is beneficial and appears to have the effect of not requiring that engineers prepare these cost estimates.

An impact fee ordinance would no longer have to include a provision specifying the termination (sunset) of the fee. This makes sense and avoids forcing governmental entities to repeatedly re-adopt impact fee ordinances.

Excavation Projects – H 3571 Would add new sections on large projects in the Underground Facility Damage Prevention Act & Would limit excavator liability (Hiott – R and Majority Leader). This bill will likely pass. The bill generally cleans up certain provisions of the Underground Facility Damage Prevention Act, seeks to have the Act better accommodate Large Projects, and seeks to put teeth into violations of the Act by setting up a process by which the SC Attorney General can seek fines ranging from \$5K to \$25K per violation of the act.

Funding Assistance – H 3373 Directs the SC Rural Infrastructure Authority to provide staff support and assistance to the SC Water Quality Revolving Fund Authority (Hixon – R, W. Newton – R, Mitchell – R, and Yow – R). No position.

Septic Repair – H 3656 Would prohibit DES from denying well and septic tank repair or replacement regardless of availability of municipal water/sewer service (Ligon – R). SCWQA opposes this bill because it will undermine public utilities’ ability to extend service to areas with failing wells/septic systems and will make it harder to serve growth. This bill is especially unwise given the challenges well-owners can face with emerging contaminants in their well water such as PFAS chemicals.

HOAs and Utility Billing – H 3425 Would prohibit Homeowners Associations from paying utility bills on behalf of homeowners (McDaniel – D) This bill would impose notice requirements on homeowner associations before they spend unbudgeted funds AND includes the following provision regarding utility service: “a homeowners association may not control the utilities of the homeowners and must transfer the control over the utility service to the homeowner.” SCWQA reads this to preclude HOAs from paying utility bills for homes within the association. HOAs may have used control over public utility service as a way to ensure homeowners paid their HOA fees. SCWQA plans to stay out of this fight.

PFAS – H 3116 Would require the Department of Environmental Services to promulgate regulations prohibiting the discharge of PFAS at ANY contaminant level in any waterway or drinking water supply of the State (Bustos – R). The bill is unrealistic and will not go anywhere. It was likely introduced by request of a constituent (done as a courtesy but the legislator will not likely push for passage).



# **GM Monthly Report**





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

January 14, 2025

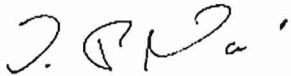
Dear Commissioners, please see below the following updates:

- We are experiencing demand of approx. 6 million gallons a day (mgd), which is normal for this time of year and prevailing weather conditions, and includes Aquifer Storage & Recovery recharge.
- We have been awarded a \$1.5-million grant from the S.C. Rural Infrastructure Authority for the replacement of the screw pumps in the Recycled Water Plant. The project is preliminarily estimated to cost approximately \$4.5 million. We will be preparing a bid package in the coming months.
- S.C. Infrastructure Investment Program (SCIIP) Projects Update:
  - **Project Closeout Update**
    - The SCIIP program has informed us that we will be permitted to closeout the projects in spring 2027. We anticipate having all grant proceeds expended by summer 2026.
  - **RO Plant Expansion**
    - Reverse Osmosis (RO) Water Treatment Plant (WTP) Expansion: Continued coordination on shop drawing review and responses to request for information from the contractor. Contractor procuring long lead items and will mobilize on 12/02/2025.
  - **RO Well #4, ASR Well #2, and Transmission Mains**
    - Preconstruction meeting was held on 11/06/2024 with a Notice to Proceed date of 12/02/2024. A preliminary schedule has been reviewed with a Mobilization date of 1/17/2025. The RO-4 Well & Transmission Main will be constructed first followed by the ASR-2 Well & Transmission Main.
    - We are coordinating with the Town on a date for a groundbreaking ceremony at RO Well #4, potentially sometime in February.
  - **Leg O'Mutton Water Booster Station**
    - Awaiting Building Permit from Town of HHI. Engineer is responding to comments from Town on Building Permit Application. Contractor is ready to mobilize.
- **Pipeline Relocation:** We have sent the following requests to the S.C. DOT's project manager regarding the geotechnical borings in the vicinity of the subaqueous portions of our drinking water pipeline. To date, there has been no response to the request:
  - 1. Obtain all SCDOT borings previously made and any other historical boring data available and create a profile of the strata in which the water main is located. Since the formations are generally consistent, we will know what material should be just above the main whether it be a hard layer (shell, limestone, etc.), cemented sand or marl. Have buy-in by the geotechnical engineer/driller on what is anticipated to be encountered during drilling.

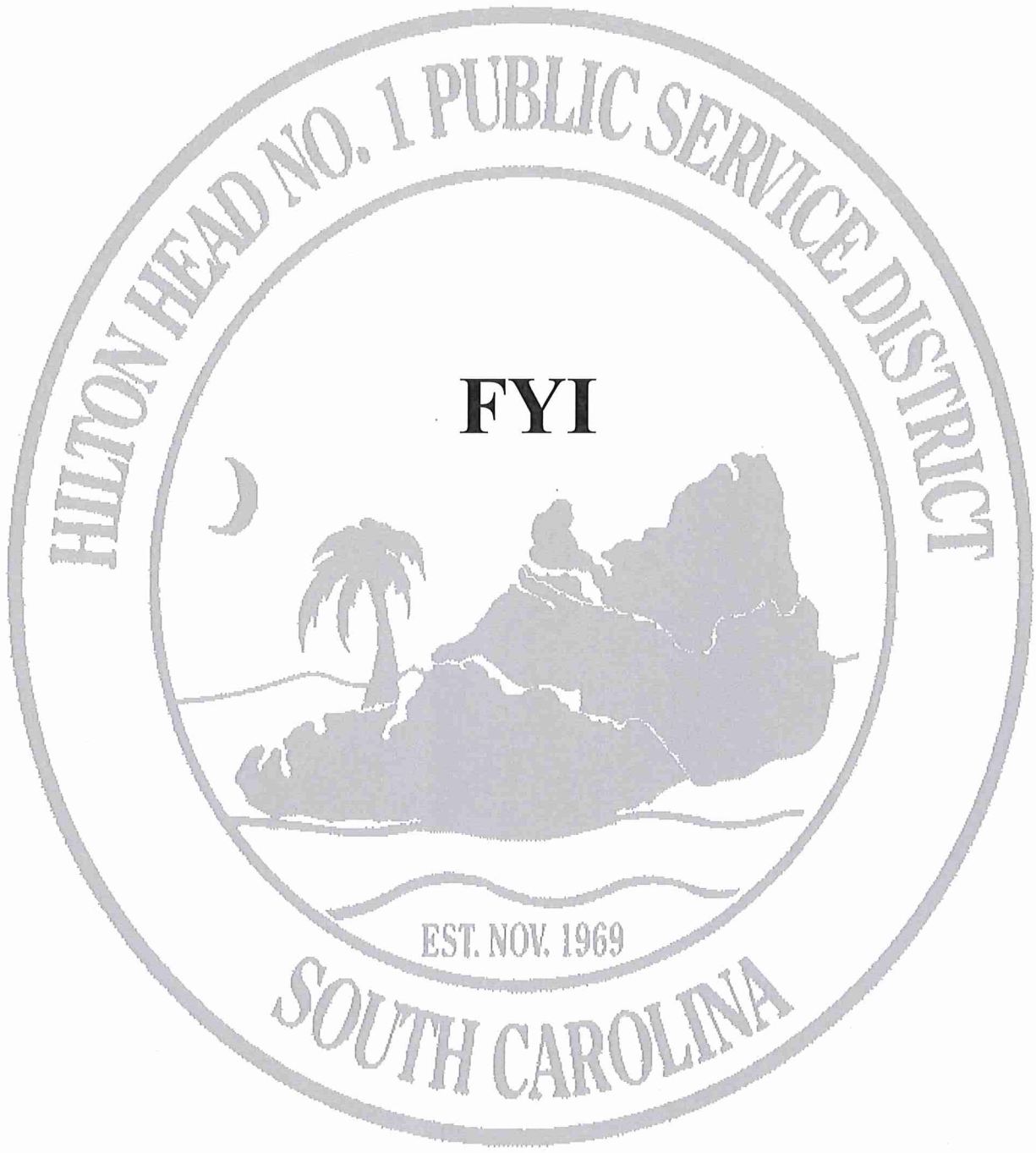
- 2. Request that a Cone Penetration Test (CPT) probe be used for those boring in close proximity to the water main. The probe is pushed downhole and has no cutting drill bit. If steel is encountered, pushing it through the casing would be highly unlikely if not impossible.
- 3. In the event a CPT is not used, monitor the boring operation closely. If refusal occurs, immediately stop drilling. The drill head would then be extracted and inspected for the material in the drill bit. If no material is retrieved, then observation of the bit should provide evidence, if steel was encountered. If undetermined as to what caused refusal, a split spoon sampler could then be inserted in the bore hole until the hard material is again encountered. If refused again, remove the split spoon and inspect for steel impact. A qualified driller would not drill through a steel pipe using a drill bit typically used for the soils in this area (ie. not a rock bit).
- 4. If it is determined the obstruction is the steel casing or undetermined hard material, then offset the boring to some agreed upon distance and complete the boring.
- Frank Turano and Bill Davis attended a Town Council workshop this month in which funding for the bridge project was discussed.
- I attended the HHI-Bluffton Chamber's Public Policy Committee this month and had the Chamber include language regarding advocating for water reuse systems, sewer connectivity, and tap water infrastructure in its 2025 Legislative Priorities.
- I have been invited to deliver the welcome remarks to the American Water Works Association's National Board when it meets on Hilton Head later this month.
- Hilton Head and Broad Creek PSDs met with HHI Fire Rescue this month for our annual meeting in which we discuss areas of mutual operation and interest. Hydrant maintenance and structure-fire notification to the PSD were among the topics discussed.

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

All my best,



Pete Nardi  
General Manager



Harry M. Lightsey III  
Chairman



Bonnie Ammons  
Executive Director

South Carolina  
Rural Infrastructure Authority

December 9, 2024

The Honorable Frank Turano  
Chairman  
Hilton Head Public Service District  
Post Office Box 21264  
Hilton Head, South Carolina 29925

Dear Chairman Turano:

On behalf of the South Carolina Rural Infrastructure Authority, I am pleased to inform you that a Basic Infrastructure grant has been approved in the amount of \$1,500,000 for the Wastewater Treatment Plant Influent Screw Lift Pumps Replacement project. This project supports infrastructure improvements that will enhance the quality of life in your community.

You will receive a grant agreement which identifies the conditions of this assistance within the next few days. We look forward to working with you to build infrastructure capacity for the future.

Sincerely,

A handwritten signature in blue ink, appearing to read "H. Lightsey III", is written over the typed name and title.

Harry M. Lightsey III  
Chairman

cc: Beaufort County Delegation

## NOTICE OF PUBLIC HEARING BEAUFORT-JASPER WATER AND SEWER AUTHORITY FISCAL YEAR 2026-2028 RATE INCREASES

Notice is hereby given that a public hearing will be held at 5:00 p.m. on Tuesday, the 7th day of January 2025. The hearing will be held at the office of Beaufort-Jasper Water and Sewer Authority, which is located at 6 Snake Road, Okatie, SC. The purpose of the public hearing will be to allow members of the public to express their views regarding the proposed rate increases for Beaufort-Jasper Water and Sewer Authority for Fiscal Years 2026-2028. All persons who attend the public hearing will be given an opportunity to speak. Beaufort-Jasper Water and Sewer Authority does not levy ad valorem property taxes. The Authority relies on user charges to meet its operational needs.

As required by Section 6-1-330, Code of Laws South Carolina, 1976, as amended, the public hearing on the proposed rates is being held prior to the final adoption.

The public is advised of the following for the proposed rates and their effective dates for fiscal years 2026-2028:

WATER			Approved Current Rates	Proposed Effective July 1, 2025	Proposed Effective July 1, 2026	Proposed Effective July 1, 2027	
Commercial Irrigation	Minimum Usage	Basic Facilities Charge	\$17.00	\$17.85	\$19.10	\$20.06	
		per Thousand gallons	\$6.24	\$6.55	\$7.01	\$7.36	
Commercial Water	Minimum Usage	Basic Facilities Charge	\$17.00	\$17.85	\$19.10	\$20.06	
		per Thousand gallons	\$4.70	\$4.94	\$5.29	\$5.55	
Residential Irrigation	Minimum Usage	Basic Facilities Charge	\$12.00	\$12.60	\$13.48	\$14.15	
		per Thousand gallons	\$6.24	\$6.55	\$7.01	\$7.36	
Residential Water	Minimum Usage	Basic Facilities Charge	\$12.00	\$12.60	\$13.48	\$14.15	
		per Thousand gallons	\$4.70	\$4.94	\$5.29	\$5.55	
Raw Water Commercial Contract	Fixed O&M Charge Usage	per Month	\$6,200.00	\$6,510.00	\$6,965.70	\$7,313.99	
		per Thousand gallons	\$0.15	\$0.16	\$0.17	\$0.18	
Reverse Osmosis Commercial Contract	Fixed O&M Charge Usage	per Month	\$5,700.00	\$5,985.00	\$6,403.95	\$6,724.15	
		per Thousand gallons	\$4.69	\$4.92	\$5.26	\$5.52	
Return Water Commercial Contract	Fixed O&M Charge Usage	per Month	\$3,392.00	\$3,561.60	\$3,810.91	\$4,001.46	
		per Thousand gallons	\$0.07	\$0.07	\$0.07	\$0.07	
Wholesale	Military	per Thousand gallons	\$4.01	\$4.21	\$4.50	\$4.73	
	Area A2	per Thousand gallons	\$3.76	\$3.95	\$4.23	\$4.44	
	Area A3	per Thousand gallons	\$3.76	\$3.95	\$4.23	\$4.44	
	Area B1	per Thousand gallons	\$3.76	\$3.95	\$4.23	\$4.44	
	Area B2	per Thousand gallons	\$3.75	\$3.94	\$4.22	\$4.43	
	Area B3	per Thousand gallons	\$2.71	\$2.85	\$3.05	\$3.20	
SEWER							
Commercial	Minimum Usage	Basic Facilities Charge	\$21.60	\$22.68	\$24.27	\$25.48	
		per Thousand gallons	\$10.13	\$10.64	\$11.38	\$11.95	
Bulk Commercial	Minimum Usage	Basic Facilities Charge	\$21.60	\$22.68	\$24.27	\$25.48	
		per Thousand gallons	\$7.50	\$7.88	\$8.43	\$8.85	
Residential	Minimum Usage	Basic Facilities Charge	\$17.50	\$18.38	\$19.67	\$20.65	
		per Thousand gallons	\$7.51	\$7.89	\$8.44	\$8.86	
	Maximum per month	Residential Maximum	\$92.60	\$97.28	\$104.07	\$109.25	
Reclaimed Water	Fixed O&M Charge:	NOB Golf Course Irrigation	per Month	\$460.00	\$483.00	\$516.81	\$542.65
		SOB Golf Course Irrigation	per Month	\$521.00	\$547.05	\$585.34	\$614.61
		SOB Residential/Commercial Irrigation Usage	per Month	\$2,000.00	\$2,100.00	\$2,247.00	\$2,359.35
		per Thousand gallons	\$0.25	\$0.26	\$0.28	\$0.29	



P. O. Box 21284 ▪ Hilton Head Island, S.C. 29925 ▪ [www.ecwscholarship.org](http://www.ecwscholarship.org)

December 26, 2024

Pete Nardi, General Manager  
Hilton Head Island Public Service District  
P.O. Box 21264  
Hilton Head Island, S.C. 29926

Dear Mr. Nardi,

We are overjoyed to share the incredible success of the Ella C. White Memorial Scholarship Fundraiser held earlier this year on May 17, 2024. Your unwavering support made the 2024 Tassel Scholarship Awards Gala truly remarkable!

We extend our gratitude to you for supporting the 2024 Tassel Scholarship Awards Dinner with the purchase of a corporate table and an advertisement. It is with the commitment of supporters like you that we continue to inspire and empower the next generation of scholars. Your partnership ensures that our annual event not only raises critical funds but also fosters community awareness and engagement.

The evening was a celebration of achievement and hope, featuring a moving keynote address, a delicious dinner, exciting door prizes, captivating local entertainment, and the memorable presentation of scholarships. We are confident these elements left a lasting impression on our attendees, encouraging continued investment in the academic dreams of local students.

Since its establishment in 1972, the Ella C. White Memorial Scholarship Fund has proudly supported students from Hilton Head Island and Bluffton public high schools. As a recognized 501(c)(3) organization, we are committed to promoting higher education through scholarships. This year, we awarded an impressive \$17,000 in scholarships to 11 outstanding students, including six high school graduates and five continuing college scholars. Over the years, the fund has provided 913 scholarships totaling \$828,200—an achievement made possible by your steadfast support.

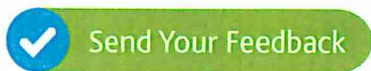
Once again, thank you for your generosity and commitment to our shared mission of elevating students toward brighter futures. As we look ahead, we invite you to mark your calendar for our next event, the **2025 Tassel Scholarship Awards & Fundraising Gala**, scheduled for **Friday, May 16, 2025, on Hilton Head Island**. Your ongoing partnership will help us continue to transform lives.

Sincerely,

Carolyn Grant  
Co-Chairman, The Tassel Scholarship Awards & Fundraising Dinner

**OUTLOOK**

11 December 2024



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Water & Sewer Utilities – US

**2025 Outlook - Stable as higher costs will be absorbed by rate increases**

**Summary**

The outlook for US municipal water and sewer utilities is stable over the next 12 months as rate increases will provide sufficient revenue growth to support increased capital and operating costs from new federal regulations. Liquidity will decline modestly from recent peaks as utilities begin substantial capital projects necessary to comply with regulations limiting forever chemicals and accelerating the timeline for replacing lead service lines. The increased costs associated with these investments will largely be passed on to customers through rate hikes. The strong balance sheets utilities built up over the last few years will also support capital investment and stable credit conditions.

- » **Liquidity will remain strong, with revenue growth insulating against escalating costs.** Median liquidity (days cash on hand) will decline modestly, by about 2%, as utilities use cash reserves for infrastructure investment and to achieve compliance with new regulations. Liquidity declines will be softened by rate increases that will produce sufficient revenue growth to offset some of the cash outlays.
- » **Debt burdens will stay flat in 2025, reversing a long trend of declines, and coverage will remain stable.** Many utilities are likely to increase debt issuance in 2025 to finance capital improvements aimed at addressing regulations and aging infrastructure. State and federal loan programs and lower interest rates will also drive increased leverage.
- » **Asset condition will remain flat, but may begin to improve after 2025 as utilities increase capital spending.** Improvement in asset condition will necessarily lag initial capital spending due to the scale and time frame for completion of typical utility infrastructure projects.
- » **Strong governance and rate-setting authority provide foundational strengths to mitigate longer-term risks, though rate affordability concerns remain.** Prudent management and close ties to municipal governments will continue to support the utility sector as physical climate risks persist. Autonomous rate-setting will remain a key strength of the sector, though affordability concerns present practical limits to rate increases.
- » **What could change the outlook.** We could revise our outlook to positive if liquidity improves by over 8% or if additional federal programs are established that significantly reduce the cost of complying with new regulatory requirements. The outlook could change to negative if changes in operating conditions suggest liquidity will decline by over 10%.

**Outlook definition**

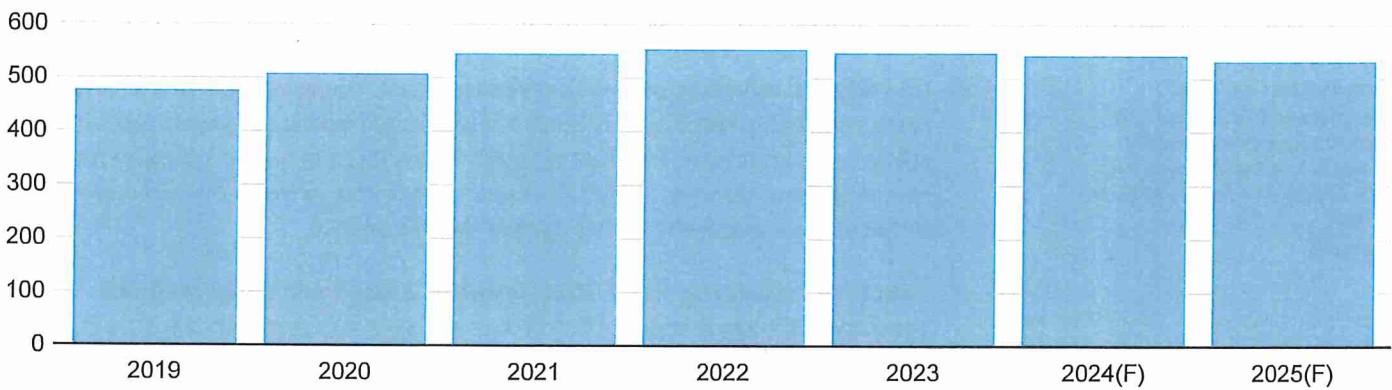
The stable outlook reflects our view of credit fundamentals in the US municipal water and sewer utility sector over the next 12 months. Sector outlooks are distinct from rating outlooks, which, in addition to sector dynamics, also reflect issuers' specific characteristics and actions. A sector outlook does not represent a sum of upgrades, downgrades or ratings under review, or an average of rating outlooks.

**Liquidity will remain strong, with revenue growth insulating against escalating costs**

The stable outlook for the sector reflects our expectation that liquidity will remain robust, despite slight declines driven by capital investment to comply with new regulatory requirements and to address aging infrastructure. Median liquidity, as measured by days cash on hand (DCOH), is likely to decline by 2% in 2025 (see Exhibit 1). The decline in liquidity would be much greater if not for revenue growth that will replenish some of the cash outlays, softening the overall impact on liquidity.

Exhibit 1

Liquidity will decline modestly in 2025 as utilities begin upfront investment to comply with new EPA rules  
Median days cash on hand



Source: Moody's Ratings

The US Environmental Protection Agency (EPA) made two regulatory rule changes in 2024 that affect water utilities and will soften liquidity in the outlook period. In April, the EPA finalized regulations that [limit the concentration of per- and polyfluoroalkyl substances \(PFAS\)](#), also known as forever chemicals, in drinking water. In October, the EPA also [strengthened the existing Lead and Copper Rule](#) to require utilities to replace all lead service lines (LSLs) within 10 years compared with the prior timeline of 30 years.

These two regulatory changes come with considerable capital costs for some utilities. The total cost to comply with the PFAS rule is likely to be between \$30 billion and \$60 billion, and only impacts about 15% of the sector, while LSL replacement is projected to cost between \$20 billion and \$30 billion. While these additional capital costs do not impact the whole sector uniformly, they come in addition to the sectorwide trend of aging infrastructure. The EPA's most recent survey of needs estimates that the water and sewer sector will require about \$1.2 trillion in infrastructure investment over the next 20 years (\$625 billion for water and \$630 billion for sewer).

Favorably, the new EPA rules are accompanied by considerable external funding sources, including federal grants, low/no interest loans and proceeds from [PFAS-related settlements](#). The Infrastructure Investment and Jobs Act of 2021 provides about \$12 billion in grant funding to address PFAS contamination (\$5 billion) and LSL replacement, coupled with a similar amount available for low-interest loans through the Drinking Water State Revolving Fund (DWSRF) program. Other state revolving funds (separate from the DWSRF), Water

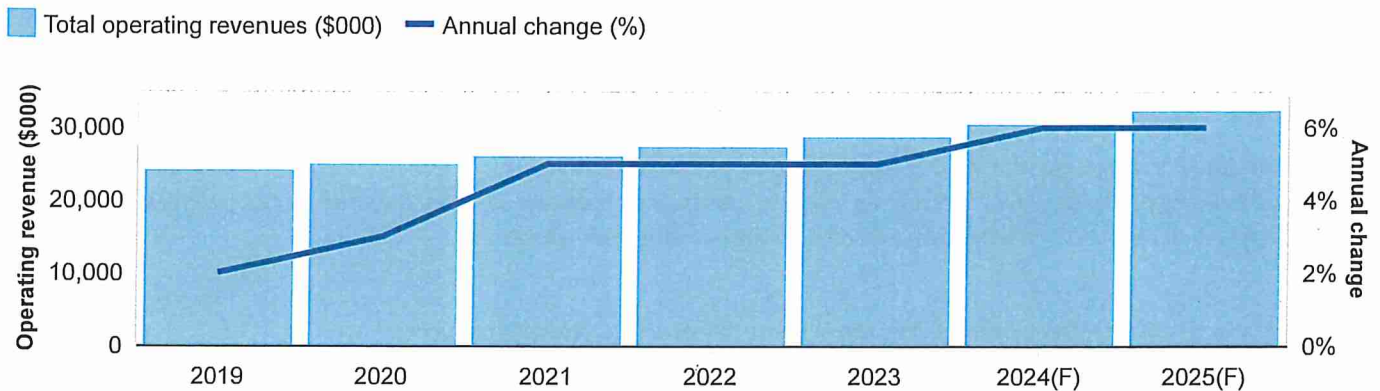
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.



Infrastructure Finance and Innovation Act (WIFIA) loans, and over \$12 billion in currently agreed upon settlement proceeds from PFAS manufacturers provide additional funding sources to address infrastructure improvements needed to comply with EPA rules. However, the lengthy application process for these external funding sources makes it likely many utilities will use cash reserves to get capital projects started in 2025.

Utilities have bolstered liquidity levels over the last five years, which will provide ample ability to absorb these upfront costs. Additionally, rate increases will remain utilities' most important tool for cost recovery and will drive sufficient revenue growth in 2025 to largely offset the use of cash. We expect median operating revenue to grow by 6% in 2025, above the average growth rate of about 4% for the prior five years (see Exhibit 2).

Exhibit 2  
 Operating revenue will grow by 6% in 2025, primarily driven by rate increases  
 Median total operating revenue



Source: Moody's Ratings

According to the American Water Works Association's (AWWA) annual survey of water utility executives, about 78% of utility executives identify rate increases as a key financing mechanism to fund necessary capital improvements; rate increases were the most-cited funding mechanism. We expect most utilities to implement increases of between 3% and 8% in 2025 to help cover inflation of general operating costs. However, utilities exposed to PFAS contamination or high concentration of lead service lines will likely implement much larger rate increases to recover these costs.

It is uncertain how the new EPA regulations will be viewed by the [incoming Trump administration](#), but recent actions by Trump-aligned members of the Senate and House of Representatives suggest efforts will be made to ease the recent EPA regulations. If the administration does weaken or withdraw the new EPA rules, we expect most utilities will carry on with their current capital plans aimed at attaining compliance with the existing EPA rules.

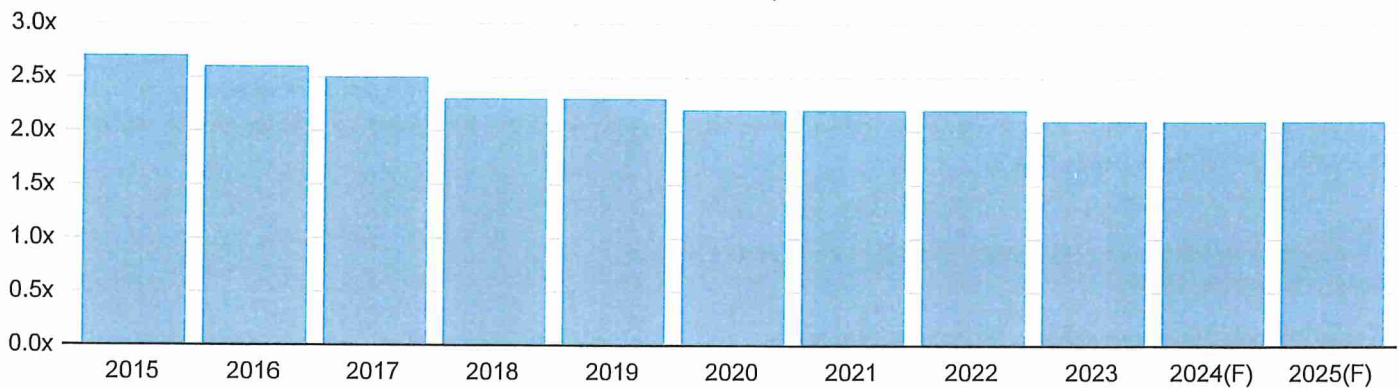
While our outlook for the sector is stable, we could revise it to positive if liquidity improves by over 8% or if additional federal programs are established that significantly reduce the cost of complying with new regulatory requirements. The outlook could change to negative if changes in operating conditions suggest liquidity will decline by over 10%.

**Debt burdens will stay flat in 2025, reversing a long trend of declines, and coverage will remain stable**

We expect debt burdens to remain level in 2025, if not increase slightly, as utilities begin increasing capital investment to address additional regulatory requirements and aging infrastructure. This is counter to a decadelong trend of moderating debt burdens in the sector (see Exhibit 3). Over half of the federal and state funding available to address water and wastewater infrastructure comes in the form of loan programs, which will increase utilities' balance sheet leverage if used. Lower interest rates relative to prior years will further support increased borrowing by utilities in 2025.

Exhibit 3

A moderating trend in debt burdens will shift as issuance rises to finance capital projects  
Median total debt to operating revenues

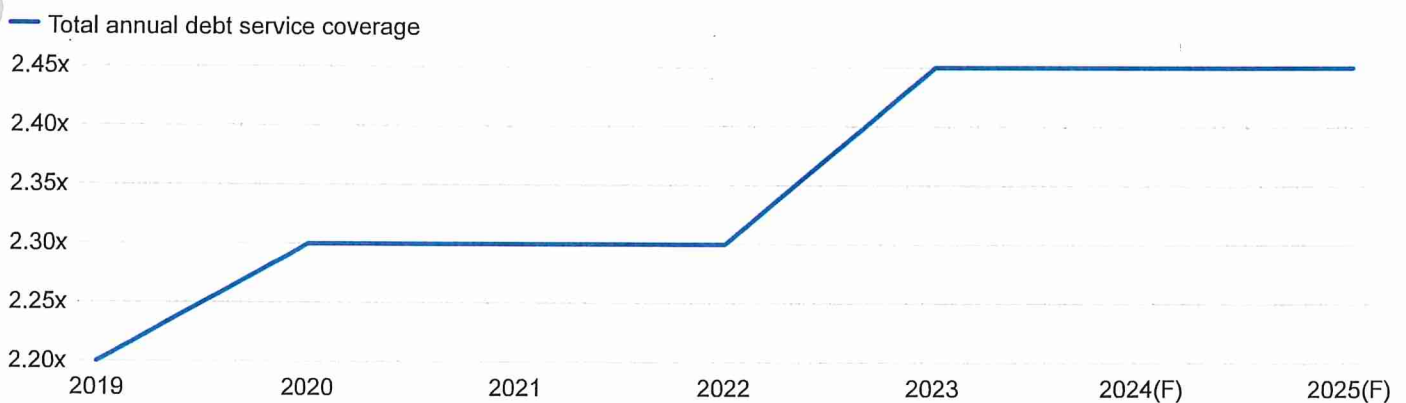


Source: Moody's Ratings

Despite the increased debt issuance, annual debt service coverage will remain strong for the year, at around 2.5x (see Exhibit 4). Our expectation of unchanging coverage for 2025 reflects marginal changes in annual debt service requirements from prior years, coupled with steady net system revenue as rate increases will offset rising operating expenditures.

Exhibit 4

Debt service coverage will stay strong, supported by revenue growth that will outpace expenditures  
Median total annual debt service coverage



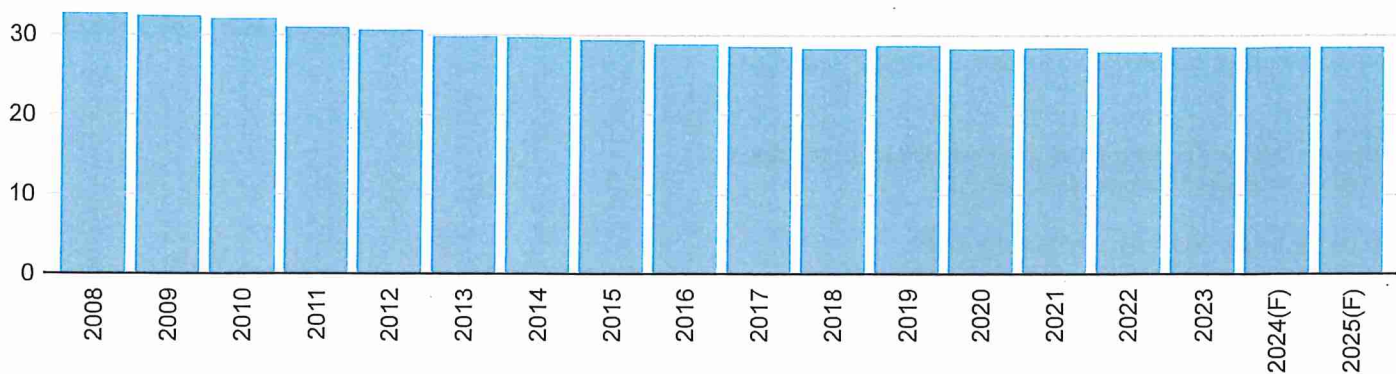
Source: Moody's Ratings

**Asset condition will remain flat through 2025, but may begin to improve thereafter as utilities increase capital spending**

Despite significant capital investment, asset condition will remain relatively flat through 2025, staying at currently adequate levels (see Exhibit 5). Because water and sewer utility capital projects are typically large and have lengthy timelines for completion, the projects started in the next year are unlikely to be captured in 2025 financial statements. However, the increased capital investment in 2025 will produce improved asset conditions in future years, a reversal of a decadeslong trend of aging assets.

Exhibit 5

### Asset condition will remain flat through 2025 Median years remaining useful life of assets



Source: Moody's Ratings

Improving asset conditions after 2025 will be a step forward from the stabilization that has occurred since 2020. An increase in the volume of capital projects initiated since the large influx of federal funding during the pandemic, as well as the passage of the Infrastructure Investment and Jobs Act in late 2021, stalled the trend of declining asset condition seen in almost every year since at least 2007. Federal and state funding for utility infrastructure will be a key mitigant of deteriorating asset condition during the outlook period and over the longer term.

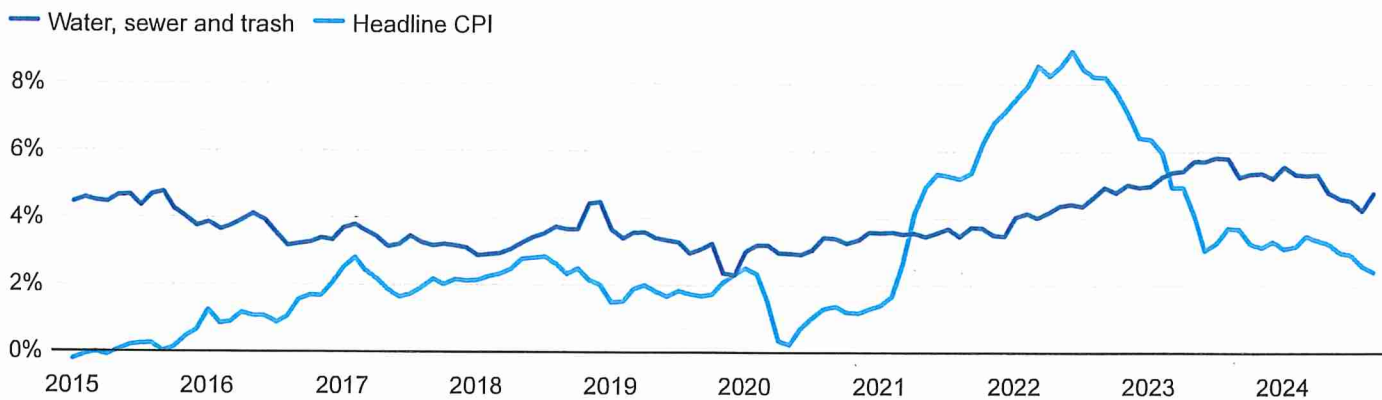
### Strong governance and rate-setting authority provide foundational strengths to mitigate longer-term risks, though affordability questions remain

The municipal water and sewer sector benefits greatly from strong governance and a long record of successfully managing through challenges. Most public utilities have close ties with municipal governments, often wholly owned and operated as a department of the municipality. The [stable outlook for US Cities and Counties in 2025](#) supports the stable outlook for water and sewer utilities for a variety of reasons. Public utilities benefit from the additional resources and financing sources that are available to a municipal government, including taxing authority that may supplement utility operations, the ability to issue tax-backed debt to finance utility infrastructure, and sharing of general admin services, which reduces operating costs.

Strong governance will remain a vital mitigant of the multitude of long-term risks facing the sector, including environmental risks, [cyber threats](#) and concerns about utility rate affordability. Utilities are increasingly exposed to environmental risks in the form of drought, heat stress, flooding and extreme weather events/natural disasters, with the risk severity varying by region. Utilities in the [Eastern and Southern US are particularly exposed to severe flooding](#), which could cause significant damage to system infrastructure and service disruptions. Utilities in drought-prone regions, including the West and Southwest, will continue to struggle with water scarcity and face operating headwinds over the longer term as water use restrictions will curtail sales volume, necessitating rate increases to maintain level revenues. Some utilities experiencing water supply challenges have developed alternative, drought-resistant sources like desalination and recycled wastewater treatment, which are typically more expensive than traditional surface and ground water sources. While we do not expect environmental risks to manifest themselves across the sector over the next 12 months, individual utilities may be acutely affected by severe events.

Rate affordability will remain a challenge for utilities in the next 12 months and over the longer term. With the sector facing rising operating and capital costs, new regulatory requirements, aging infrastructure and water conservation goals, among other challenges, rate increases will remain the most used funding mechanism to address these concerns. Although water and sewer utilities typically have autonomous rate-setting authority, there are practical limits on the amount of costs that can be absorbed by rate payers. Utility rates have historically grown at a greater rate than general inflation (see Exhibit 6), and we expect the gap to widen further over the next 12 months as overall inflation abates and utilities raise rates.

Exhibit 6  
Residential utility bills will continue to run ahead of general inflation  
Annual percent change in consumer price index (CPI)



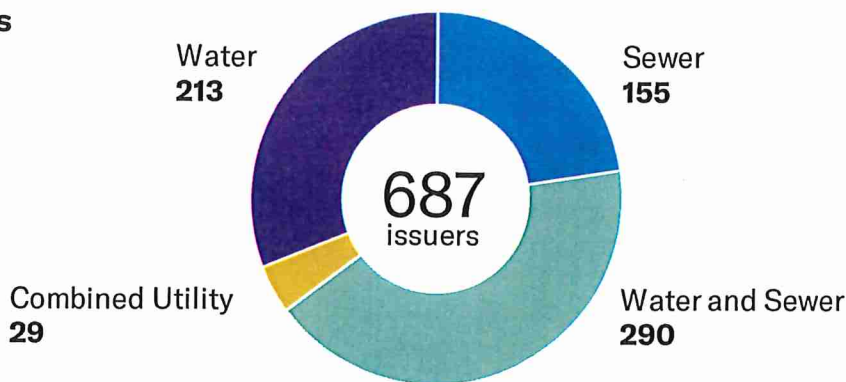
Source: Bureau of Labor Statistics

Utilities with growing customer bases and supplemental revenue from development-related connection fees and capital contributions from property developers will be better poised to absorb cost increases and can lessen the cost burden on existing ratepayers. Conversely, utilities located in areas experiencing population loss will find it harder to take on increased costs and ratepayers will shoulder most of the costs.

## Appendix

Exhibit 7  
Number of rated US water and sewer utilities by type  
As of December 2, 2024

### All rated issuers



Combined utilities are issuers with water/sewer systems plus other non-water related enterprises like electric transmission or solid waste.  
Source: Moody's Ratings

Exhibit 8  
 Distribution of ratings and outlooks in the water and sewer utilities sector  
 As of December 2, 2024

**Rating distribution by number of issuers**

INVESTMENT-GRADE

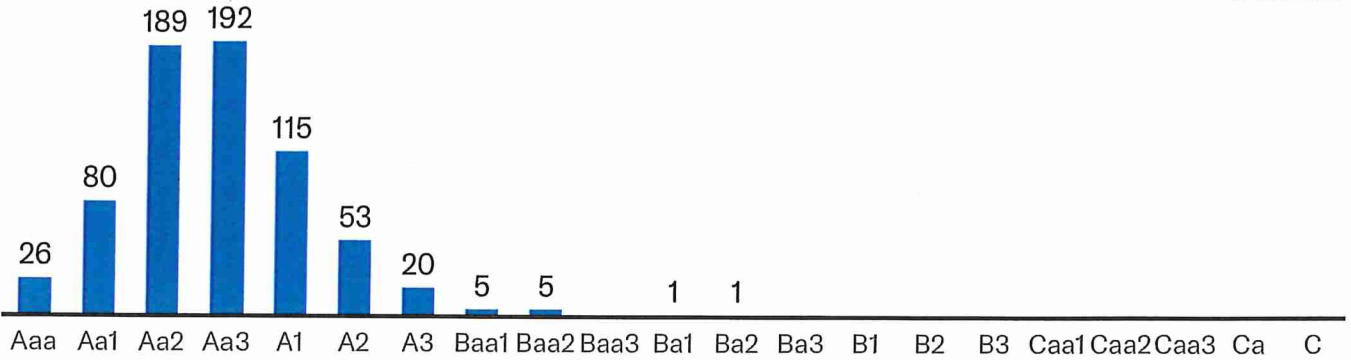
SPECULATIVE-GRADE

100%

0%

685 issuers

2 issuers



**Outlook distribution**

Positive Stable RUR Negative No Outlook

Total number of issuers

687



Source: Moody's Ratings

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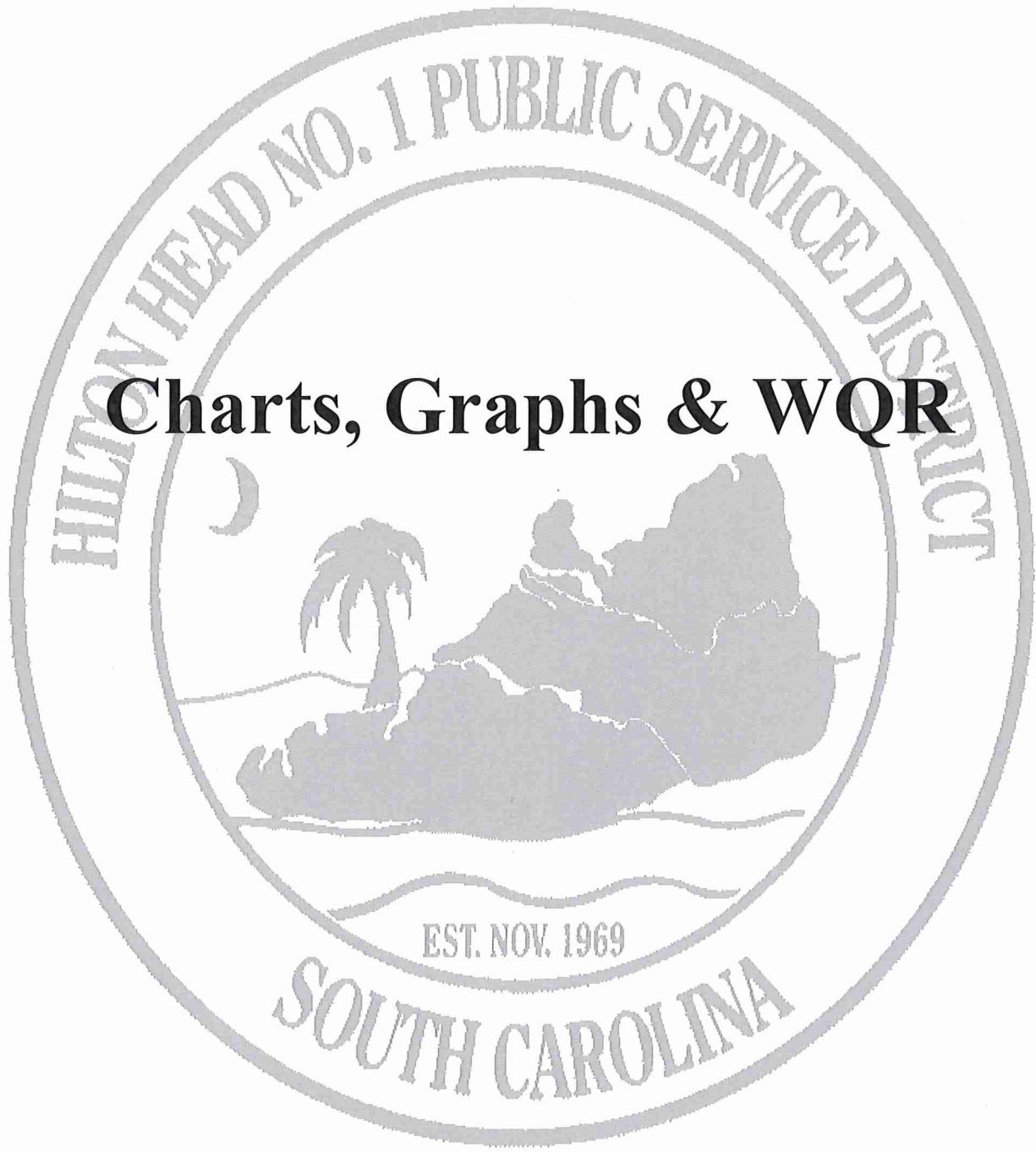
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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

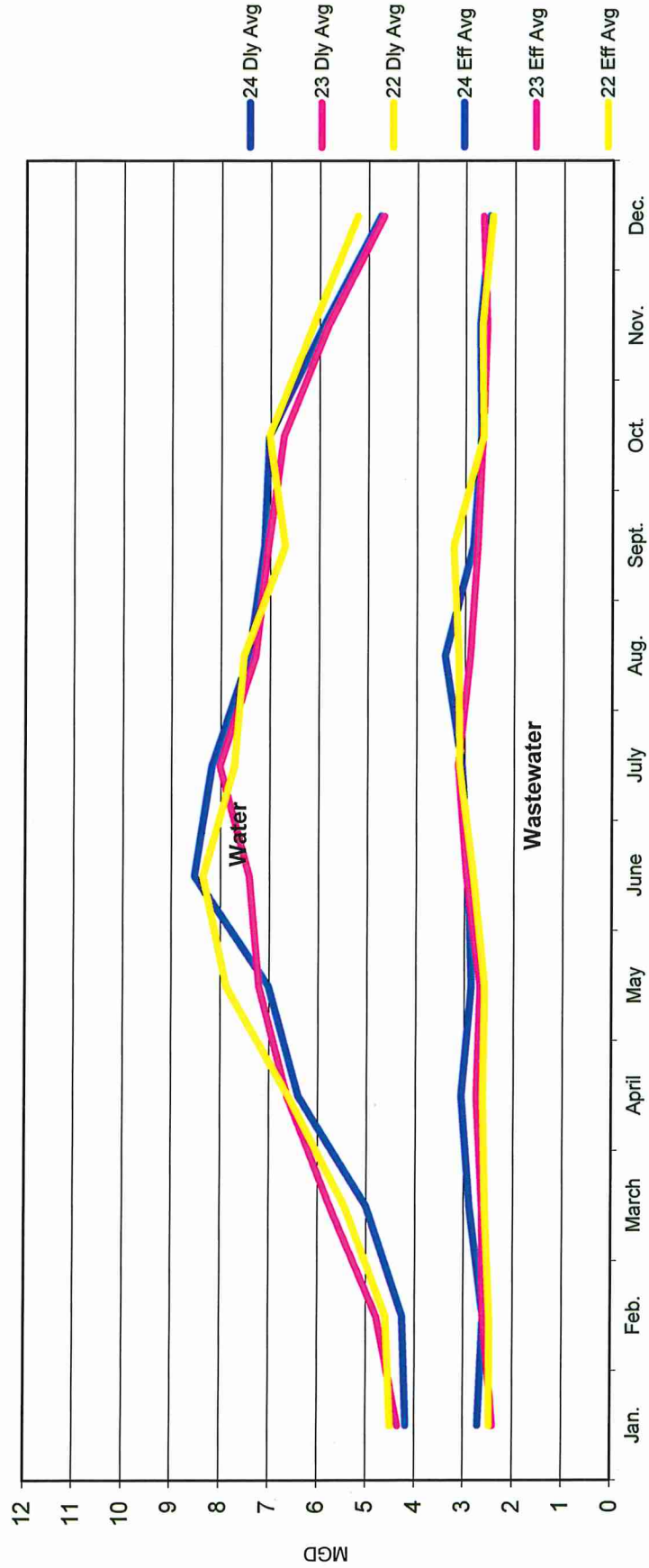




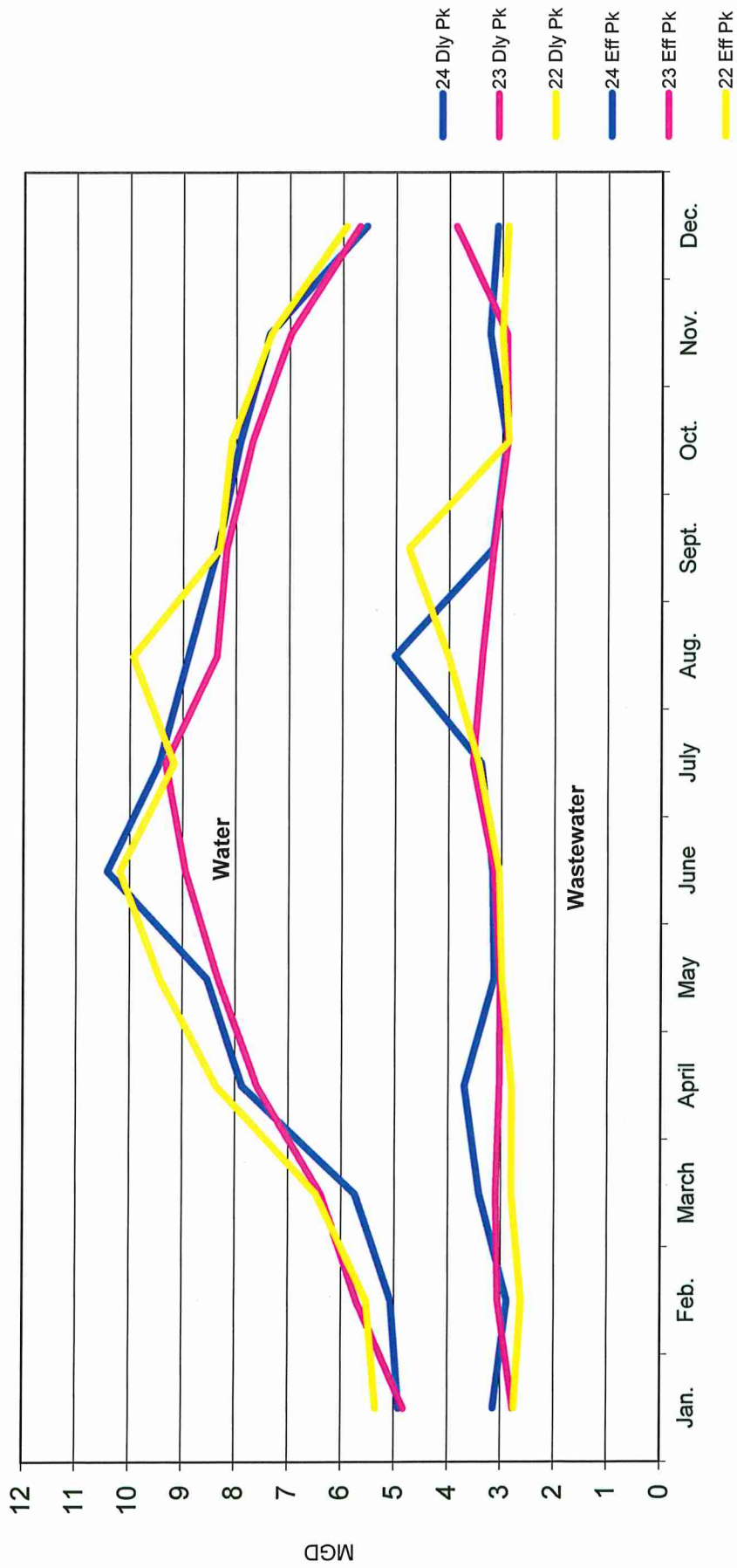


# **Charts, Graphs & WQR**

### Water and Wastewater Average Flows



### Water and Wastewater Peak Flow





Dec-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	25.64	51.84	55.81	57.54	77.43	75.84	47.58	17.98	470.21	20.0%
RO Plant	107.87	95.01	117.34	115.26	114.23	118.77	112.29	107.17	98.78	115.67	112.60	122.56	1337.55	56.0%
UFA Wells	20.12	21.59	15.06	24.71	24.65	34.48	37.85	31.12	36.56	42.24	31.66	20.86	340.90	14.0%
ASR Recovery	0.00	0.00	0.00	19.62	46.41	54.30	55.81	51.54	18.09	0.00	0.00		245.77	10.0%
Total	127.99	124.35	154.72	190.07	210.93	259.39	261.76	247.37	230.86	233.75	191.84	161.40	2394.43	100.0%

System-wide Water Quality Testing Type of Test	Results by Month											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Bacteriological	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
Chlorine (avg)	1.92	1.96	1.86	1.89	2.01	2.06	1.77	1.67	1.73	1.56	1.57	1.69
Ph (avg)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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)	1.93	Y			
RO Raw Water MFA Wells (range)	n/a	Y	155 - 470	96 - 200	
Finished RO Water	2.65	Y			
Fire Station UFA	1.43	Y	60	133	
Leg O' Mutton UFA	2.00	Y	124	218	
Wild Horse UFA	1.24	Y	57	177	
Seabrook UFA	2.01	Y	150	262	
Union Cemetery UFA	0.90	Y			
ASR (recharge)	2.09	Y	28	26	

### Customer Inquiries

Type of Inquiry	Number of Inquiries	Resolved?	Comments
Low Pressure	7	y	
Customer break/leak	22	y	
PSD break/leak	13	y	
Water Outage	1	y	
Odor/Taste/Color	2	y	
Miscellaneous	78	y	
Sewer issues & Inspections	32	y	
<b>Total</b>	<b>155</b>		

### Other Water Quality Notes for This Month

12/02/2024 - Changed cartridge filters

12/27/2024 - Changed cartridge filters