

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

FEBRUARY 2026 AGENDA PACKET CONTENTS

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8. MOU for Participation in the S.C. Critical Infrastructure Cybersecurity Program
9. GM Monthly Report
10. BCPSD Regional Infrastructure Connectivity Study Presentation
11. Signed Letter in Support of H.3768
12. Water Quality Report



Agenda

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www.hhpsd.com

AGENDA

Hilton Head Public Service District Commission

1 p.m.

February 25, 2026

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 January 28, 2025, Regular Meeting
- VI. Coastal Community Development Corporation Presentation
- VII. FY '26 2nd Quarter Financial Report
- VIII. Financial Ratio Benchmark Analysis
- IX. S.C. Critical Infrastructure Cybersecurity Program MOA (Action)
- X. General Manager's Monthly Report
- XI. Executive Session:
 - A. Under S.C. Code 30-4-70 (a) (2) ("Discussion of negotiations incident to proposed contractual arrangements...")
 - i. Purchased Water Agreement
 - ii. Advanced Metering Infrastructure
- XII. Possible Action by Commission Concerning Matters Discussed in Executive Session
- XIII. Adjournment

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



HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT

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MINUTES COMMISSION MEETING JANUARY 28, 2026

I. The meeting was called to order by Chairman Frank Turano at 1:00 p.m.

II. Those in attendance were:

Mr. Jerry Cutrer	Vice Chair
Mr. Stuart Bell	Treasurer
Mrs. Patti Soltys	Secretary (via Zoom)
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
Mrs. Connie Whitehead	Commission Recording Secretary

Absent:

Mr. Frank Turano	Chair
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Visitors

None

III. Pledge of Allegiance

The Pledge of Allegiance was led by Mr. Michael Marks.

IV. Public Comment on Non-Agenda Items

None

V. Adoption of Draft Minutes of December 19, 2025, Commission Meeting

Key Discussion Points

- In Section IX, Adoption of Commission Officers, the action item was reworded to state, “Mr. Marks moved to elect the 2025 Commission Officers to serve in the same capacity for 2026...”

Action

- Mr. Abdul-Malik moved to adopt the minutes of the December 19, 2025, as amended. Mr. Bell seconded. The motion passed unanimously.

VI. Approval and Adoption of Series Resolution Authorizing the Water and Sewer Revenue Bond, Series 2026 (Front-foot Assessment) and Approval of Lender and Terms

Key Discussion Points

- Ms. Graybill gave an overview of the Series Resolution Authorizing the Water and Sewer Revenue Bond, Series 2026.
- Staff recommends the Commission adopt the resolution prepared by the District’s bond counsel providing for the issuance and sale of a waterworks and sewer system improvement revenue bond of Hilton Head Public Service District in the principal amount of not exceeding \$750,000, and other matters relating thereto.
- Staff recommends that the Commission authorize staff to formally accept the 10-year term (Option 1) from Huntington Bank.

Action

- Mr. Bell moved to adopt the resolution prepared by the District’s bond counsel providing for the issuance and sale of a waterworks and sewer system improvement revenue bond of Hilton Head Public Service District in the principal amount of not exceeding \$750,000. Mr. Marks seconded. The motion passed unanimously.
- Mr. Bell moved to accept the 10-year term proposed by Huntington Bank. Mr. Abdul-Malik seconded. The motion passed unanimously.

VII. 911 Center Lease Renewal

Key Discussion Points

- The lease between the Town of Hilton Head and Hilton Head PSD for the 911 dispatch center expires this summer. The Town has approached the PSD with an interest in going month-to-month.
- The Board is in favor of extending the lease but feels a month-to-month arrangement does not allow sufficient notice of lease termination.

Action

- Mr. Paterno moved to authorize the general manager to negotiate a lease extension with the Town based on Board discussions. Mrs. Soltys seconded. The motion passed unanimously.

VIII. PSD Purchasing Policy Review

Key Discussion Points

- Staff gave an overview of the current PSD Purchasing Policy.
- Staff recommends no changes at this time.

IX. FY'26 2nd Quarter Management Report

Key Discussion Points

- Mr. Nardi presented the FY'26 2nd Quarter Management Report. A copy is included in the agenda packet.
- Staff will prepare a letter for the Chairman's signature to be sent to the legislative delegation emphasizing the benefits of the Utility Relocation Act extension and urging them to work to that end.

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.

XI. Executive Session to Discuss Contractual Matters Related to Easement Valuation/Advanced Metering Infrastructure

Action

- Mr. Abdul-Malik voted to enter into executive session for the purpose of discussing contractual matters related to easement valuation and advanced metering infrastructure. Mrs. Soltys seconded. The motion passed unanimously.
- Executive Session began at 2:18 p.m.

XII. Reconvene Regular Session

Action

- Regular Session reconvened at 2:53
- Mr. Abdul-Malik moved that the Board adopt the Memorandum of Understanding discussed in Executive Session. Mr. Marks seconded. The motion passed 5-0. Mrs. Soltys was not present for the vote.

XIII. Adjournment

Action

- Mr. Bell moved to adjourn the meeting. Mr. Marks seconded. The motion passed unanimously. The meeting adjourned at 2:54 a.m.



**Coastal Community
Development Corporation**



(843) 681-5525

Hhpsd.com

To: All Commissioners
From: Pete Nardi, General Manager
Re: Coastal Community Development Corporation Presentation

February 18, 2026

Dear Commissioners:

Alan Wolf and David Wetmore from the Coastal Community Development Corporation Board of Directors will join us at our February Commission meeting to discuss the CCDC's efforts and potential PSD partnership.

Staff has prior met with Alan and David and will have information to share with the Commission on partnership potential.

As always, please do not hesitate to contact me with any questions.

Best regards,

A handwritten signature in black ink, appearing to read "P. Nardi", with a stylized flourish at the end.

Pete Nardi
General Manager
Hilton Head PSD
(843) 305-0638
pnardi@hhpsd.com



PROGRESS REPORT

16 Essex Court, Bluffton

Coastal Community Development Corporation

Email: info@ccdc-sc.org
Website: www.ccdc-sc.org
Tel: 843-715-4209

1000 Main Street
Suite 100-B
HHI, SC 29926

Mission

The Coastal Community Development Corporation (CCDC) seeks to increase the availability of homes for our local and regional workforce by preserving existing housing, redeveloping existing property and developing new property to meet the demand of our region while serving working residents.

Service Area

Beaufort & Jasper County

Review To Date

Acquisition Highlights

The CCDC has acquired 40 total housing units in Beaufort County since our inception in January 2023. Each of these units will be preserved for workers in our community at various area median income (AMI) levels for 99 years with affordability secured by deed restrictions.

Hilton Head Island:

- 18 Units Purchased
 - o 3 each 2 Bedrooms @ 50% AMI
 - o 9 each 2 Bedrooms @ 80% AMI
 - o 1 each 1 Bedroom @ 100% AMI
 - o 4 each 2 Bedrooms @ 100% AMI
 - o 1 each 2 Bedrooms @ 120% AMI

Bluffton Area:

- 23 Units Purchased
 - o 9 each 1 Bedroom @ 80% AMI
 - o 3 each 2 Bedrooms @ 80% AMI
 - o 5 each 2 Bedrooms @ 100% AMI
 - o 3 each 3 Bedrooms @ 80% AMI
 - o 3 each 3 Bedrooms @ 100% AMI

Financial Highlights

2024 resulted in significant growth in support and development across our community and fueled our ability to acquire and preserve 40 units of workforce housing. The CCDC set out to engage private, public, non-profit and community partners in our efforts and each of these stakeholders has played an integral part in our growth to date.

Hilton Head Island:

- Development & Fundraising
 - o \$1,000,000 in donations for purchases
 - o \$250,000 from Long Cove Club Community
 - o \$575,000 from individual donors on Hilton Head Island
 - o \$605,000 in Altruistic Capital from Long Cove Club Community
 - o \$600,000 grant from Town of Hilton Head Island - ATAX Funds
 - o \$643,000 in Bank Mortgages from Coastal States Bank
 - o \$1.5M in Private Mortgages

Bluffton Area:

- Development & Fundraising
 - o \$1,000,000 donation for purchases from Novant Health
 - o \$1,000,000 in Altruistic Capital from Community Foundation of the Lowcountry
 - o \$600,000 grant from Beaufort County via Beaufort Jasper Housing Trust
 - o \$1.25M in Bank Mortgages from South States Bank
 - o \$1.5M in Private Mortgages

Strategic Highlights

The CCDC board added two new members in 2024, Brian Neumann and Collins Richardson. Neumann, of Northpointe Mortgage, has over 20 years of finance experience in the mortgage banking industry. Richardson of the Richardson Group has over 10 years of experience in finance and project management in the multi-family and single-family residential development sector.

Our strategy for increasing the availability of workforce housing represents a phased approach in which the first step involves the scattered site acquisition of properties available in our market. The second phase will focus on the redevelopment of existing housing, while the final step will result in the development of new workforce housing projects.

The CCDC is actively working with developers on multiple projects across Beaufort and Jasper counties which encompasses both of these phases. We are partnering with experienced, multi-family developers who have a track record of success in the affordable housing sector and view our organization as the ideal local, non-profit partner in the upcoming developments.

While we will continue to raise funds for our initial work of scattered site acquisitions, we are excited to see progress in the development phases; prospects which will substantially increase the number of workforce housing units that we can bring to the market in the coming years.

Operating Highlights

Under the leadership of Program Manager Carletha Frazier, the CCDC actively manages half of the units we own, while the remaining units are overseen by local property management companies at or below current market rates. Their expertise and established systems enable the CCDC to maintain a lean team while ensuring our tenants receive high-quality property management. Our Program Manager is the only paid employee of CCDC and our board of directors receives no compensation for their work.

The CCDC accepts applications from prospective tenants and qualifies them based on household income, employment with local businesses, and eligibility to work in the United States. We have successfully placed workers in medical services, hospitality, service trades, and education into the units we've acquired and rented. In many cases, these workers can now live closer to their jobs, reducing long commutes or making relocation to our region possible through affordable workforce housing.

Looking Ahead

In our first year, CCDC garnered support from a diverse group of community members. Looking ahead, we aim to broaden our support network and explore new opportunities to expand the availability of workforce housing.

FROM THE BOARD

The CCDC has made significant strides in expanding workforce housing in the Lowcountry. While we are not the only organization tackling this challenge, our first-year results surpass any similar efforts in Beaufort County over the past two decades. We are deeply grateful for the individuals in our community who have stepped up to support our mission—both financially and through advocacy—helping to improve the quality of life for local residents. The CCDC approach presents a vital solution to our region's housing challenges, offering key advantages such as:

- **Immediate Impact:** Unlike new development, CCDC can quickly preserve existing workforce housing, providing immediate relief.
- **Smart Growth Management:** Acquiring existing homes aligns with the Lowcountry's growth management priorities.
- **Short-Term Rental Mitigation:** Our strategy helps counteract the effects of the expanding short-term rental market in the region.
- **Path to Homeownership:** Through our phantom equity program, tenants can save for a home down payment. Combined with controlled rental pricing, this initiative supports those who exceed income limits for restricted rentals and aspire to own a home in our community.
- **99-Year Affordability Protection:** CCDC properties will have covenants tied to Area Median Income (AMI) for 99 years, ensuring long-term affordability by capping resale values in line with AMI growth.
- **Housing for All Workers:** Our approach provides housing opportunities for workers across industries, including civil service, healthcare, education, hospitality, and skilled trades—allowing them to live where they work.

This strategy ensures sustainable, affordable housing solutions that support both workforce stability and regional growth.



2025 BOARD OF DIRECTORS

- Kim Likins
- Lisa Sulka
- Tony Alfieri
- Ken Campbell
- David Wetmore
- Geoff Block
- Alan Wolf
- Brian Neumann
- Collins Richardson

HOME:

Coastal Community Development Corporation

In just two years, the Coastal Community Development Corporation (CCDC) has achieved what many once thought impossible: creating lasting, measurable progress in improving the southern Lowcountry's workforce housing crisis. The nonprofit has purchased 41 homes and apartment units (for the purpose of renting) in Hilton Head Island and Bluffton and placed a 99-year covenant on the property that restricts the rent to a percentage of the Area Median Income (AMI). The covenant also prevents properties from being sold on the open market, which ensures long-term affordable housing rentals for local workers.

Behind this remarkable progress lies a shared commitment from community leaders, businesses, residents, and the Community Foundation of the Lowcountry (CFL), whose early belief and investment made CCDC's rapid success possible.



"CFL has been absolutely instrumental during every step, from conception to implementation to startup to future growth planning."

Alan Wolf, CCDC Chairman of the Board

RESULTS:

41 CCDC homes
23 in Bluffton
18 on Hilton Head

A CATALYST FOR ACTION

The idea for CCDC took root in the wake of the Chimney Cove situation in 2022, in which 300 residents of Hilton Head's affordable apartment complex faced immediate eviction because the owner was in the process of selling the property. Public outcry caused the owner to rescind the eviction notices.

For Alan Wolf, chair of the CCDC Board of Directors and President of the SERG Group, Chimney Cove was the tipping point. "Back to 2016, many of us saw what was happening across the country," Wolf recalls. "Everywhere there were resort communities, there were housing shortages. The difference was that in those places, private and philanthropic partners came together to move faster than government could to help alleviate the shortage."

CCDC was designed to move with speed and purpose to provide Hilton Head and Bluffton workers with affordable housing in the communities where they work. Instead of waiting for years for new construction projects to clear regulatory hurdles, the organization focuses on acquiring and preserving existing homes, an approach that delivers immediate impact.

THE POWER OF PARTNERSHIP

From day one, Community Foundation of the Lowcountry has been central to CCDC's creation and success. "The very first meeting where I pitched the idea for CCDC was held in the Community Foundation's boardroom," Wolf remembers. "And CFL has been absolutely instrumental during every step, from conception to implementation to startup to future growth planning. CFL has played a prominent role in providing connections in the community that have added value to the organization. And they not only believed in our vision, but they also helped fund it."

CFL's \$100,000 matching grant provided CCDC's initial administrative budget and momentum to launch. Since then, CFL has remained a



"(Top) CCDC's Alan Wolf and Carletha Frazier; (bottom) the CCDC Board meets at CFL



cornerstone investor, investing \$1 million in altruistic capital, helping to partially fund nearly half of the homes now under CCDC ownership. CCDC board member Ken Campbell, a longtime residential and land developer, describes the Community Foundation's role in CCDC's success as indispensable. "We would not be where we are today without CFL's support: financially, strategically, and through their ability to connect us with community leaders, donors, and affordable housing advocates."

IMPACTING THE LOCAL WORKFORCE

CCDC's results speak for themselves. The 41 CCDC homes (23 in Bluffton, 18 on Hilton Head Island) provide affordable housing for over 125 local employees. To qualify for one of the rental properties, prospective tenants must work for a local employer and earn between 50% to 120% of the AMI.



CCDC Program Manager Carletha Frazier, who oversees property operations, says the application process is simple and straightforward. "We give first priority to those applicants that are being displaced," Frazier said. "Our tenants include a wide range of professionals: healthcare, hospitality, construction, and small business owners."

For local workers, being able to afford housing where they work is a significant challenge. CCDC tenant Savannah Langley, a single mother of two young boys and social media manager in the hospitality industry, has called Bluffton/Hilton Head home since 2012. "CCDC has given me access to a stable, affordable home in Bluffton. It's close to my workplace, my kids' schools, and the support system that is essential to our daily lives," said Langley, "I've known several people that have been forced out of the community altogether just to find housing that is remotely affordable."

A BLUEPRINT FOR THE FUTURE

With its initial acquisition phase nearly complete (50 homes acquired is the short-term goal), CCDC is preparing for its next chapter: new development and redevelopment projects that will expand the region's affordable housing supply even further.

Among the initiatives in motion is the planned \$50 million Housing Impact Fund, modeled after successful efforts in Charlotte and Charleston. The fund will invite both philanthropic and private investors to support the mission through a mix of altruistic and impact-based capital, providing long-term financial sustainability for CCDC's work.

FUTURE ENDEAVORS

With the future expansion of CCDC's properties and its impact on the workforce, Wolf expects the partnership with CCDC and Community Foundation of the Lowcountry to enter a new phase. "I think as our organization grows, we are going to lean more heavily on the training and development resources that CFL offers," said Wolf. "And we are looking forward to a continued partnership from an altruistic standpoint."

Just three years ago, affordable workforce housing in the Lowcountry felt like an unsolvable challenge. Today, partnerships like CCDC and CFL are making affordable workforce housing a reality for the workers who serve, maintain, and enrich our region.

"Local workforce housing programs and nonprofits like CCDC are starting to make a real difference," says Langley. "These efforts are helping to create more access and affordability for working families, and I'm hopeful we'll continue to see more housing solutions in the near future."

Savannah Langley at her home with her children





**FY'26 2nd Quarter
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 December 31, 2025

Date: February 25, 2026

Introduction

Staff has prepared the following unaudited financial statements and highlights for December 31, 2025 for discussion at the Commission Meeting on February 25, 2026.

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 December 31, 2025 compared to budget.

The change in net position for the period was \$8,062,790, which was \$3,954,690 higher than the budgeted change in net position of \$4,108,100. Operating income was favorable to budget with lower operating revenues than budgeted being more than offset by lower operating expenses than budgeted. On the non-operating side, interest earnings remain stronger than budgeted, a large capacity fee payment was received, and grant revenue is higher than budgeted.

Table A-1
Hilton Head PSD
Budgetary Comparison Schedule
Fiscal Year to Date as of December 31, 2025

	Fiscal Year 2026		FY 26 Actual to FY 26 Budget Comparison	
			Dollars	%
	Actual	Budget	Favorable (Unfavorable)	
Operating Revenues				
Water Service	\$ 4,721,541	\$ 4,971,900	\$ (250,359)	-5.0%
Sewer Service	3,820,154	3,803,700	16,454	0.4%
Tap In Fees - Water	103,004	110,400	(7,396)	-6.7%
Connection Fees - Sewer	71,168	135,000	(63,832)	-47.3%
Golf Course Irrigation	117,534	119,100	(1,566)	-1.3%
Disaster recovery, net	-	-	-	100.0%
Service Fees	12,744	10,050	2,694	26.8%
Other Operating Revenues	24,402	19,150	5,252	27.4%
Total Operating Revenues	8,870,547	9,169,300	(298,753)	-3.3%
Departmental Expenses				
Payroll & Related	2,710,137	2,829,000	118,863	4.2%
Administrative Expenses	627,136	622,900	(4,236)	-0.7%
Operations	1,849,442	1,808,000	(41,442)	-2.3%
Maintenance	716,314	832,950	116,636	14.0%
Purchased Water	762,052	966,200	204,148	21.1%
Water Tap In Expenses	103,726	82,500	(21,226)	-25.7%
Sewer Connection Expenses	65,860	126,000	60,140	47.7%
Professional Fees	43,711	106,500	62,789	59.0%
Total Departmental Expenses	6,878,378	7,374,050	495,672	6.7%
Depreciation	2,750,217	2,775,000	24,783	0.9%
Total Operating Expenses	9,628,595	10,149,050	520,455	5.1%
Operating income (loss)	(758,048)	(979,750)	221,702	22.6%
Non-operating revenues				
Property taxes-G.O. Debt Levy	882,050	790,100	91,950	11.6%
Property taxes-Operations Levy	558,916	494,000	64,916	13.1%
Rental Income	73,664	73,650	14	0.0%
Tower Lease Income	309,154	307,950	1,204	0.4%
Interest Income - Leases	17,008	17,250	(242)	-1.4%
Interest Income	774,946	458,900	316,046	68.9%
Gain (Loss) of disposal of equipment	-	7,500	(7,500)	-100.0%
Total Non-operating Revenues	2,615,738	2,149,350	466,388	21.7%
Non-operating Expenses				
Interest expense	492,592	496,500	3,908	0.8%
Bond Issuance Costs	-	-	-	0.0%
Total Non-operating Expenses	492,592	496,500	3,908	0.8%
Total Non-operating Revenues/Exp.	2,123,146	1,652,850	470,296	28.5%
Increase (decrease) in net position, before capital contributions	1,365,098	673,100	691,998	102.8%
Water Capacity Fee	232,170	57,000	175,170	307.3%
Sewer Capacity Fee	284,248	78,000	206,248	264.4%
Capital Grant Income	6,181,274	3,300,000	2,881,274	87.3%
Developer Contributions of Systems	-	-	-	0.0%
Total Capital Contributions	6,697,692	3,435,000	3,262,692	95.0%
Change in net position	\$ 8,062,790	\$ 4,108,100	\$ 3,954,690	96.3%
Net position, beginning of the fiscal year	\$ 67,333,504			
Net position, December 31, 2025	\$ 75,396,294			

Budget to Actual Highlights

Operating Revenues: Actual operating revenues are \$8,870,547 versus budgeted operating revenues of \$9,169,300 which results in a variance of \$298,753 or 3.3% under budget. The following is a summary of material/selected variances¹ for the Operating Revenue categories:

- Water Service revenues are under budget by \$250,359 or 5.0% and Sewer Service revenues are over budget by \$16,454 or 0.4%. Billed water consumption for the first quarter of fiscal year (FY) 2026 decreased 65 million gallons from 1,128 million gallons billed during the first quarter of FY 2025 to 1,063 million gallons billed during the first quarter of FY 2026 which may be partially attributable to increased rainfall. During the first half of FY 2026, rainfall increased 10.7 inches over the prior year with 39.1 inches recorded at the treatment plant during the first half of FY 2026 versus 28.4 inches recorded during the same period in FY 2025. Sewer service revenues are not as adversely affected by reduced consumption due to the residential sewer cap.

Total Operating Expenses: Total operating expenses are \$520,455 or 5.1% under budget. The following is a summary of material/selected variances for the Operating Expenses categories:

- Payroll & Related is under budget by \$118,863 or 4.2% due to the timing of filling open positions.
- Maintenance expense is under budget by \$116,636 or 14.0% which is mostly related to lower lift station and well maintenance than budgeted to date. This area may come more in line to budget as the year progresses.
- Purchased Water is under budget by \$204,148 or 21.1% due to less water purchased related to lower billed water consumption.

Non-Operating Revenues and Expenses: Actual non-operating revenues are \$2,615,738 versus budgeted non-operating revenues of \$2,149,350 which results in a variance of \$466,388 or 21.7% over budget. This is mostly related to Interest Income which is \$316,046 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 (LGIP); while interest rates have been declining, the LGIP is still seeing rates over 3.9%. Interest was conservatively budgeted at 3.25%.

Capital Contributions: Capacity fees, capital grant income, and developer contributions of systems came in \$3,262,692 over budget. The District received a large capacity fee payment for the Northpoint project during this quarter. Additionally, grant income is \$2,881,274 over budget due to the timing of grant project progression. Less was expended during the last quarter of the prior year than budgeted which is being recouped now as the projects are moving forward quickly. The District expects to have expended all \$10 million of the SCIP grant by the end of the upcoming quarter.

¹ In most cases, a variance of more than \$100,000 or 10% constitutes a material variance for quarterly reports. Water and Sewer Variances are typically discussed regardless of their variances given that they are the two main drivers for the District's overall revenue.

Statements of Net Position

Table A-2 below and on the following page contains the District's Statement of Net Position as of December 31, 2025, compared to the end of the prior fiscal year, June 30, 2025.

Table A-2
Hilton Head PSD
Statements of Net Position

	December 31	June 30
	2025	2025
Assets		
Current Assets		
Cash and Cash Equivalents Available for Operations	\$ 18,171,254	\$ 15,873,800
Cash and Cash Equivalents in Banks (Restricted)	18,090,085	19,208,123
Cash and Cash Equivalents Held by Beaufort County Treasurer (Restricted)	1,362,493	805,891
Accounts Receivable - Trade, net	1,666,880	1,813,834
Accounts Receivable - Grants	1,136,745	1,241,109
Accounts Receivable - Connection Grants	26,910	18,089
Accrued Interest Receivable	17,214	17,214
Lease Receivable, due within one year	142,532	484,041
Sewer and Capacity Assessments, due within one year	115,154	207,894
Inventory	461,429	582,825
Prepaid Expenses	626,475	418,651
Total current assets	41,817,171	40,671,471
Noncurrent Assets		
Property, Plant and Equipment		
Nondepreciable Assets	21,589,754	12,410,499
Depreciable Assets, net	57,332,077	59,753,190
Total Property, Plant and Equipment	78,921,831	72,163,689
Lease Receivable, due after one year	903,080	903,080
Sewer and Capacity Assessments, due after one year	1,892,143	1,752,864
Total Noncurrent Assets	81,717,054	74,819,633
Total Assets	123,534,225	115,491,104
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	833,094	833,094
Deferred Outflows from Refinancing Debt	-	-
Total Deferred Outflows of Resources	833,094	833,094
Total Assets and Deferred Outflows of Resources	\$ 124,367,319	\$ 116,324,198

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

	December 31	June 30
	2025	2025
Liabilities		
Current Liabilities		
Payable from Unrestricted Assets:		
Accounts Payable-Trade	\$ 545,072	\$ 523,576
Accounts Payable-Construction	343,363	470,761
Customer Deposits	224,780	226,028
Unearned Revenue	43,585	17,341
Accrued Payroll & Other Liabilities	579,668	612,989
Total Current Liabilities Payable from Unrestricted Assets	1,736,468	1,850,695
Payable from Restricted Assets:		
Accounts Payable - Construction	2,424,075	1,898,704
Interest Payable	156,285	155,320
Notes Payable, due within one year	126,149	251,380
Bonds Payable, due within one year	3,436,822	3,436,822
Total Current Liabilities Payable from Restricted Assets	6,143,331	5,742,226
Total Current Liabilities	7,879,799	7,592,921
Noncurrent Liabilities		
Notes Payable, due after one year	3,954,978	3,954,978
Bonds Payable, due after one year	30,693,040	30,693,040
Net Pension Liability	4,771,034	4,771,034
Total Noncurrent Liabilities	39,419,052	39,419,052
Total Liabilities	47,298,851	47,011,973
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	381,199	381,199
Deferred Inflows Related to Lease Revenue	1,290,975	1,597,522
Total Deferred Inflows of Resources	1,672,174	1,978,721
Total Liabilities and Deferred Inflows of Resources	48,971,025	48,990,694
Net Position		
Net Investment in Capital Assets	54,474,752	50,045,908
Restricted for Debt Service & Grants	2,764,945	1,270,790
Unrestricted	18,156,597	16,016,806
Total Net Position	75,396,294	67,333,504
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 124,367,319	\$ 116,324,198

Statement of Net Position Highlights

As of December 31, 2025, total assets and deferred outflows of resources are \$124.4 million, exceeding liabilities and deferred inflows of resources by approximately \$75.4 million (See Table A-2, Pages 4-5).

Current Assets/Liabilities/Debt

The increases and decreases in current assets and current liabilities are mostly expected to be timing related. Unrestricted cash may decline later in the year as capital projects are completed. While more capacity fees and interest income were collected than budgeted, these are expected to be offset by the remaining funding required to complete the grant/debt funded projects. Grants receivable is dependent upon the monthly construction expenditures eligible for reimbursement and how quickly the granting agency makes reimbursement payments. Lease receivable and assessments receivable decrease throughout the year as regularly scheduled tower lease payments and assessment payments are received. Prepaid expenses includes the annual insurance premium which is due in July of each year. Accounts payable fluctuates based on the timing of purchases and the final check run of the reporting period. Accrued payroll decreased due to the timing of the last pay check date in the reporting period which resulted in fewer days to accrue in the reporting period.

The large increases in nondepreciable assets (which includes construction in progress) and decreases in restricted cash are mainly related to the continuation of the construction phase of the grant/debt funded projects.

Net Position

Changes in net position resulting from operating and non-operating revenues, expenses and capital contributions increased \$8,062,790 since June 30, 2025. Net position invested in capital assets has increased \$4,428,844 due to asset activity (including depreciation) and related debt activity, while net position restricted for debt service and grants has increased \$1,494,155 related to the timing of debt payments. Unrestricted net position has increased \$2,139,791.

Capital Assets

Table A-3 on the following page presents a comparison of capital expenditures to date against the FY 2026 capital budget. The table only shows work for which the District has been invoiced through December. Planning and preliminary work has been started on many of these projects that will be completed, invoiced, and reported in upcoming quarters.

Net property, plant and equipment has increased by \$6,758,142 during the first quarter of FY 2026. Total additions of \$9,508,359 were offset by depreciation of \$2,750,217.

Table A-3

CIP Projects - Capital

		Expended as of 12/31/2025	2026 Approved Amount	Remaining/ Variance
WWTP				
WWTP Switch Gear for generator	Replace generator switch gear	\$ 125,000	\$ 255,500	\$ (130,500)
Influent Screen	Backup to band screen	-	750,000	(750,000)
Reuse Water System	Upgrades/improvements to reuse system	22,783	100,000	(77,217)
Return Activated Sludge Building	Electrical cabinet improvements	-	85,000	(85,000)
Clarifier	Clarifier #2-replace sweeper arm/suction line	26,906	150,000	(123,094)
Filter Building Blowers	6 new actuator (air) valves	59,040	75,000	(15,960)
CROM Tank	Install isolation valve on CROM tank line	-	55,000	(55,000)
Holding Ponds	Install 2 aerators in Pond #3	30,775	50,000	(19,225)
System Rehab	Replace equipment, valves and actuators	20,283	225,000	(204,717)
TOTAL WWTP		284,787	1,745,500	(1,460,713)
Collection System				
Gravity Main Refurbishment	Gravity main line repairs and relining	7,673	400,000	(392,327)
Lift Stations - Control Panels	Replace lift station control panels	76,013	175,000	(98,987)
Lift Stations - Rehab	Rehab and pumps	168,970	425,000	(256,030)
District Funded MSP Projects	District Funded MSP Projects	-	62,500	(62,500)
System Rehab	Replace pipes, manholes, laterals, etc.	-	225,000	(225,000)
LPS Changeouts	LPS Changeouts	20,600	65,000	(44,400)
Old House Creek Sewer Main	Sewer Collector Main	385,228	-	385,228
TOTAL COLLECTION SYSTEM		658,484	1,352,500	(694,016)
Distribution System				
Water Line Replacement	Replace 12" Ribaut Island Rd line	-	170,000	-
Metering System	Changing out meters & base stations	208,324	600,000	(391,676)
RO Plant	Replace actuator-booster pump #3	-	40,000	(40,000)
Fire Hydrants	New and replacement hydrants	29,702	90,000	(60,298)
System Rehab	Replace valves/equipmt/RO membranes etc	29,779	200,000	(170,221)
TOTAL DISTRIBUTION SYSTEM		267,805	1,100,000	(662,195)
Facilities and Equipment				
SCADA Improvements	Wildhorse, Seabrook, & Ashmore upgrades	9,776	267,000	(257,224)
Admin Building	Building improvements, furniture, etc.	5,364	50,000	(44,636)
Technology	General computer equipment	10,560	30,000	(19,440)
Vehicles	Fleet replacements	-	260,000	(260,000)
Ops Equipment - Water	Line locator equipment	20,113	18,000	2,113
Ops Equipment - Sewer	Camera to inspect gravity sewer lines	74,847	115,000	(40,153)
Operations Equipment	Enclosed trailer for safety equipment	-	10,000	(10,000)
TOTAL FACILITIES AND EQUIPMENT		120,660	750,000	(629,340)
TOTAL NON GRANT RATE FUNDED CIP PROJECTS		\$ 1,331,736	\$ 4,948,000	\$ (3,446,264)
Grant Projects - See recap on following page		8,176,623	6,500,000	
Less: Projects carried over from FY 2024			\$ (1,598,000)	
Total FY 2026 Additions/Budgeted Amount		\$ 9,508,359	\$ 9,850,000	

Capital Assets(continued)

SCIIP/ARPA Projects

The District is also moving forward with capital projects that will utilize the Beaufort County ARPA allocation, the SCIIP Grant, and the RIA State Grant. Please find below a recap of the status of those projects through December 31, 2025 as well as a recap of the project totals and funding sources to date. Staff will update the schedules below for any necessary change orders or miscellaneous project costs necessary as the projects progress. The schedule below has been updated to reflect recently completed change orders as well as an electrical installation cost to be paid to the District's utility provider for ASR 2. District staff will also be monitoring bond proceed funds for potential arbitrage earnings (earning more interest on bond proceeds than the stated rate of interest on the bonds) and may make recommendations to use bond proceeds for larger rate funded budgeted items such as the gravity sewer relining and influent screen projects depending upon the timing of grant project invoicing. Currently, the District is on track to spend down the bond funds on grant projects in accordance with the arbitrage deadlines so that the District may retain all interest earned on the bond proceeds for bond project costs.

SCIIP/ARPA Projects	Spent As Of 06/30/2025	FY 2026 to date	Grand Total	Project Total	Remaining/ Variance
LOM Booster Pump	\$ 1,798,227	\$ 332,774	\$ 2,131,001	\$ 2,338,422	\$ (207,421)
RO Plant Expansion	2,467,888	5,490,802	7,958,690	12,306,559	(4,347,869)
RO Wells	3,142,722	1,523,001	4,665,723	7,083,840	(2,418,117)
ASR 2	3,428,878	721,647	4,150,525	10,718,054	(6,567,529)
Screw Pump	58,215	108,399	166,614	4,736,000	(4,569,386)
Grand Total	\$ 10,895,930	\$ 8,176,623	\$ 19,072,553	\$ 37,182,875	\$ (18,110,322)

Projects	Misc. Admin, Esmt, Legal, Etc. Expenses	Preliminary Engineering Contract	Construction Engineering Contract	Construction Contract	Construction C/O Contracts	Project Total
LOM Booster Pump	\$ 150	\$ 197,000	\$ 140,000	\$ 1,999,807	\$ 1,465	\$ 2,338,422
Water Supply Planning	226,126	-	-	-	-	226,126
RO Plant Expansion	-	693,000	1,026,000	10,523,000	64,559	12,306,559
RO Wells	26,005	401,000	799,450	5,857,385	-	7,083,840
ASR 2	38,116	723,000	860,550	9,096,388	-	10,718,054
Screw Pumps	-	178,000	188,000	4,370,000	-	4,736,000
Total	\$ 290,396	\$ 2,192,000	\$ 3,014,000	\$ 31,846,580	\$ 66,024	\$ 37,409,000
External Funding Sources						
SRF Loan, net	(252,796)	(1,823,204)	(296,429)	-	-	(2,372,429)
SCIIP Grant	-	-	-	(10,000,000)	-	(10,000,000)
BC ARPA	-	-	-	(1,000,000)	-	(1,000,000)
SC RIA Grant	-	-	-	(1,500,000)	-	(1,500,000)
Net of Grants/SRF	\$ 37,600	\$ 368,796	\$ 2,717,571	\$ 19,346,580	\$ 66,024	\$ 22,536,571
2024B Bond Proceeds, net of closing costs						(20,268,791)
2024B Bond Proceeds Interest Income through 12/31/25						(953,380)
Remaining local match to be funded via interest income and cash						\$ 1,314,400

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 4, Statements of Net Position under current assets and restricted assets.

Unrestricted cash available for operations increased \$2,297,454 from \$15,873,800 as of June 30, 2025 to \$18,171,254 as of December 31, 2025. This is mostly expected to be timing related as the District completes its current year CIP projects and finalizes the grant/debt funded projects.

Restricted cash in banks for debt service has increased \$938,518 from \$620,219 as of June 30, 2025, to \$1,558,737 as of December 31, 2025, in accordance with revenue debt payment activity.

Restricted cash held at the SC Local Government Investment Pool has decreased \$2,056,556 from \$18,587,904 as of June 30, 2025, to \$16,531,348 as of December 31, 2025, due to construction payments from the 2024B bond proceeds account.

Restricted cash held by Beaufort County has increased \$556,602 from \$805,891 on June 30, 2025, to \$1,362,493 as of December 31, 2025, in accordance with GO debt activity.

Total combined unrestricted and restricted cash has decreased \$1,736,018 since June 30, 2025.

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

	December 31	June 30
	2025	2025
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 8,983,030	\$ 16,329,803
Cash Paid to Suppliers	(5,396,234)	(10,415,342)
Cash Paid to Employees	(1,580,397)	(2,919,547)
Other Revenues	24,402	49,577
Net Cash Provided by Operating Activities	2,030,801	3,044,491
Cash Flows from Investing Activities		
Interest Income	774,946	1,440,962
Net Cash Provided by Investing Activities	774,946	1,440,962
Cash Flows from Noncapital Financing Activities:		
Property Taxes Collected - Operations Levy	558,916	1,372,970
Sewer Assessments Collected	66,059	143,460
Sewer Assessments Financed	(140,645)	(62,871)
Net Cash Provided by Noncapital Financing Activities	484,330	1,453,559
Cash Flows from Capital and Related Financing Activities:		
Capacity Fees	516,418	170,944
Capacity Fee Assessments	28,048	64,864
Property Taxes Collected - G.O. Debt Levy	882,050	1,877,746
Interest Paid	(491,627)	(627,003)
Proceeds from Series 2024A GO SRF Loan	-	2,589,929
Proceeds from Series 2024B GO Bonds	-	20,400,000
Bond Issuance Costs	-	(175,243)
Principal Payments on Financed Purchase, Bonds and Notes	(125,231)	(3,641,308)
Rental and Tower Lease Income	461,032	737,165
Proceeds from Capital Grant	6,285,638	2,255,991
Proceeds from Sale of Property, Plant and Equipment	-	48,559
Purchases of Property, Plant and Equipment	(9,110,387)	(9,958,173)
Net Cash Used by Capital and Related Financing Activities	(1,554,059)	13,743,471
Net Increase (Decrease) in Cash	1,736,018	19,682,483
Cash and Cash Equivalents at Beginning of Year	\$ 35,887,814	\$ 16,205,331
Cash and Cash Equivalents at End of Year	37,623,832	\$ 35,887,814

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	December 31 2025	June 30 2025
Operating Income (Loss)	\$ (758,048)	\$ (2,385,468)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</i>		
Depreciation	2,750,217	5,420,424
Decrease in Allowance for Doubtful Accounts	-	-
Difference Between GASB 68 and Actual Contributions	-	(201,754)
<i>Changes in Assets and Liabilities</i>		
Accounts Receivable - Trade	146,954	71,748
Accounts Receivable - Project SAFE	(8,821)	108,704
Inventories	121,396	(87,236)
Prepaid Assets	(207,824)	(74,198)
Accounts Payable - Trade	21,496	113,329
Customer Deposits	(1,248)	41,332
Accrued Payroll & Other Liabilities	(33,321)	37,610
Net Cash Provided by Operating Activities	\$ 2,030,801	\$ 3,044,491

Schedule of Cash and Cash Equivalents

Available for Operations

Demand Deposits (interest and non-interest bearing)	\$ 1,742,392	\$ 1,475,132
Certificate of Deposit Cash Equivalent	3,000,000	3,000,000
SC Local Government Investment Pool	12,843,130	11,311,985
Held by Beaufort County Treasurer	585,732	86,683
Total Available for Operations	\$ 18,171,254	\$ 15,873,800

Restricted

Cash in Banks	\$ 1,558,737	\$ 620,219
SC Local Government Investment Pool	16,531,348	18,587,904
Held by Beaufort County Treasurer	1,362,493	805,891
Total Restricted	\$ 19,452,578	\$ 20,014,014
Total Cash and Cash Equivalents	37,623,832	\$ 35,887,814

Supplemental Disclosures

Noncash Financing Activities:

Developer Contribution of Systems	\$ -	\$ 222,500
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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	Dec 2025 to Dec 2024	December 2025	December 2024	June 2025
Current Ratio	> 6.00	Benchmark Met	12.22	13.27	11.10
Operating Ratio	< 0.60	Benchmark not met	0.80	0.81	0.81
Days Cash on Hand	>120	Benchmark Met	500	472	442
Accounts Receivable (days of revenue)	< 35	Benchmark Met	22	21	25
Long-Term Debt to Net Position	< 0.75	Benchmark Met	0.46	0.61	0.51
Debt Coverage Ratio Projection	>150%	Complies with Bond Covenants	295%	245%	274%

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 12.22 at December 31, 2025 which is greater than the benchmark of 6.0. Current non-restricted assets increased by \$1,329,003 and current liabilities to be paid from non-restricted assets increased by \$236,698 since December 31, 2024. The large increase in current assets is mostly related to increases in unrestricted cash.

The Operating Ratio

The operating ratio, total operating expenses less depreciation to operating revenues, indicates a company's level of operating expenses in comparison 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 0.80 compared to the December 31, 2024 ratio of 0.81 and is higher than the established benchmark of less than 0.60. Total operating expenses less depreciation increased \$518,795 while total operating revenues increased \$735,857. 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. Movement towards the benchmark would allow more operating funds on an annual basis to fund CIP projects.

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 500 as of December 31, 2025, compared to 472 as of December 31, 2024. This increase is expected to be partially timing related as the District carries out its CIP projects for FY 2026 and grant/debt funded projects.

The Accounts Receivable (Days of Revenue) Ratio

The Accounts Receivable (Days of Revenue) ratio indicates the level of accounts receivable in comparison 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.² This ratio was 22 at December 31, 2025 and 21 at December 31, 2024. 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 0.46, has decreased from the December 31, 2024, ratio of 0.61, and meets the benchmark of less than 0.75. Long-term debt was decreased by \$3,391,836 while the net position has increased by \$13,328,562.

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 December 31, 2025, the debt service projection calculation is 295% which exceeds the fiscal year 2026 budgeted debt coverage ratio of 256%, the required ratio of 120%, and the target rate of 150%.

² 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 62 since June 30, 2025, for a total of 19,988 EDUs. This is a 0.31% increase for fiscal year 2026 compared to the 0.37% increase experienced during the first half of last fiscal year. The current EDUs include 18,863 water service units, 1,037 irrigation service units, and 88 miscellaneous water units such as dock meters, hydrants, pool meters, and golf course water coolers.

<i>Water / Sewer Connection Growth 12/31/2026</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>
06/30/24	19,926	18,805	N/A	18,049	N/A	95.98%
09/30/25	19,963	18,839	37	18,084	35	95.99%
12/31/25	19,988	18,863	25	18,120	36	96.06%
Change in EDU's			<u>62</u>		<u>71</u>	

Sewer service EDUs have increased by 71 since June 30, 2025, for a total of 18,120 EDUs. This is a 0.39% increase for fiscal year 2026 compared to 0.50% for the first half of fiscal year 2025. As shown in the above table, the sewer to water customer percentage has increased to 96.06%.

Fiscal Outlook

As of December 31, 2025, the District's financial condition is stable.

Staff looks forward to discussing the second quarter fiscal year 2026 review of the District's financial condition at the February 25, 2026, Commission Meeting.



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Hilton Head Island, SC 29925
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To: Commissioners
Pete Nardi, General Manager

From: Amy Graybill, Finance Manager

Subject: Financial Highlights – Fiscal Year Unaudited Financial Statements and Results,
Period Ending December 31, 2025

Date: February 25, 2026

Introduction

Staff has prepared the following unaudited financial statements and highlights for December 31, 2025 for discussion at the Commission Meeting on February 25, 2026.

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 December 31, 2025 compared to budget.

The change in net position for the period was \$8,062,790, which was \$3,954,690 higher than the budgeted change in net position of \$4,108,100. Operating income was favorable to budget with lower operating revenues than budgeted being more than offset by lower operating expenses than budgeted. On the non-operating side, interest earnings remain stronger than budgeted, a large capacity fee payment was received, and grant revenue is higher than budgeted.

Table A-1
Hilton Head PSD
Budgetary Comparison Schedule
Fiscal Year to Date as of December 31, 2025

	Fiscal Year 2026		FY 26 Actual to FY 26 Budget	
			Comparison	
	Actual	Budget	Dollars Favorable (Unfavorable)	%
Operating Revenues				
Water Service	\$ 4,721,541	\$ 4,971,900	\$ (250,359)	-5.0%
Sewer Service	3,820,154	3,803,700	16,454	0.4%
Tap In Fees - Water	103,004	110,400	(7,396)	-6.7%
Connection Fees - Sewer	71,168	135,000	(63,832)	-47.3%
Golf Course Irrigation	117,534	119,100	(1,566)	-1.3%
Disaster recovery, net	-	-	-	100.0%
Service Fees	12,744	10,050	2,694	26.8%
Other Operating Revenues	24,402	19,150	5,252	27.4%
Total Operating Revenues	8,870,547	9,169,300	(298,753)	-3.3%
Departmental Expenses				
Payroll & Related	2,710,137	2,829,000	118,863	4.2%
Administrative Expenses	627,136	622,900	(4,236)	-0.7%
Operations	1,849,442	1,808,000	(41,442)	-2.3%
Maintenance	716,314	832,950	116,636	14.0%
Purchased Water	762,052	966,200	204,148	21.1%
Water Tap In Expenses	103,726	82,500	(21,226)	-25.7%
Sewer Connection Expenses	65,860	126,000	60,140	47.7%
Professional Fees	43,711	106,500	62,789	59.0%
Total Departmental Expenses	6,878,378	7,374,050	495,672	6.7%
Depreciation	2,750,217	2,775,000	24,783	0.9%
Total Operating Expenses	9,628,595	10,149,050	520,455	5.1%
Operating income (loss)	(758,048)	(979,750)	221,702	22.6%
Non-operating revenues				
Property taxes-G.O. Debt Levy	882,050	790,100	91,950	11.6%
Property taxes-Operations Levy	558,916	494,000	64,916	13.1%
Rental Income	73,664	73,650	14	0.0%
Tower Lease Income	309,154	307,950	1,204	0.4%
Interest Income - Leases	17,008	17,250	(242)	-1.4%
Interest Income	774,946	458,900	316,046	68.9%
Gain (Loss) of disposal of equipment	-	7,500	(7,500)	-100.0%
Total Non-operating Revenues	2,615,738	2,149,350	466,388	21.7%
Non-operating Expenses				
Interest expense	492,592	496,500	3,908	0.8%
Bond Issuance Costs	-	-	-	0.0%
Total Non-operating Expenses	492,592	496,500	3,908	0.8%
Total Non-operating Revenues/Exp.	2,123,146	1,652,850	470,296	28.5%
Increase (decrease) in net position, before capital contributions	1,365,098	673,100	691,998	102.8%
Water Capacity Fee	232,170	57,000	175,170	307.3%
Sewer Capacity Fee	284,248	78,000	206,248	264.4%
Capital Grant Income	6,181,274	3,300,000	2,881,274	87.3%
Developer Contributions of Systems	-	-	-	0.0%
Total Capital Contributions	6,697,692	3,435,000	3,262,692	95.0%
Change in net position	\$ 8,062,790	\$ 4,108,100	\$ 3,954,690	96.3%
Net position, beginning of the fiscal year	\$ 67,333,504			
Net position, December 31, 2025	\$ 75,396,294			

Budget to Actual Highlights

Operating Revenues: Actual operating revenues are \$8,870,547 versus budgeted operating revenues of \$9,169,300 which results in a variance of \$298,753 or 3.3% under budget. The following is a summary of material/selected variances¹ for the Operating Revenue categories:

- Water Service revenues are under budget by \$250,359 or 5.0% and Sewer Service revenues are over budget by \$16,454 or 0.4%. Billed water consumption for the first quarter of fiscal year (FY) 2026 decreased 65 million gallons from 1,128 million gallons billed during the first quarter of FY 2025 to 1,063 million gallons billed during the first quarter of FY 2026 which may be partially attributable to increased rainfall. During the first half of FY 2026, rainfall increased 10.7 inches over the prior year with 39.1 inches recorded at the treatment plant during the first half of FY 2026 versus 28.4 inches recorded during the same period in FY 2025. Sewer service revenues are not as adversely affected by reduced consumption due to the residential sewer cap.

Total Operating Expenses: Total operating expenses are \$520,455 or 5.1% under budget. The following is a summary of material/selected variances for the Operating Expenses categories:

- Payroll & Related is under budget by \$118,863 or 4.2% due to the timing of filling open positions.
- Maintenance expense is under budget by \$116,636 or 14.0% which is mostly related to lower lift station and well maintenance than budgeted to date. This area may come more in line to budget as the year progresses.
- Purchased Water is under budget by \$204,148 or 21.1% due to less water purchased related to lower billed water consumption.

Non-Operating Revenues and Expenses: Actual non-operating revenues are \$2,615,738 versus budgeted non-operating revenues of \$2,149,350 which results in a variance of \$466,388 or 21.7% over budget. This is mostly related to Interest Income which is \$316,046 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 (LGIP); while interest rates have been declining, the LGIP is still seeing rates over 3.9%. Interest was conservatively budgeted at 3.25%.

Capital Contributions: Capacity fees, capital grant income, and developer contributions of systems came in \$3,262,692 over budget. The District received a large capacity fee payment for the Northpoint project during this quarter. Additionally, grant income is \$2,881,274 over budget due to the timing of grant project progression. Less was expended during the last quarter of the prior year than budgeted which is being recouped now as the projects are moving forward quickly. The District expects to have expended all \$10 million of the SCIP grant by the end of the upcoming quarter.

¹ In most cases, a variance of more than \$100,000 or 10% constitutes a material variance for quarterly reports. Water and Sewer Variances are typically discussed regardless of their variances given that they are the two main drivers for the District's overall revenue.

Statements of Net Position

Table A-2 below and on the following page contains the District's Statement of Net Position as of December 31, 2025, compared to the end of the prior fiscal year, June 30, 2025.

Table A-2
Hilton Head PSD
Statements of Net Position

	December 31	June 30
	2025	2025
Assets		
Current Assets		
Cash and Cash Equivalents Available for Operations	\$ 18,171,254	\$ 15,873,800
Cash and Cash Equivalents in Banks (Restricted)	18,090,085	19,208,123
Cash and Cash Equivalents Held by Beaufort County Treasurer (Restricted)	1,362,493	805,891
Accounts Receivable - Trade, net	1,666,880	1,813,834
Accounts Receivable - Grants	1,136,745	1,241,109
Accounts Receivable - Connection Grants	26,910	18,089
Accrued Interest Receivable	17,214	17,214
Lease Receivable, due within one year	142,532	484,041
Sewer and Capacity Assessments, due within one year	115,154	207,894
Inventory	461,429	582,825
Prepaid Expenses	626,475	418,651
Total current assets	41,817,171	40,671,471
Noncurrent Assets		
Property, Plant and Equipment		
Nondepreciable Assets	21,589,754	12,410,499
Depreciable Assets, net	57,332,077	59,753,190
Total Property, Plant and Equipment	78,921,831	72,163,689
Lease Receivable, due after one year	903,080	903,080
Sewer and Capacity Assessments, due after one year	1,892,143	1,752,864
Total Noncurrent Assets	81,717,054	74,819,633
Total Assets	123,534,225	115,491,104
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	833,094	833,094
Deferred Outflows from Refinancing Debt	-	-
Total Deferred Outflows of Resources	833,094	833,094
Total Assets and Deferred Outflows of Resources	<u>\$ 124,367,319</u>	<u>\$ 116,324,198</u>

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

	December 31	June 30
	2025	2025
Liabilities		
Current Liabilities		
Payable from Unrestricted Assets:		
Accounts Payable-Trade	\$ 545,072	\$ 523,576
Accounts Payable-Construction	343,363	470,761
Customer Deposits	224,780	226,028
Unearned Revenue	43,585	17,341
Accrued Payroll & Other Liabilities	579,668	612,989
Total Current Liabilities Payable from Unrestricted Assets	1,736,468	1,850,695
Payable from Restricted Assets:		
Accounts Payable - Construction	2,424,075	1,898,704
Interest Payable	156,285	155,320
Notes Payable, due within one year	126,149	251,380
Bonds Payable, due within one year	3,436,822	3,436,822
Total Current Liabilities Payable from Restricted Assets	6,143,331	5,742,226
Total Current Liabilities	7,879,799	7,592,921
Noncurrent Liabilities		
Notes Payable, due after one year	3,954,978	3,954,978
Bonds Payable, due after one year	30,693,040	30,693,040
Net Pension Liability	4,771,034	4,771,034
Total Noncurrent Liabilities	39,419,052	39,419,052
Total Liabilities	47,298,851	47,011,973
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	381,199	381,199
Deferred Inflows Related to Lease Revenue	1,290,975	1,597,522
Total Deferred Inflows of Resources	1,672,174	1,978,721
Total Liabilities and Deferred Inflows of Resources	48,971,025	48,990,694
Net Position		
Net Investment in Capital Assets	54,474,752	50,045,908
Restricted for Debt Service & Grants	2,764,945	1,270,790
Unrestricted	18,156,597	16,016,806
Total Net Position	75,396,294	67,333,504
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 124,367,319	\$ 116,324,198

Statement of Net Position Highlights

As of December 31, 2025, total assets and deferred outflows of resources are \$124.4 million, exceeding liabilities and deferred inflows of resources by approximately \$75.4 million (See Table A-2, Pages 4-5).

Current Assets/Liabilities/Debt

The increases and decreases in current assets and current liabilities are mostly expected to be timing related. Unrestricted cash may decline later in the year as capital projects are completed. While more capacity fees and interest income were collected than budgeted, these are expected to be offset by the remaining funding required to complete the grant/debt funded projects. Grants receivable is dependent upon the monthly construction expenditures eligible for reimbursement and how quickly the granting agency makes reimbursement payments. Lease receivable and assessments receivable decrease throughout the year as regularly scheduled tower lease payments and assessment payments are received. Prepaid expenses includes the annual insurance premium which is due in July of each year. Accounts payable fluctuates based on the timing of purchases and the final check run of the reporting period. Accrued payroll decreased due to the timing of the last pay check date in the reporting period which resulted in fewer days to accrue in the reporting period.

The large increases in nondepreciable assets (which includes construction in progress) and decreases in restricted cash are mainly related to the continuation of the construction phase of the grant/debt funded projects.

Net Position

Changes in net position resulting from operating and non-operating revenues, expenses and capital contributions increased \$8,062,790 since June 30, 2025. Net position invested in capital assets has increased \$4,428,844 due to asset activity (including depreciation) and related debt activity, while net position restricted for debt service and grants has increased \$1,494,155 related to the timing of debt payments. Unrestricted net position has increased \$2,139,791.

Capital Assets

Table A-3 on the following page presents a comparison of capital expenditures to date against the FY 2026 capital budget. The table only shows work for which the District has been invoiced through December. Planning and preliminary work has been started on many of these projects that will be completed, invoiced, and reported in upcoming quarters.

Net property, plant and equipment has increased by \$6,758,142 during the first quarter of FY 2026. Total additions of \$9,508,359 were offset by depreciation of \$2,750,217.

Table A-3

CIP Projects - Capital

		Expended as of 12/31/2025	2026 Approved Amount	Remaining/ Variance
WWTP				
WWTP Switch Gear for generator	Replace generator switch gear	\$ 125,000	\$ 255,500	\$ (130,500)
Influent Screen	Backup to band screen	-	750,000	(750,000)
Reuse Water System	Upgrades/improvements to reuse system	22,783	100,000	(77,217)
Return Activated Sludge Building	Electrical cabinet improvements	-	85,000	(85,000)
Clarifier	Clarifier #2-replace sweeper arm/suction line	26,906	150,000	(123,094)
Filter Building Blowers	6 new actuator (air) valves	59,040	75,000	(15,960)
CROM Tank	Install isolation valve on CROM tank line	-	55,000	(55,000)
Holding Ponds	Install 2 aerators in Pond #3	30,775	50,000	(19,225)
System Rehab	Replace equipment, valves and actuators	20,283	225,000	(204,717)
TOTAL WWTP		284,787	1,745,500	(1,460,713)
Collection System				
Gravity Main Refurbishment	Gravity main line repairs and relining	7,673	400,000	(392,327)
Lift Stations - Control Panels	Replace lift station control panels	76,013	175,000	(98,987)
Lift Stations - Rehab	Rehab and pumps	168,970	425,000	(256,030)
District Funded MSP Projects	District Funded MSP Projects	-	62,500	(62,500)
System Rehab	Replace pipes, manholes, laterals, etc.	-	225,000	(225,000)
LPS Changeouts	LPS Changeouts	20,600	65,000	(44,400)
Old House Creek Sewer Main	Sewer Collector Main	385,228	-	385,228
TOTAL COLLECTION SYSTEM		658,484	1,352,500	(694,016)
Distribution System				
Water Line Replacement	Replace 12" Ribaut Island Rd line	-	170,000	-
Metering System	Changing out meters & base stations	208,324	600,000	(391,676)
RO Plant	Replace actuator-booster pump #3	-	40,000	(40,000)
Fire Hydrants	New and replacement hydrants	29,702	90,000	(60,298)
System Rehab	Replace valves/equipmt/RO membranes etc	29,779	200,000	(170,221)
TOTAL DISTRIBUTION SYSTEM		267,805	1,100,000	(662,195)
Facilities and Equipment				
SCADA Improvements	Wildhorse, Seabrook, & Ashmore upgrades	9,776	267,000	(257,224)
Admin Building	Building improvements, furniture, etc.	5,364	50,000	(44,636)
Technology	General computer equipment	10,560	30,000	(19,440)
Vehicles	Fleet replacements	-	260,000	(260,000)
Ops Equipment - Water	Line locator equipment	20,113	18,000	2,113
Ops Equipment - Sewer	Camera to inspect gravity sewer lines	74,847	115,000	(40,153)
Operations Equipment	Enclosed trailer for safety equipment	-	10,000	(10,000)
TOTAL FACILITIES AND EQUIPMENT		120,660	750,000	(629,340)
TOTAL NON GRANT RATE FUNDED CIP PROJECTS		\$ 1,331,736	\$ 4,948,000	\$ (3,446,264)
Grant Projects - See recap on following page		8,176,623	6,500,000	
Less: Projects carried over from FY 2024			(1,598,000)	
Total FY 2026 Additions/Budgeted Amount		\$ 9,508,359	\$ 9,850,000	

Capital Assets(continued)

SCIIP/ARPA Projects

The District is also moving forward with capital projects that will utilize the Beaufort County ARPA allocation, the SCIIP Grant, and the RIA State Grant. Please find below a recap of the status of those projects through December 31, 2025 as well as a recap of the project totals and funding sources to date. Staff will update the schedules below for any necessary change orders or miscellaneous project costs necessary as the projects progress. The schedule below has been updated to reflect recently completed change orders as well as an electrical installation cost to be paid to the District's utility provider for ASR 2. District staff will also be monitoring bond proceed funds for potential arbitrage earnings (earning more interest on bond proceeds than the stated rate of interest on the bonds) and may make recommendations to use bond proceeds for larger rate funded budgeted items such as the gravity sewer relining and influent screen projects depending upon the timing of grant project invoicing. Currently, the District is on track to spend down the bond funds on grant projects in accordance with the arbitrage deadlines so that the District may retain all interest earned on the bond proceeds for bond project costs.

SCIIP/ARPA Projects	Spent As Of 06/30/2025	FY 2026 to date	Grand Total	Project Total	Remaining/ Variance
LOM Booster Pump	\$ 1,798,227	\$ 332,774	\$ 2,131,001	\$ 2,338,422	\$ (207,421)
RO Plant Expansion	2,467,888	5,490,802	7,958,690	12,306,559	(4,347,869)
RO Wells	3,142,722	1,523,001	4,665,723	7,083,840	(2,418,117)
ASR 2	3,428,878	721,647	4,150,525	10,718,054	(6,567,529)
Screw Pump	58,215	108,399	166,614	4,736,000	(4,569,386)
Grand Total	\$ 10,895,930	\$ 8,176,623	\$ 19,072,553	\$ 37,182,875	\$ (18,110,322)

Projects	Misc. Admin, Esmt, Legal, Etc. Expenses	Preliminary Engineering Contract	Construction Engineering Contract	Construction Contract	Construction C/O Contracts	Project Total
LOM Booster Pump	\$ 150	\$ 197,000	\$ 140,000	\$ 1,999,807	\$ 1,465	\$ 2,338,422
Water Supply Planning	226,126	-	-	-	-	226,126
RO Plant Expansion	-	693,000	1,026,000	10,523,000	64,559	12,306,559
RO Wells	26,005	401,000	799,450	5,857,385	-	7,083,840
ASR 2	38,116	723,000	860,550	9,096,388	-	10,718,054
Screw Pumps	-	178,000	188,000	4,370,000	-	4,736,000
Total	\$ 290,396	\$ 2,192,000	\$ 3,014,000	\$ 31,846,580	\$ 66,024	\$ 37,409,000
External Funding Sources						
SRF Loan, net	(252,796)	(1,823,204)	(296,429)	-	-	(2,372,429)
SCIIP Grant	-	-	-	(10,000,000)	-	(10,000,000)
BC ARPA	-	-	-	(1,000,000)	-	(1,000,000)
SC RIA Grant	-	-	-	(1,500,000)	-	(1,500,000)
Net of Grants/SRF	\$ 37,600	\$ 368,796	\$ 2,717,571	\$ 19,346,580	\$ 66,024	\$ 22,536,571
2024B Bond Proceeds, net of closing costs						(20,268,791)
2024B Bond Proceeds Interest Income through 12/31/25						(953,380)
Remaining local match to be funded via interest income and cash						\$ 1,314,400

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 4, Statements of Net Position under current assets and restricted assets.

Unrestricted cash available for operations increased \$2,297,454 from \$15,873,800 as of June 30, 2025 to \$18,171,254 as of December 31, 2025. This is mostly expected to be timing related as the District completes its current year CIP projects and finalizes the grant/debt funded projects.

Restricted cash in banks for debt service has increased \$938,518 from \$620,219 as of June 30, 2025, to \$1,558,737 as of December 31, 2025, in accordance with revenue debt payment activity.

Restricted cash held at the SC Local Government Investment Pool has decreased \$2,056,556 from \$18,587,904 as of June 30, 2025, to \$16,531,348 as of December 31, 2025, due to construction payments from the 2024B bond proceeds account.

Restricted cash held by Beaufort County has increased \$556,602 from \$805,891 on June 30, 2025, to \$1,362,493 as of December 31, 2025, in accordance with GO debt activity.

Total combined unrestricted and restricted cash has decreased \$1,736,018 since June 30, 2025.

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

	December 31	June 30
	2025	2025
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 8,983,030	\$ 16,329,803
Cash Paid to Suppliers	(5,396,234)	(10,415,342)
Cash Paid to Employees	(1,580,397)	(2,919,547)
Other Revenues	24,402	49,577
Net Cash Provided by Operating Activities	2,030,801	3,044,491
Cash Flows from Investing Activities		
Interest Income	774,946	1,440,962
Net Cash Provided by Investing Activities	774,946	1,440,962
Cash Flows from Noncapital Financing Activities:		
Property Taxes Collected - Operations Levy	558,916	1,372,970
Sewer Assessments Collected	66,059	143,460
Sewer Assessments Financed	(140,645)	(62,871)
Net Cash Provided by Noncapital Financing Activities	484,330	1,453,559
Cash Flows from Capital and Related Financing Activities:		
Capacity Fees	516,418	170,944
Capacity Fee Assessments	28,048	64,864
Property Taxes Collected - G.O. Debt Levy	882,050	1,877,746
Interest Paid	(491,627)	(627,003)
Proceeds from Series 2024A GO SRF Loan	-	2,589,929
Proceeds from Series 2024B GO Bonds	-	20,400,000
Bond Issuance Costs	-	(175,243)
Principal Payments on Financed Purchase, Bonds and Notes	(125,231)	(3,641,308)
Rental and Tower Lease Income	461,032	737,165
Proceeds from Capital Grant	6,285,638	2,255,991
Proceeds from Sale of Property, Plant and Equipment	-	48,559
Purchases of Property, Plant and Equipment	(9,110,387)	(9,958,173)
Net Cash Used by Capital and Related Financing Activities	(1,554,059)	13,743,471
Net Increase (Decrease) in Cash	1,736,018	19,682,483
Cash and Cash Equivalents at Beginning of Year	\$ 35,887,814	\$ 16,205,331
Cash and Cash Equivalents at End of Year	37,623,832	\$ 35,887,814

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	December 31 2025	June 30 2025
Operating Income (Loss)	\$ (758,048)	\$ (2,385,468)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</i>		
Depreciation	2,750,217	5,420,424
Decrease in Allowance for Doubtful Accounts	-	-
Difference Between GASB 68 and Actual Contributions	-	(201,754)
<i>Changes in Assets and Liabilities</i>		
Accounts Receivable - Trade	146,954	71,748
Accounts Receivable - Project SAFE	(8,821)	108,704
Inventories	121,396	(87,236)
Prepaid Assets	(207,824)	(74,198)
Accounts Payable - Trade	21,496	113,329
Customer Deposits	(1,248)	41,332
Accrued Payroll & Other Liabilities	(33,321)	37,610
Net Cash Provided by Operating Activities	\$ 2,030,801	\$ 3,044,491

Schedule of Cash and Cash Equivalents

Available for Operations

Demand Deposits (interest and non-interest bearing)	\$ 1,742,392	\$ 1,475,132
Certificate of Deposit Cash Equivalent	3,000,000	3,000,000
SC Local Government Investment Pool	12,843,130	11,311,985
Held by Beaufort County Treasurer	585,732	86,683
Total Available for Operations	\$ 18,171,254	\$ 15,873,800

Restricted

Cash in Banks	\$ 1,558,737	\$ 620,219
SC Local Government Investment Pool	16,531,348	18,587,904
Held by Beaufort County Treasurer	1,362,493	805,891
Total Restricted	\$ 19,452,578	\$ 20,014,014

Total Cash and Cash Equivalents	37,623,832	\$ 35,887,814
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Supplemental Disclosures

Noncash Financing Activities:

Developer Contribution of Systems	\$ -	\$ 222,500
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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	Dec 2025 to Dec 2024	December 2025	December 2024	June 2025
Current Ratio	> 6.00	Benchmark Met	12.22	13.27	11.10
Operating Ratio	< 0.60	Benchmark not met	0.80	0.81	0.81
Days Cash on Hand	>120	Benchmark Met	500	472	442
Accounts Receivable (days of revenue)	< 35	Benchmark Met	22	21	25
Long-Term Debt to Net Position	< 0.75	Benchmark Met	0.46	0.61	0.51
Debt Coverage Ratio Projection	>150%	Complies with Bond Covenants	295%	245%	274%

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 12.22 at December 31, 2025 which is greater than the benchmark of 6.0. Current non-restricted assets increased by \$1,329,003 and current liabilities to be paid from non-restricted assets increased by \$236,698 since December 31, 2024. The large increase in current assets is mostly related to increases in unrestricted cash.

The Operating Ratio

The operating ratio, total operating expenses less depreciation to operating revenues, indicates a company's level of operating expenses in comparison 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 0.80 compared to the December 31, 2024 ratio of 0.81 and is higher than the established benchmark of less than 0.60. Total operating expenses less depreciation increased \$518,795 while total operating revenues increased \$735,857. 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. Movement towards the benchmark would allow more operating funds on an annual basis to fund CIP projects.

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 500 as of December 31, 2025, compared to 472 as of December 31, 2024. This increase is expected to be partially timing related as the District carries out its CIP projects for FY 2026 and grant/debt funded projects.

The Accounts Receivable (Days of Revenue) Ratio

The Accounts Receivable (Days of Revenue) ratio indicates the level of accounts receivable in comparison 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.² This ratio was 22 at December 31, 2025 and 21 at December 31, 2024. 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 0.46, has decreased from the December 31, 2024, ratio of 0.61, and meets the benchmark of less than 0.75. Long-term debt was decreased by \$3,391,836 while the net position has increased by \$13,328,562.

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 December 31, 2025, the debt service projection calculation is 295% which exceeds the fiscal year 2026 budgeted debt coverage ratio of 256%, the required ratio of 120%, and the target rate of 150%.

² 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 62 since June 30, 2025, for a total of 19,988 EDUs. This is a 0.31% increase for fiscal year 2026 compared to the 0.37% increase experienced during the first half of last fiscal year. The current EDUs include 18,863 water service units, 1,037 irrigation service units, and 88 miscellaneous water units such as dock meters, hydrants, pool meters, and golf course water coolers.

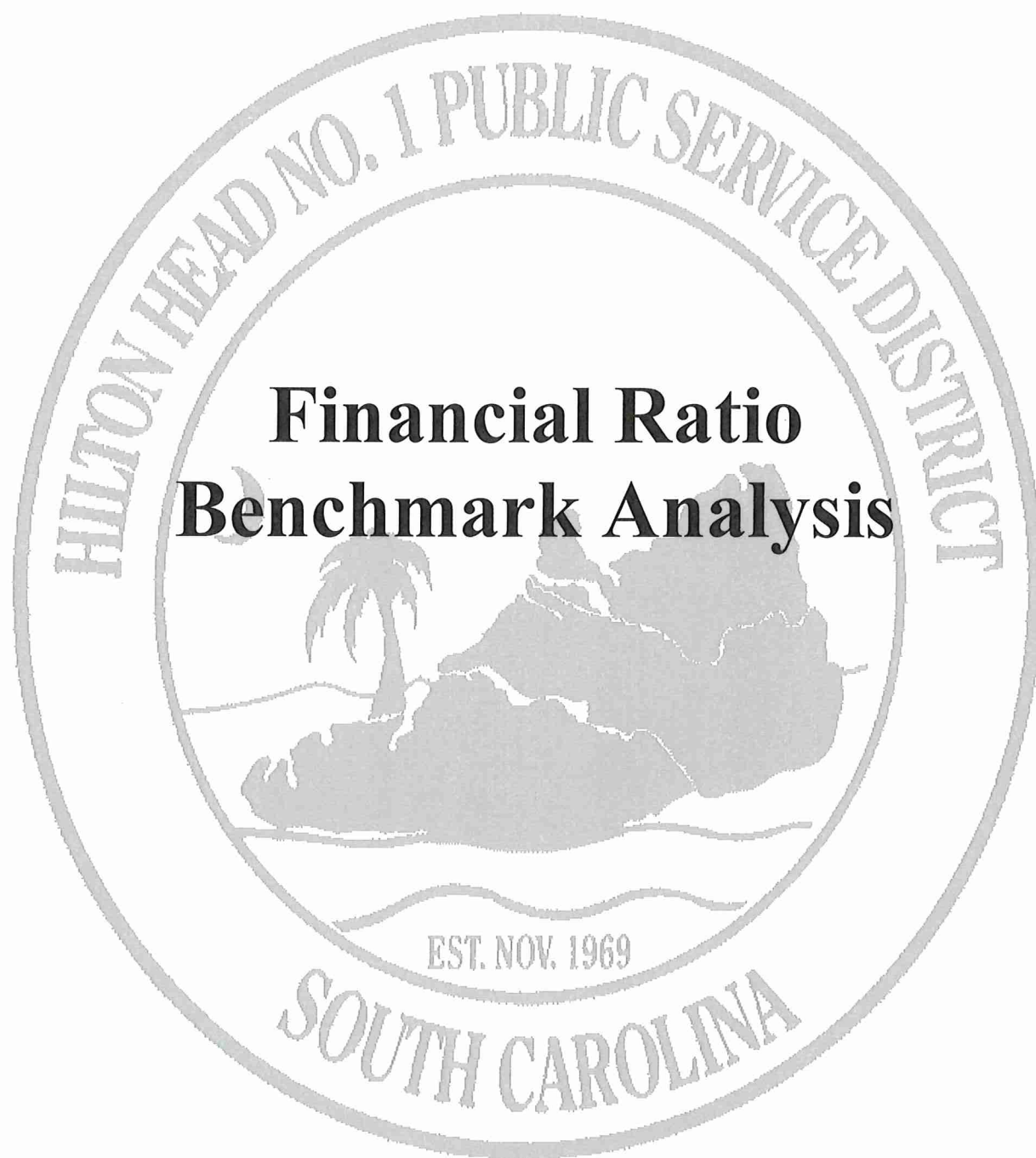
<i>Water / Sewer Connection Growth 12/31/2026</i>						
<u>Date</u>	<u>Water & Irr. EDU's</u>	<u>Only Water EDU's</u>	<u>Change in Water EDU's</u>	<u>Sewer EDU's</u>	<u>Change in Sewer EDU's</u>	<u>% Sewer to Water EDU's</u>
06/30/24	19,926	18,805	N/A	18,049	N/A	95.98%
09/30/25	19,963	18,839	37	18,084	35	95.99%
12/31/25	19,988	18,863	25	18,120	36	96.06%
Change in EDU's			<u>62</u>		<u>71</u>	

Sewer service EDUs have increased by 71 since June 30, 2025, for a total of 18,120 EDUs. This is a 0.39% increase for fiscal year 2026 compared to 0.50% for the first half of fiscal year 2025. As shown in the above table, the sewer to water customer percentage has increased to 96.06%.

Fiscal Outlook

As of December 31, 2025, the District's financial condition is stable.

Staff looks forward to discussing the second quarter fiscal year 2026 review of the District's financial condition at the February 25, 2026, Commission Meeting.



Financial Ratio Benchmark Analysis



Hilton Head Public Service District

Financial Ratio Benchmark Analysis

January 2026

Policies / Targets for South Carolina Utility Systems

Utility System	Operating Ratio	Current Ratio	Days' Cash on Hand Formal Policy	Days' Cash on Hand Informal Policy	Debt Service Coverage	Debt/Net Position
City of Anderson W&S				365		
Anderson County Joint W&S					1.30x	
Beaufort-Jasper W&S Authority	1.20	2.20	120	250	1.25x	N/A
Berkeley County Combined Utility Enterprise			120	180		
Broad Creek Public Service District						
City of Charleston W&S						
City of Columbia W&S						
City of Florence W&S	N/A	N/A	150	180		N/A
Grand Strand W&S Authority						
City of Greenville W&S	N/A	N/A	365	N/A	1.75x	N/A
Hilton Head Public Service District	0.60	6.00	120		1.50x	0.75
City of Isle of Palms W&S						
Town of Lexington W&S						
Lexington County Joint W&S						
Town of Mount Pleasant W&S	N/A	N/A	500	N/A	2.00x	N/A
City of Myrtle Beach W&S		2.00				
Richland County W&S		2.00	180	365		
South Island Public Service District			180	365		
City of Spartanburg W&S	N/A	N/A	150	N/A	1.40x	N/A
Startex Jackson Wellford Duncan Water				240		
City of Sumter W&S				150	2.00x	
City of West Columbia W&S			100	270	1.40x	
York County W&S						

Operating Ratio

- The Operating Ratio is calculated by dividing the Total Operating and Maintenance Expenses by Total Operating Revenues.
- This ratio indicates the ability to which a system’s operating revenues can cover its operating costs.
 - A lower ratio is an indicator of strong operating health.
- HHPSD Benchmark: 0.6
- HHPSD FY 2025 Result: 0.81
- Peer Data:

Utility System	Operating Ratio
Anderson County Joint W&S	0.5
Richland County W&S	0.5
York County W&S	0.5
City of Isle of Palms W&S	0.5
City of Charleston W&S	0.5
South Island PSD	0.5
Lexington County Joint W&S	0.5
City of Anderson W&S	0.5
City of Florence W&S	0.5
City of Columbia W&S	0.5
Town of Mount Pleasant W&S	0.5
City of West Columbia W&S	0.6

Utility System	Operating Ratio
Town of Lexington W&S	0.6
Grand Strand W&S Authority	0.6
City of Greenville W&S	0.6
Beaufort-Jasper W&S Authority	0.6
City of Sumter W&S	0.6
Berkeley County Combined Utility Enterprise	0.6
City of Spartanburg W&S	0.7
Hilton Head PSD	0.8
Broad Creek PSD	0.9
City of Myrtle Beach W&S	1.0
Startex Jackson Wellford Duncan Water	1.0

Source: Moody's MFR, Audits

- The District does not meet its benchmark, but is in line with most of its peers. We would recommend either setting this benchmark at a more realistic level or eliminating as it is not a benchmark generally focused on.

Current Ratio

- The Current Ratio is calculated by dividing the Current Assets by Current Liabilities.
- This ratio indicates the ability to which a system’s current assets can cover its current liabilities.
 - A higher ratio is an indicator of strong operating health.
- HHPSD Benchmark: 6.00
- HHPSD FY 2025 Result: 11.10
- Peer Data:

Utility System	Current Ratio
Hilton Head PSD	11.10
Broad Creek PSD	8.59
City of Isle of Palms W&S	8.53
Richland County W&S	6.74
Grand Strand W&S Authority	6.24
Lexington County Joint W&S	5.65
City of Greenville W&S	5.62
Berkeley County Combined Utility Enterprise	5.58
Town of Lexington W&S	5.04
City of Charleston W&S	4.88
City of Columbia W&S	4.48
Beaufort-Jasper W&S Authority	4.01

Utility System	Current Ratio
City of Spartanburg W&S	3.89
City of Sumter W&S	3.35
City of Florence W&S	3.21
York County W&S	3.18
South Island PSD	3.00
City of West Columbia W&S	2.73
Town of Mount Pleasant W&S	2.47
City of Myrtle Beach W&S	2.23
City of Anderson W&S	2.17
Anderson County Joint W&S	1.56
Startex Jackson Wellford Duncan Water	0.89

Source: Moody's MFRA, Audits

- The District outperforms its benchmark and its peers.

Days Cash on Hand

- Days Cash on Hand is calculated as follows: Unrestricted Cash / (Operating Expenses / 365)
- This figure indicates the liquidity of the system – how long current the cash position can fund operations.
 - A higher figure is an indicator of strong operating health.
- HHPSD Benchmark: 120
- HHPSD FY 2025 Result: 442
- Peer Data:

Moody's Rating Methodology (Days' Cash on Hand)		
Rating	DCOH Range	
Aaa	>250 Days	
Aa	150 Days - 250 Days	
A	35 Days - 150 Days	
Baa	15 Days - 35 Days	
Ba	7 Days - 15 Days	
B and Below	<7 Days	

Utility System	Days Cash on Hand	Policy
Richland County W&S	1,627	
City of Charleston W&S	1,539	
Berkeley County Combined Utility Enterprise	1,382	
Lexington County Joint W&S	1,334	
Grand Strand W&S Authority	1,011	
Broad Creek PSD	1,009	
City of Greenville W&S	1,003	365
City of Columbia W&S	944	
Beaufort-Jasper W&S Authority	927	120
South Island PSD	873	180
Town of Lexington W&S	738	
York County W&S	690	

Utility System	Days Cash on Hand	Policy
City of Isle of Palms W&S	577	
Town of Mount Pleasant W&S	531	500
City of Florence W&S	519	150
City of Spartanburg W&S	518	150
Hilton Head PSD	442	120
Anderson County Joint W&S	395	
City of Sumter W&S	374	
City of West Columbia W&S	369	100
City of Anderson W&S	358	
Startex Jackson Wellford Duncan Water	303	240
City of Myrtle Beach W&S	201	

Source: Moody's MFRA, Audits

- The District may consider increasing its benchmark to be more in line with where it operates and with peer data.



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Debt / Net Position

- Debt / Net Position is calculated by dividing Long-Term Debt (net of debt due within 12 months) by Total Net Position.
- Debt / Net Position indicates the level of debt a system carries in relation to its overall financial position.
 - A lower ratio is an indicator of strong operating health.
- HHPSD Benchmark: 0.75
- HHPSD FY 2025 Result: 0.51
- Peer Data:

Utility System	Debt/Net Position
City of Greenville W&S	0.03
York County W&S	0.10
Broad Creek PSD	0.22
Grand Strand W&S Authority	0.24
Beaufort-Jasper W&S Authority	0.26
Berkeley County Combined Utility Enterprise	0.27
City of Isle of Palms W&S	0.27
Lexington County Joint W&S	0.28
Startex Jackson Wellford Duncan Water	0.30
Town of Mount Pleasant W&S	0.43
City of Sumter W&S	0.43
City of Myrtle Beach W&S	0.51

Utility System	Debt/Net Position
Hilton Head PSD	0.51
Town of Lexington W&S	0.60
City of West Columbia W&S	0.66
City of Charleston W&S	0.76
City of Florence W&S	0.82
Anderson County Joint W&S	0.88
City of Spartanburg W&S	0.96
Richland County W&S	1.18
City of Anderson W&S	1.24
City of Columbia W&S	1.40
South Island PSD	1.79

Source: Audited Financial Statements

- The District outperforms its benchmark and is around the median for its peer group.

Debt Service Coverage Ratio

- Debt Service Coverage Ratio is calculated by dividing net revenues available for debt service by annual debt service.
- Debt Service Coverage Ratio is commonly used by entities, investors, rating agencies, etc. to measure the financial strength of an entity.
 - A higher ratio is an indicator of the ability to repay existing debt service as well as the ability to afford additional debt.
- HHPSD Benchmark: 1.50x
- HHPSD FY 2025 Result: 2.74x
- Peer Data:

Utility System	Debt Service Coverage
Berkeley County Combined Utility Enterprise	30.00x
City of Greenville W&S	21.40x
York County W&S	17.50x
Startex Jackson Wellford Duncan Water	12.20x
Broad Creek PSD	8.90x
Lexington County Joint W&S	5.90x
City of Isle of Palms W&S	4.80x
Grand Strand W&S Authority	4.30x
Beaufort-Jasper W&S Authority	3.60x
Town of Lexington W&S	3.50x
City of Sumter W&S	3.30x
Town of Mount Pleasant W&S	2.90x

Utility System	Debt Service Coverage
City of West Columbia W&S	2.90x
Hilton Head Public Service District	2.74x
City of Charleston W&S	2.70x
Richland County W&S	2.50x
City of Florence W&S	2.40x
South Island PSD	2.21x
City of Columbia W&S	2.10x
City of Anderson W&S	2.00x
City of Spartanburg W&S	2.00x
Anderson County Joint W&S	1.40x
City of Myrtle Beach W&S	0.90x

Source: Moody's MFRA, Audits

- The District outperforms its benchmark and is around the median for its peer group.

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SIMPLIFYING PUBLIC FINANCE

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MSRB Registrant

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The seal of the Hilton Head No. 1 Public Service District is a circular emblem. The outer ring contains the text "HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT" at the top and "SOUTH CAROLINA" at the bottom. The center of the seal depicts a coastal scene with a palm tree on the left, a rocky island in the middle, and wavy lines representing the ocean at the bottom. The text "EST. NOV. 1969" is positioned just above the "SOUTH CAROLINA" text.

S.C. Critical Infrastructure Cybersecurity Program MOA

COMMISSIONERS

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Jerry Cutrer, Vice-Chair
Stuart Bell, Treasurer
Patti Soltys, Secretary
Andy Paterno
Ibrahim Abdul-Malik
Michael Marks

**EXECUTIVE STAFF**

J. Pete Nardi, General Manager
Amy Graybill, Finance Manager
William C. Davis, Operations Manager

HILTON HEAD PUBLIC SERVICE DISTRICT

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

Re: Memorandum of Agreement for Participation in the S.C. Critical Infrastructure Cybersecurity Program

February 17, 2026

Dear Commissioners:

The PSD is committed to safeguarding against cyber threats. As such threats continue to increase in frequency and sophistication, it is imperative that we strengthen our cybersecurity posture through strategic partnerships, shared resources, and statewide coordination.

The S.C. Law Enforcement Division (SLED) South Carolina Critical Infrastructure Cybersecurity (CIC) Program has developed both threat intelligence and training opportunities and is seeking participating organizations. The program provides situational awareness, access to expert assessments, and enhances threat response capabilities.

Please see attached MOA for consideration at the February Commission meeting. Staff believes the PSD can both contribute to and benefit from this coordinated statewide approach that elevates cybersecurity readiness across all participating organizations.

Best regards,

A handwritten signature in blue ink, appearing to read "J. P. Nardi", with a small mark to the right.

Pete Nardi
General Manager
Hilton Head Public Service District



SOUTH CAROLINA CRITICAL INFRASTRUCTURE CYBERSECURITY PROGRAM MEMORANDUM OF AGREEMENT – PARTICIPANT ORGANIZATION

The South Carolina Critical Infrastructure Cybersecurity (SC CIC) Program Task Force operating out of the South Carolina Law Enforcement Division (“SLED”) located at 4400 Broad River Road, Columbia, SC and Hilton Head Public Service District (PARTICIPANT ORGANIZATION), located at 21 Oak Park Drive, Hilton Head Island, SC 29926 enter into this Memorandum of Agreement (“MOA”) as the parties hereto, for collaborative efforts involving the SC CIC Program.

WHEREAS, South Carolina Governor Henry McMaster has issued Executive Order 2017-08 mandating that South Carolina protect its critical infrastructure from sophisticated cyber threats in order to maintain the stability of South Carolina’s economic and commercial activity and to ensure the health, safety, and well-being of South Carolina citizens.

WHEREAS, Executive Order 2017-08 also acknowledged that facilitating collaboration among State and Federal government agencies and public-sector and private-sector organizations will aid the State in protecting critical infrastructure from sophisticated cyber threats.

WHEREAS, SLED has been tasked with oversight and control of the SC CIC Program, which will collect, analyze, investigate, disseminate, and provide cybersecurity services, products, and intelligence pertaining to cyber threats to public and private critical infrastructure assets and resources in South Carolina in an effort to enhance the cybersecurity posture throughout the state by collaboration and coordination with task force partners and participating organizations, and other purposes specified herein.

WHEREAS, the PARTICIPANT ORGANIZATION is either a State or Federal government agency, a public-sector organization, or a private-sector organization that is a part of the critical infrastructure in the State of South Carolina or that provides essential services to South Carolina residents or businesses; and seeks to participate in the SC CIC Program and receive resources and services therefrom in a collaborative effort

Therefore, the parties to this MOA desire to enter into this formal, mutually beneficial agreement to participate in the SC CIC Program and agree to the following:

SECTION 1 – SC CIC PROGRAM TASK FORCE COMMITMENT

1. The SC CIC Program Task Force (“Task Force”) will operate out of SLED and will provide cybersecurity services, products, information, and intelligence pertaining to cyber threats and events in support of PARTICIPANT ORGANIZATION in such manner that the Task Force, in coordination with PARTICIPANT ORGANIZATION determines appropriate.
2. The Task Force will provide and utilize as much SLED personnel or SC CIC participants as the Task Force, in its sole discretion, deems appropriate to assist PARTICIPANT ORGANIZATION in this regard.
3. Neither the Task Force, SLED, nor the SC CIC Program assumes any responsibility or liability for any kind for a security breach and does not warrant or guarantee that PARTICIPANT ORGANIZATION or PARTICIPANT ORGANIZATION’S network or infrastructure will not sustain a cyber-intrusion or a breach.
4. Neither the Task Force, SLED, nor the SC CIC Program make any express or implied warranties as to any matter whatsoever.
5. The Task Force’s performance obligations for any succeeding fiscal period shall be subject to the availability and appropriation of funds. When funds are not appropriated or otherwise made available to support continued performance in a subsequent fiscal period, the Task Force will provide as much notice as is possible under the circumstances and this MOA will be deemed cancelled.
6. Neither the Task Force, SLED, nor the SC CIC Program assumes any responsibility for making any notification required by applicable state or federal law regarding any breach of the security of the system of PARTICIPANT ORGANIZATION.

SECTION 2 – PARTICIPATION ORGANIZATION COMMITMENT

1. PARTICIPANT ORGANIZATION agrees to participate in and collaborate with the SC CIC Program pursuant to the terms and conditions of this MOA.
2. PARTICIPANT ORGANIZATION acknowledges that in order for the Task Force to assist PARTICIPANT ORGANIZATION pursuant to this MOA, the Task Force needs as timely and accurate information about PARTICIPANT ORGANIZATION’s critical resources and PARTICIPANT ORGANIZATION’s cyber infrastructure as circumstances allow, and PARTICIPANT ORGANIZATION hereby agrees to provide such information in such manner that PARTICIPANT ORGANIZATION, in its sole discretion, determines appropriate.
3. PARTICIPANT ORGANIZATION acknowledges that its full and complete cooperation is essential to the performance of this MOA and agrees that its personnel will fully cooperate with the Task Force regarding such on a continuous basis in such manner that PARTICIPANT ORGANIZATION, in its sole discretion, determines appropriate.

4. PARTICIPANT ORGANIZATION agrees to designate at least one employee as a Cyber Liaison Officer (CLO) to the SC CIC Program to participate in a capacity as determined by the Parties in conjunction with the SC CIC Program's operations plan concerning CLOs.
5. If applicable, PARTICIPANT ORGANIZATION's performance obligations for any succeeding fiscal period shall be subject to the availability and appropriation of funds. When funds are not appropriated or otherwise made available to support continued performance in a subsequent fiscal period, PARTICIPANT ORGANIZATION will provide as much notice as is possible under the circumstances and this MOA will be deemed cancelled.
6. PARTICIPANT ORGANIZATION acknowledges that the Task Force's limited assistance set forth in this MOA is not, in and of itself, sufficient cyber infrastructure protection and this MOA shall not relieve the PARTICIPANT ORGANIZATION from its responsibility to protect its cyber infrastructure and its network(s) from intrusion pursuant to applicable law.
7. PARTICIPANT ORGANIZATION acknowledges and agrees that neither the Task Force, SLED, nor the SC CIC Program has any liability of any kind for any breach of the security of the system of PARTICIPANT ORGANIZATION's cyber infrastructure and acknowledges that the Task Force, SLED, nor the SC CIC Program do not warrant or guarantee that PARTICIPANT ORGANIZATION or PARTICIPANT ORGANIZATION's network will not sustain a security breach.
8. PARTICIPANT ORGANIZATION acknowledges and agrees that it will comply with all applicable state and federal laws and regulations regarding notification of any breach of the security of its network and relieves the Task Force, SLED, and the SC CIC Program of any obligation for the same, regardless of the Task Force, SLED, nor the SC CIC Program's duties and responsibilities set forth herein.
9. PARTICIPANT ORGANIZATION acknowledges and agrees that no cybersecurity or cyber protection is foolproof, and that any resources or assistance provided pursuant to this MOA are not intended to replace insurance. PARTICIPANT ORGANIZATION agrees and acknowledges that the Task Force, SLED, nor the SC CIC Program are not in any way an insurer of PARTICIPANT ORGANIZATION's resources, personnel, or premises against loss or damage.
10. PARTICIPANT ORGANIZATION agrees and acknowledges that there are no warranties of any kind attached to or associated with this MOA and that any affirmation or fact or promise made by the Task Force, SLED, or the SC CIC Program shall not be deemed to create an express warranty of any kind.
11. PARTICIPANT ORGANIZATION agrees and acknowledges to fully and completely hold the Task Force, SLED, SLED employees, and the SC CIC Program harmless for any loss of any kind that may arise regarding actions taken by either Party to facilitate this MOA so long as such actions are in compliance with applicable law and consistent with and

undertaken in good faith to achieve the purposes of this Agreement. However, notwithstanding the above, this provision does not apply to a PARTICIPANT ORGANIZATION that is a political subdivision or governmental entity that is prohibited from such actions.

SECTION 3 – AMENDMENT OR TERMINATION

1. This MOA shall continue in full force until modified or terminated. However, this MOA may be amended at any time by mutual agreement of the parties and the execution of a corresponding written agreement.
2. This MOA may be terminated for any reason by either of the parties upon written notice; however, the parties agree to provide 30 days' prior notice of the intent to terminate, if possible.
3. Notwithstanding the termination of this MOA, any party that discloses information pursuant to this MOA shall continue to have the right to enforce this MOA and the receiving party's obligations of confidentiality and limited use will survive to the fullest extent allowed by law after termination of this MOA for any reason.

SECTION 4 – GENERAL PROVISIONS

The parties hereby agree to each of the following:

- A. That all records regarding this MOA shall be maintained in accordance with federal and/or state requirements.
- B. That all records maintained in accordance with this MOA shall be deemed confidential and shall not be made available to anyone, including employees of either Party, except on a need-to-know basis as determined by the Parties. The Parties also agree that all records and activities associated with this MOA are “[i]nformation relating to security plans and devices proposed, adopted, installed, or utilized by a public body... [and] is required to be closed to the public and is not considered to be made open to the public” pursuant to the South Carolina Freedom of Information Act (“SCFOIA”); *See* S.C. Code Ann. § 30-4-20(c). The Parties further agree that the records produced Program are also exempt from production under the SCFOIA pursuant to S.C. Code Ann. § 30-4-40 and its subsections. Further, the Parties agree that no information shared pursuant to this MOA shall be disseminated without the express written consent of the other Party, which shall not be unreasonably withheld absent a court order or specific legal requirement for such.
- C. When sharing information in furtherance of the purposes of this Agreement, the Parties agree that they shall, to the fullest extent practicable, request and/or share information in a manner sufficient to receive the protections available under the Cybersecurity Information Sharing act of 2015, 6 U.S.C. § 1501 et seq. (“CISA”) for the protection of information shared. Accordingly, information shared between Parties will be shared in furtherance of a “cybersecurity purpose” as defined in 6 U.S.C. § 1501(4) and will only include

information regarding “cyber threat indicators” as defined in 6 U.S.C. § 1501(6) and “defensive measures” as defined in 6 U.S.C. § 1501(7). Further, before sharing such information, the Party providing the information will, consistent with 6 U.S.C. § 1503(d)(2), remove through manual or technical means any information not directly related to a cybersecurity threat that the Party knows at the time to be personal information regarding a specific person or information identifying a specific person. Any Party receiving such information under this Agreement shall implement and utilize a security control to protect against unauthorized access to or acquisition of such information consistent with 6 U.S.C. § 1503(d)(1) and shall also implement any and all confidentiality protections the Parties agree are sufficient to satisfy any obligation to comply with lawful restrictions on the disclosure of information under 6 U.S.C. § 1503(c)(2). Any Party sharing information under this Agreement retains the right to claim and assert the protections available under CISA for the protection of the shared information as “cyber threat indicators” or “defensive measures” regardless of the actions of the Party receiving such information, and the Party receiving under this agreement shall support any such claims by the Party asserting such claims.

- D. That performance of any aspect of this MOA by employees of PARTICIPANT ORGANIZATION does not constitute employment at SLED nor does performance of any aspect of this MOA by employees of SLED constitute employment at PARTICIPANT ORGANIZATION.
- E. That this MOA is not an obligation or commitment of funds, nor a basis for transfer of funds, but rather is a basic statement of the understanding between the Parties to commit resources to SC CIC. Unless otherwise agreed to in writing, each Party shall bear its own costs in relation to this MOA, including but not limited to payment of salaries, overtime, and per diem. Expenditures by each Party will be subject to such Party’s own budgetary processes and to the availability of funds and resources, pursuant to applicable laws, regulations, and policies.
- F. That each Party to this MOA agrees to assume its own liability and responsibility for the acts, omission, or conduct of such Party’s own employees in relation to this MOA and subject to other relevant state and federal law.
- G. That each party certifies compliance with the Drug-free Workplace Act, as set forth in S.C. Code Ann. § 44-107-10, *et. seq.*
- H. That each Party agrees to fully comply with applicable provisions of the South Carolina Ethics Act as set forth in Chapter 13 of Title 8 of the South Carolina Code of Laws, as amended.
- I. That each Party certifies that it will comply with all the applicable requirements of Title 8, Chapter 14 of the South Carolina Code of Laws, as amended, relating to illegal immigration.

- J. That neither Party shall assign this contract, or its rights, obligations or any other interest arising from this contract, or delegate any of its performance obligations without the express written consent of the other party, which shall not be unreasonably withheld.
- K. That this MOA, any dispute, claim, or controversy relating to this MOA, and all the rights and obligations of the parties shall, in all respects, be interpreted, construed, enforced, and governed by and under the laws of the State of South Carolina, except its choice of law rules.
- L. That any and all disputes, claims, or controversies relating to this MOA shall be resolved exclusively by the appropriate Chief Procurement Officer in accordance with Title 11, Chapter 35, Article 17 of the South Carolina Code of Laws, or in the absence of jurisdiction, only in the Court of Common Pleas for, or a federal court located in, Richland County, State of South Carolina. PARTICIPANT ORGANIZATION agrees that any act by SLED or any SLED employee regarding this MOA is not a waiver of either SLED's sovereign immunity or SLED's immunity under the Eleventh Amendment of the United States Constitution.
- M. That PARTICIPANT ORGANIZATION consents that any papers, notices, or process necessary or proper for the initiation or continuation of any disputes, claims, or controversies relating to this MOA; for any court action in connection therewith; or for the entry of judgment on any award made, may be served on PARTICIPANT ORGANIZATION by certified mail addressed to PARTICIPANT ORGANIZATION at the address provided below, via the email address designated herein by PARTICIPANT ORGANIZATION, or by personal service or by any other manner that is permitted by law, in or outside South Carolina. Notice by certified mail is deemed duly given upon deposit in the United States mail.
- N. That upon termination of this MOA for any reason, the State of South Carolina, the Task Force, and/or SLED shall have the right, upon demand, to obtain access to, and possession of, all State properties, including, but not limited to, current copies of all State application programs and necessary documentation, all data, files, intermediate materials and supplies held by PARTICIPANT ORGANIZATION provided, however, the PARTICIPANT ORGANIZATION shall not be required to provide access to its computer systems and networks without reasonable security controls agreed to in advance of any such access.
- O. That upon termination of this MOA, the Parties shall: (i) return all equipment to the supplying organization and comply with all applicable SC CIC Program guidelines, and all applicable state and federal laws, policies, or procedures and (ii) return or destroy all confidential information and records of the other Party. In the event PARTICIPANT ORGANIZATION uses any equipment provided by the State of South Carolina, the Task Force, and/or SLED the PARTICIPANT ORGANIZATION shall be permitted a reasonable period of time to remove any confidential information from the equipment prior to its return.

SECTION 5 – CONTACTS

Participating Agency
CLO Contact Person:
Address:

Office Phone:
E-mail:

SLED SC CIC Program
Contact Person: Ryan Truskey
Address: P. O. Box 21398
Columbia, SC 29221
E-mail: rtruskey@sled.sc.gov

WHEREFORE, by signing below, the authorized representative of each Party agrees to abide by the terms of this MOA and will commit to participating in the SC CIC Program under the terms and conditions set forth herein.

Participating Organization

Hilton Head Public Service District
Organization Name

SLED SC CIC Program

Signature of Authorized Representative

Pete Nardi / General Manager

Printed Name / Title

Signature of Authorized Representative

Date

Date

Witness Signature

Witness Signature

Once completed, please email to clo@sled.sc.gov



General Manager's Monthly Report



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

February 18, 2026

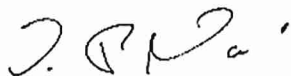
Dear Commissioners, please see below the following updates:

- We are experiencing current demand of approximately 6 million gallons a day (mgd), which *includes* Aquifer Storage & Recovery (ASR) recharge of 2 mgd.
- S.C. Infrastructure Investment Program (SCIIP) Projects Update:
 - **RO Plant Expansion:**
 - Instrumentation and controls work is ongoing.
 - Plant startup being planned for April.
 - Current RO Plant Expansion Project Finish Date: Nov. 2, 2026.
 - **RO Well #4:**
 - Well construction complete.
 - Temporary pump installation will occur in order to test RO Plant at full 6-mgd capacity.
 - Current RO Well #4 Finish Date: October 16, 2026.
 - **ASR Well #2:**
 - Production well drill rig is on site.
 - Middle Floridan Aquifer monitoring well drilling under way.
 - Current ASR #2 Finish Date: Dec. 9, 2027.
- **Joint letter sent in support of Utility Relocation Extension**
 - We circulated our letter of support (attached) for extension of the Utility Relocation Provision (H.3768) to the Broad Creek and South Island Commissions, as well as our Hilton Head representative on the BJWSA board, and it was signed by all. I sent it directly to State Sen. Tom Davis as well as the clerk of the Beaufort County Delegation, who circulated it to all delegation members. As of this writing, we still are awaiting dates for the Senate subcommittee hearings on H.3768.
- **PSD IT team participates in Operation Palmetto Shield**
 - IT/GIS Manager Ryan Lewis and IT/GIS Technician Devin Hyatt participated in the S.C. Law Enforcement Division (SLED) S.C. Critical Infrastructure Cybersecurity (CIC) Program's "Operation Palmetto Shield" this month. This was a tabletop exercise held on Hilton Head Island simulating a statewide cybersecurity event. The event brought together multiple agencies from public utilities and law enforcement to schools and hospitals. It promoted cross-agency collaboration and the ongoing need to strengthen protection of informational technology and operational technology. SLED's development of the CIC now offers multiple benefits for partnering organizations, particularly in threat intelligence and training, and PSD would like to execute the necessary MOA. See item VI. on this month's agenda.

- **Hughes is Certified Government Finance Officer**
 - Assistant Finance Manager Angie Hughes is now a Certified Government Finance Officer through the S.C. Government Finance Officers Association. The certification involves passing 10 examinations and completing coursework in areas such as Financial Planning & Budgeting, Capital Planning & Forecasting, Financial Reporting & Auditing, and Governmental Accounting. A big congrats to Angie! A news release will be sent.
- **Island PSDs Interconnection Study**
 - Engineers from Ardurra in January presented the results of their "Regional Infrastructure Connectivity Study" that was performed for Broad Creek PSD. The study includes recommendations for making drinking water transmission connections so that Broad Creek could send water to Hilton Head PSD and South Island PSD, and for South Island PSD to send water to Broad Creek PSD. Several projects initially appear to be feasible, while others are more challenging. See attached PowerPoint.
- **AWWA-American Membrane Technology Conference**
 - Pete Nardi and Water Treatment Supervisor Tim Ryan attended the AWWA-American Membrane Technology Conference this month. Sessions covered membrane treatment of wastewater, including for potential Indirect Potable Reuse/aquifer recharge/saltwater barrier; high-recovery membrane systems, including "Closed Circuit Reverse Osmosis," where a post-treatment RO system captures more water from the concentrate (brine); project pilots; machine-learning for RO system maintenance planning; innovations in seawater RO; and more. We also met with our RO equipment provider, Veolia, to discuss start-up of the expanded RO Plant.

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

All my best,



Pete Nardi
General Manager
Hilton Head PSD

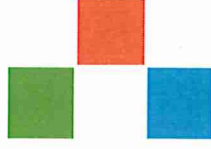
BCPSD REGIONAL INFRASTRUCTURE CONNECTIVITY STUDY

BOARD PRESENTATION
JANUARY 29, 2026



MIKE BECKMAN, PE
ARDURRA



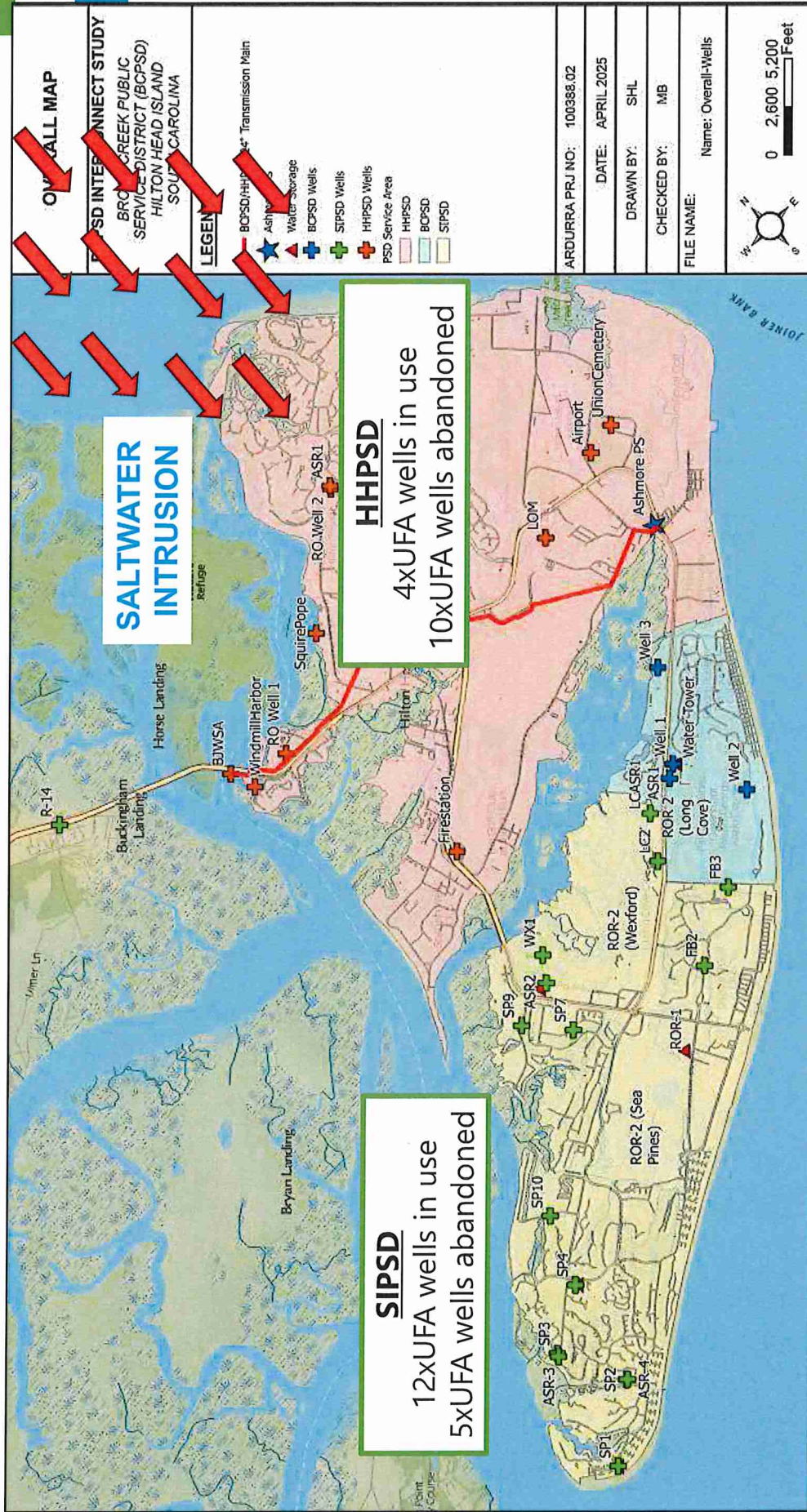
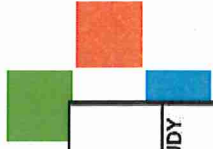


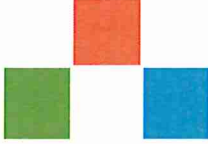
STUDY OBJECTIVE

- Reviewed the water demand trend and set the demand goal for summer and winter
- Investigated the available water sources within BCPD service district and their capacities
- Investigated the potential water sources from neighboring districts and the required infrastructure and estimated cost to achieve the interconnect.
- Built a calibration model of existing water distribution system in WaterGEM

CHALLENGES

- BCPD does not own a WTP to utilize deeper groundwater resources.
- BCPD is solely relying on **three** UFA wells (withdrawal permit limit = 1.7 MGD) and BJWSA (2 MGD).
- Impact of saltwater intrusion to Hilton Head Island. Neighboring district losing UFA wells due to saltwater intrusion.
- Disinfectant conversion required to receive from and send to SIPD.





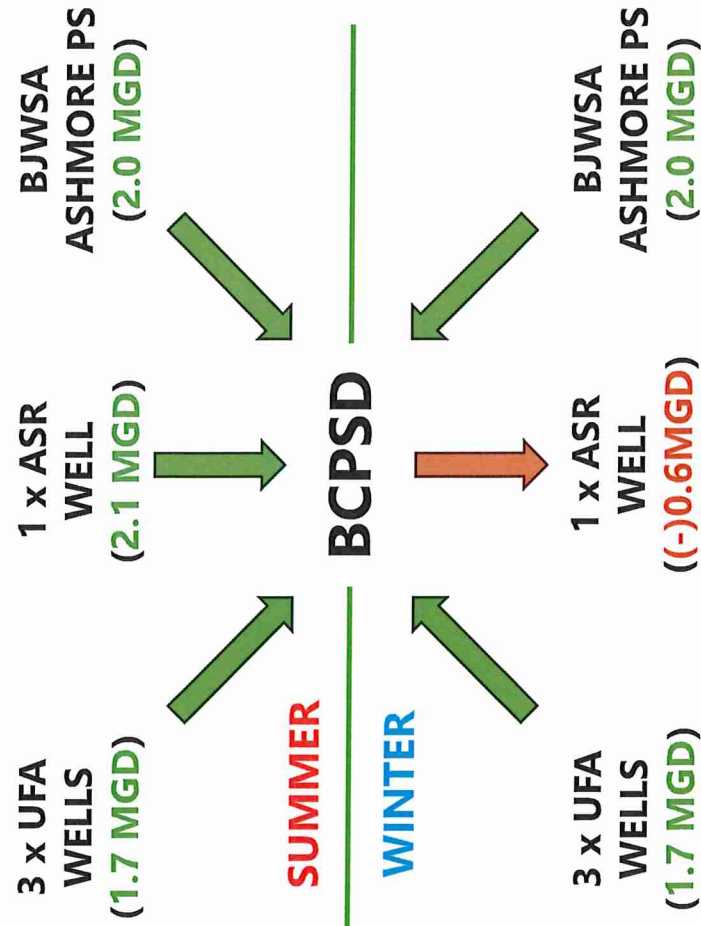
BCPSD - CURRENT WATER DEMAND

Per 2024 Financial report, BCPD has the following number of active customer accounts by classification:

- Residential Single-Family Home/Metered Condo – 920 accounts
- Residential Regime/Apartment – 10 accounts, 508 units
- Commercial Hotel/Timeshare – 10 accounts, 1531 units
- Commercial Transient Rental Home – 443 accounts
- Commercial Transient Rental Regime – 32 accounts, 2012 units
- Commercial Business – 91 accounts
- Commercial Irrigation – 134 accounts

Demand	Unit	Historical Demand 2014 – 2019	Historical Demand 2021-2023	Historical Demand 2024	Demand based on Historical data
ADD	MGD	1.8	1.8	1.6	1.8
MDD	MGD	3.5	2.7	2.5	3.0
Annual Demand	MG	660	660	584	660

BCPSD – EXISTING WATER SOURCE CAPACITY



SUMMER TOTAL
= 5.8 MGD

SUMMER TOTAL
W/O UFA WELLS
= 4.1 MGD

WINTER TOTAL
= 3.1 MGD

WINTER TOTAL
W/O UFA WELLS
= 1.4 MGD

SUMMER
DEMAND
= 3.0 MGD

WINTER
DEMAND
= 1.8 MGD

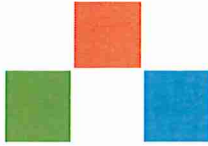
SUMMER
REMAINING
= 2.8 MGD

SUMMER
REMAINING
W/O UFA WELLS
= 1.1 MGD

WINTER
REMAINING
= 1.3 MGD

WINTER
REMAINING
W/O UFA WELLS
= (0.4) MGD*

*0.6 MGD recharge of ASR can be stopped; therefore, some surplus available for emergencies.



FOUR (4) SCENARIOS & HYDRAULIC MODEL

**SUMMER
REMAINING
= 2.8 MGD**

**SUMMER
REMAINING
W/O UFA WELLS
= 1.1 MGD**

**WINTER
REMAINING
= 1.3 MGD**

**WINTER
REMAINING
W/O UFA WELLS
= (0.4) MGD**

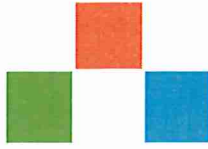
Scenario 1 Receive 1.5 MGD from BJWSA*

Scenario 2 Receive 1.5 MGD from SIPSD*

Scenario 3 Send 1.5 MGD Emergency Flow to SIPSD

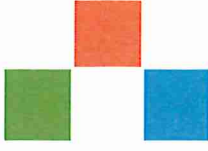
Scenario 4 Send 1.5 MGD Emergency Flow to HHPSD

*Revised flow requirements to 1.0 MGD based on capacity analysis. No hydraulic constraints were found within the system for four scenarios listed above.



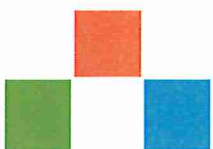
SCENARIO 1 AND 2 – NORMAL OPERATION

	SCENARIO 1	SCENARIO 2
Description	Receive 1.0 MGD from BJWSA	Receive 1.0 MGD from SIPSD
Available water capacity	Need to confirm with BJWSA. BCPSD currently can purchase upto 2 MGD, and can purchase additional 1 MGD per the Water Supply Agreement (2015).	May be available. With the new Wexford RO WTP completely built out, SIPSD may have the capacity to send (estimated to be completed by 2027).
Interconnect/ Infrastructure	No Upgrade needed. Existing transmission line and Ashmore PS are capable of accommodating an additional 1.0 MGD from the BJWSA	Interconnect pipeline, disinfectant conversion system and booster PS required.
Disinfection	No conversion required. BJWSA uses chloramine.	Chloramination required. SIPSD uses Chlorine.



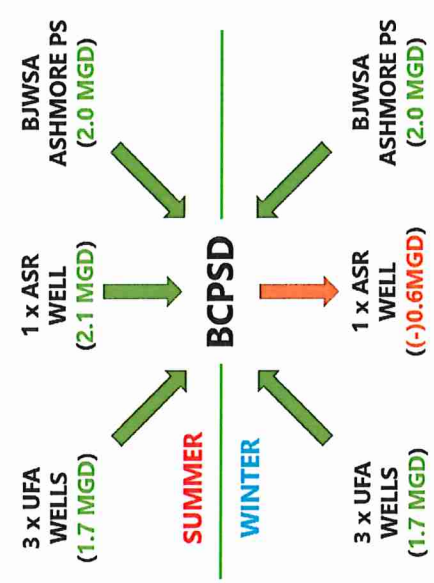
SCENARIO 3 AND 4 – EMERGENCY OPERATION

	SCENARIO 3	SCENARIO 4
Description	Send 1.5 MGD to SIPSD	Send 1.5 MGD to HHPSD
Available water capacity	BCPSD does not have enough capacity to send the 1.5 MGD.	BCPSD does not have enough capacity to send the 1.5 MGD. (BCPSD can send 1.0 MGD, if receiving flow from SIPSD per Scenario 2)
Interconnect/ Infrastructure	Interconnect pipeline, disinfectant conversion system and High Service PS required.	New bypass and a concrete meter vault with flow meters and valves required. Two alternative routes (3 and 4) are presented in the report.
Disinfection	Breakpoint Chlorination is required. SIPSD uses chlorine	No conversion required. HHPSD uses Chloramine.



BCPSD – EXISTING WATER SOURCE CAPACITY

	ALL RESOURCES		WITHOUT UFA WELLS	
	SUMMER	WINTER	SUMMER	WINTER
BCPSD TOTAL CAP	5.8 MGD	3.1 MGD	4.1 MGD	1.4 MGD
BCPSD DEMAND	3.0 MGD	1.8 MGD	3.0 MGD	1.8 MGD
BCPSD REMAINING	2.8 MGD	1.3 MGD	1.1 MGD	(0.4) MGD
BCPSD CAPACITY PER SCENARIO				
SCENARIO 1 RECEIVE 1.0 MGD FROM BJWSA	3.8 MGD	2.3 MGD	2.1 MGD	0.6 MGD
SCENARIO 2 RECEIVE 1.0 MGD FROM SIPSD	3.8 MGD	2.3 MGD	2.1 MGD	0.6 MGD
SCENARIO 3 SEND 1.5 MGD TO SIPSD	1.3 MGD	(0.2) MGD	(0.4) MGD	(1.9) MGD
SCENARIO 4 SEND 1.5 MGD TO HHPSD	1.3 MGD	(0.2) MGD	(0.4) MGD	(1.9) MGD





CAPACITY ANALYSIS PER SEASON WITHOUT UFA WELLS

<u>Modified Scenario 2</u> (1 MGD from SIPSD + no UFA wells) BCPSD Required 3.0 MGD (MDD) Summer Condition ASR Recovery							
Scenario	BCPSD UFA (MGD)	BCPSD ASR (MGD)	BJWSA (MGD)	SIPSD (MGD)	HHPSD (MGD)	Total (MGD)	Surplus/ Deficit (MGD)
Modified 2	-	2.1	2	1.0	-	5.1	2.1
4	-	2.1	2	-	(1.5)	2.6	(0.4)*
Modified Scenario 2 & Scenario 4	-	2.1	2	1.0	(1.5)	3.6	0.6

*Deficit sending emergency water to HHPSD.

<u>Modified Scenario 2</u> (1 MGD from SIPSD + no UFA wells) BCPSD Required 1.8 MGD (ADD) Winter Condition ASR Recharge							
Scenario	BCPSD UFA (MGD)	BCPSD ASR (MGD)	BJWSA (MGD)	SIPSD (MGD)	HHPSD (MGD)	Total (MGD)	Surplus/ Deficit (MGD)
Modified 2	-	(0.6)	2	1.0	-	2.4	0.6
4	-	(0.6)	2	-	(1.5)	(0.1)	(1.9)**
Modified Scenario 2 & Scenario 4	-	(0.6)	2	1.0	(1.5)	0.9	(0.9)***

*Deficit maintaining BCPSD systems.

**Deficit sending emergency water to HHPSD.

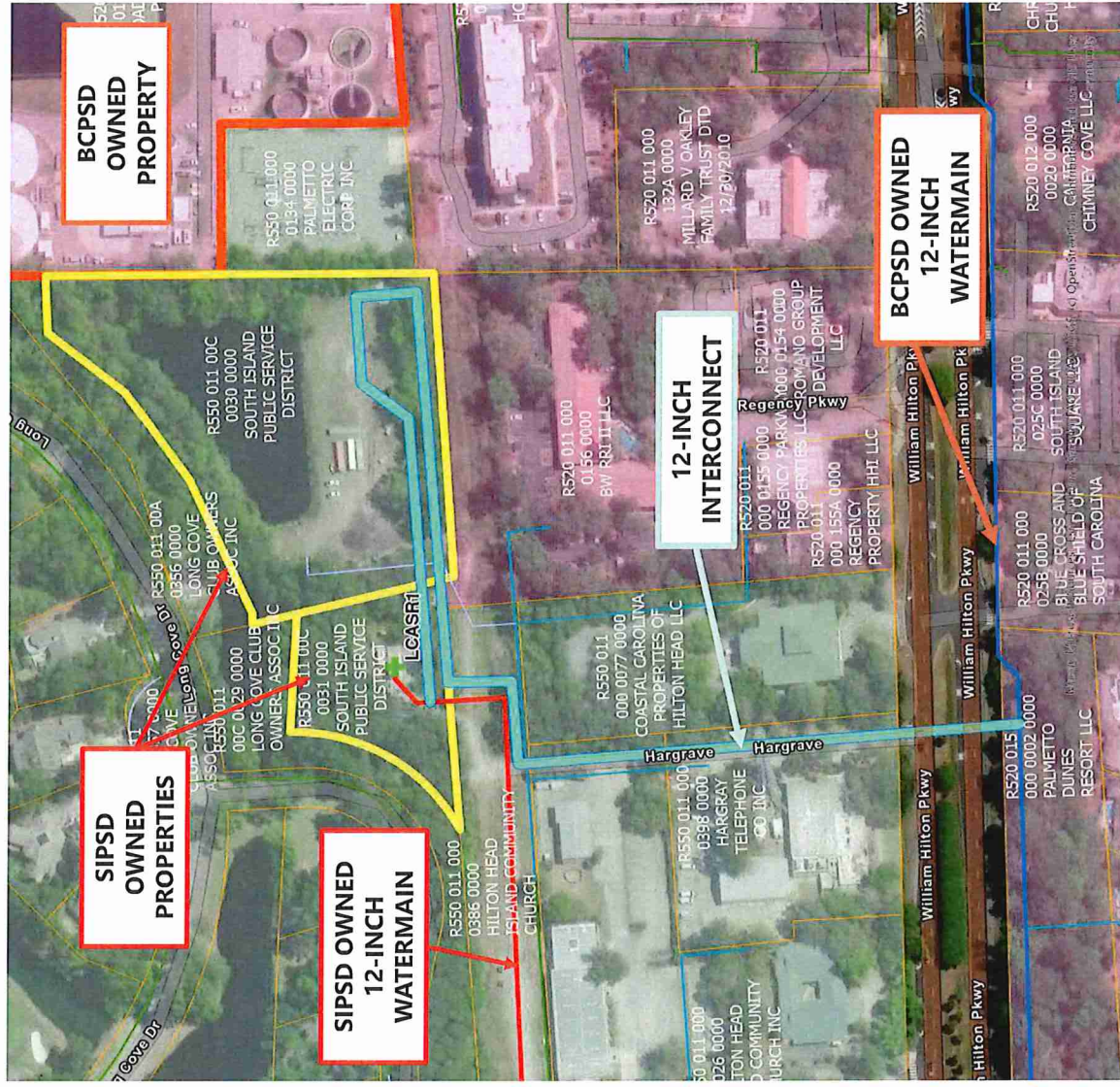
***Deficit sending emergency water to HHPSD while receiving water from SIPSD.

****1.2 MGD available with no ASR recharge.

Is the remaining capacity, without UFA wells, enough to send emergency flow to HHPSD?

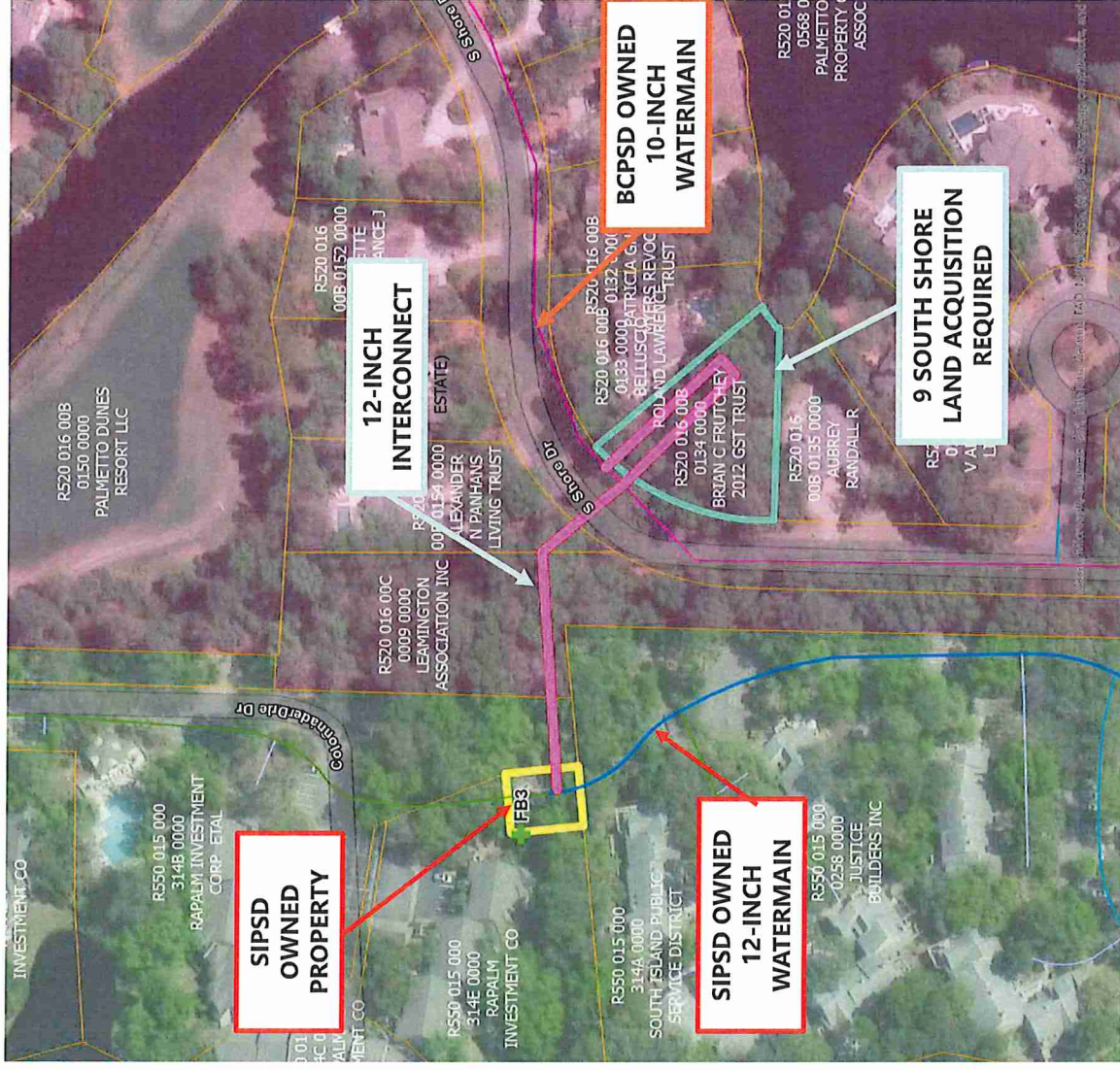
ALTERNATIVE ROUTE 1

- 



MODIFIED SCENARIO 2 **(RECEIVE 1.0 MGD FROM SIPSD)** **ALTERNATIVE ROUTE 2**

- Tie-to FB3 UFA well piping owned/operated by SIPSD
- Land acquisition required (9 South Shore Drive)— for Disinfection system and Booster PS.
- Permit required to discharge blowoff flow to the lagoon.
- Existing Freshwater Forested Wetland crossing
- Hydraulically less favored - Further away from the elevated storage tank.

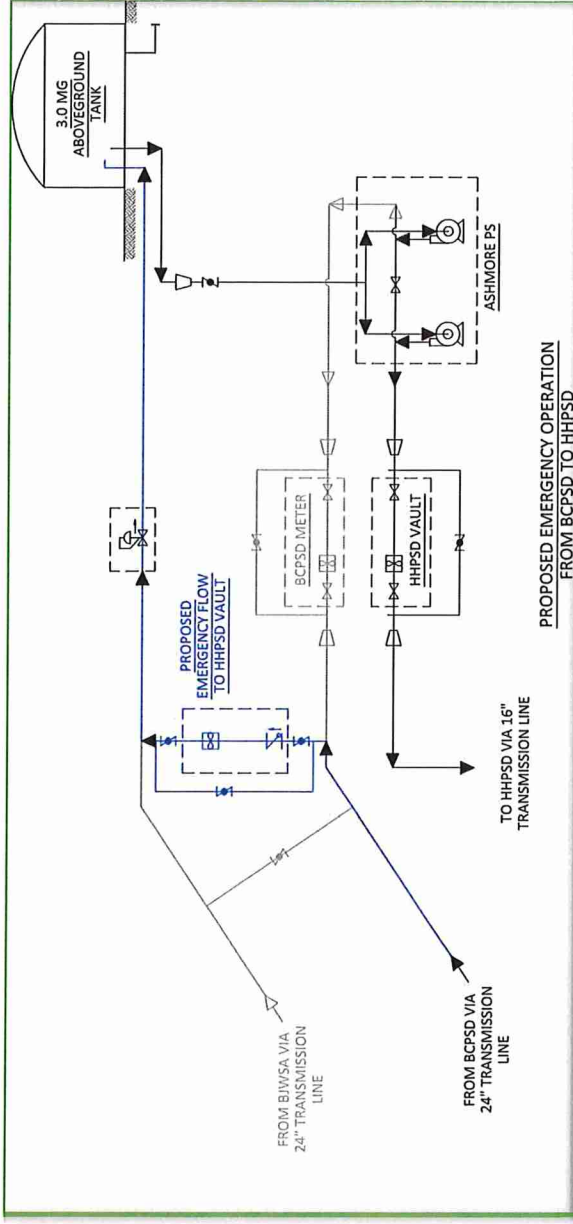




	Alternative 1	Alternative 2	Comments
Cost	\$ 6,345,300	\$ 6,810,000	7% difference
Land Acquisition	No	Yes	SIPSD negotiation Vs. 9 South Shore Drive Purchase
Interconnect Route Length (ft)	2,035 ft	600 ft	Alt 1 may have Sparklight communication line issues and requires HWY 278 crossing.
CZC, NOI	Yes	Yes	Both options comparable
COE Permitting/Wetlands	No	Yes	Both options comparable
Town, SCDOT & DES Permitting	Yes	Yes	Both options comparable
Flood Zone	No	Yes	Both options comparable
Trees	Yes	Yes	Both options comparable
Blowoff & Building Drainage	Yes	Yes	Alt 1 more favorable (need to be discussed with SIPSD)
Zoning	Yes	Yes	Both options comparable
Easements	Yes	Yes	Both options comparable
Archeological	No	Yes	Both options comparable
3 Phase Power	Yes	Yes	Both options comparable
Schedule (Design, Permit, Cost)	2 years	2 years	Both options comparable

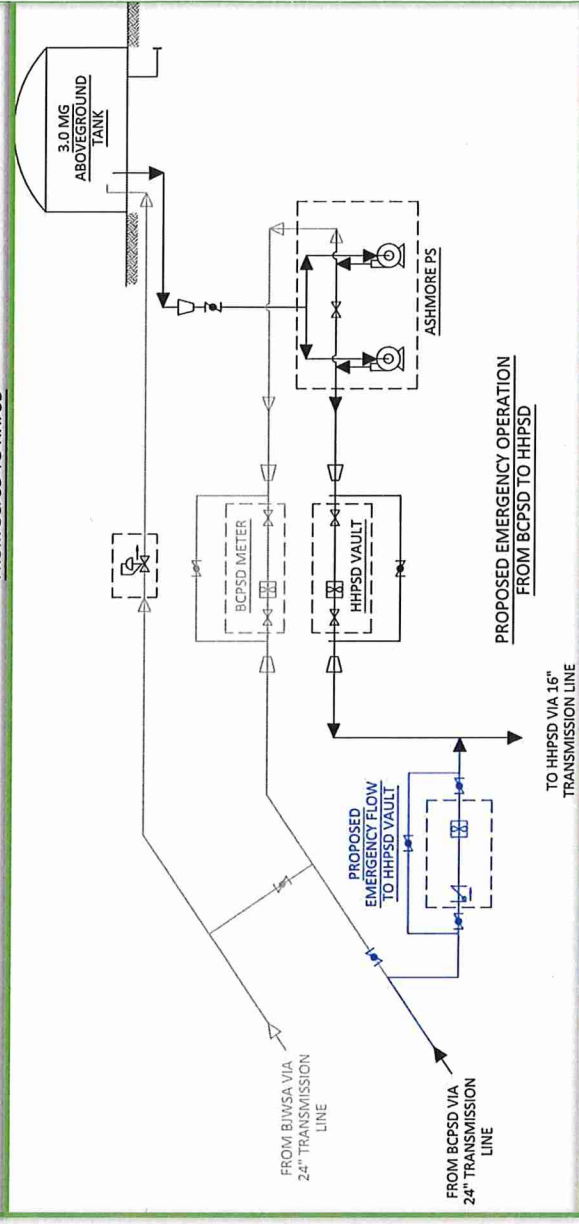
SCENARIO 4 **ALTERNATIVE ROUTE 3** **(SEND 1.5 MGD TO HHPSD)**

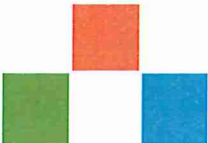
- Utilizing Ashmore PS
- New 12-inch bypass with a flowmeter, directional control valve, isolation valve and bypass
- Concrete meter vault (13ft x 7ft)



SCENARIO 4 **ALTERNATIVE ROUTE 4** **(SEND 1.5 MGD TO HHPSP)**

- Bypass Ashmore PS
- New 12-inch bypass with a flowmeter, directional control valve, isolation valve and bypass
- Concrete meter vault (13ft x 7ft)





RECOMMENDATION

Combination of

Modified Scenario 2 – Receiving 1.0 MGD from SIPSD

Scenario 4 – Sending 1.5 MGD to HHPSD

	Total Estimated Cost (Scenario 2 & 4)	
	Alternative Route 1	Alternative Route 2
Modified Scenario 2 - From SIPSD (1.0 MGD) <i>And</i> Scenario 4 - To HHPSD (1.5 MGD)	\$ 6,345,300	\$ 6,810,000

Item	Detailed description	Alt 1 No. of Units	Alt 2 No. of Units	Unit Price	Alternative 1 Estimated Cost	Alternative 2 Estimated Cost
Cost Estimates for Interconnect between SIPS and BCPSD						
Site work						
Land Acquisition	Alt 2 - 9 South Shore Dr (R520 016 00B0134 0000) owned by Brian C Frutchey	0	1	300,000	-	1,000,000
N12W - length of pipe	Length of pipe (ft)	2,034 ft	600 ft	-	-	-
12" PVC Water Main	Linear Feet	1,884 ft	250 ft	300	565,200	75,000
12" PVC by HDD	Linear Feet	0	350 ft	600	-	210,000
12" PVC by Bore&Jack	Linear Feet	150 ft	0	400	60,000	-
24" Steel Casing by Bore&Jack	Linear Feet	150 ft	0	700	105,000	-
Fittings	TONS	1	0	23,000	23,000	23,000
12" Gate Valve w/Valve Box	EA	2	2	4,500	9,000	9,000
2" Air Release Valve w/ Manhole & Valve Marker	EA	1	1	10,000	10,000	10,000
Cut & Replace Concrete w/ Flowable Fill	Linear Feet	490 ft	0	500	245,000	-
Fire Hydrant Assembly	EA	1	1	15,000	15,000	15,000
Building - footprint size	Footprint for Booster Pumps, Distribution Pumps, Chemical Rooms, Electrical	750 sf	750 sf	800	600,000	600,000
Building - footprint size	Water Quality Monitoring station	200 sf	200 sf	800	160,000	160,000
Site Work	Clearing, grading, paving	1	1	100,000	100,000	100,000
Electrical includes SCADA and Generator		1	1	1,000,000	1,000,000	1,000,000
Booster PS						
Centrifugal Pumps	2 at 7000 gpm at 100ft TDH	1	1	100,000	100,000	100,000
Appurtenances	VFD system and Control Panel					
Magnetometer		1	1	5,000	5,000	5,000
Air Release Valve		1	1	4,000	4,000	4,000
Check Valve		2	2	9,000	18,000	18,000
Manual BFP		6	6	3,000	18,000	18,000
Motor Actuated Butterfly valve		1	1	20,000	20,000	20,000
Backflow Preventer		1	1	15,000	15,000	15,000
Pressure Gauge, Switch, Transmitter		1	1	5,000	5,000	5,000
Chemical Feed System						
Flow-paced ammonia gas feeding system	Including control panel, eductor, booster pumps	1	1	120,000	120,000	120,000
Sodium Hypochlorite Bulk Storage tank	with canopy	1	1	70,000	70,000	70,000
Flow-paced chlorine feeding system		1	1	80,000	80,000	80,000
Inline mixer		1	1	15,000	15,000	15,000
Injection quills	ammonia and sodium hypochlorite	2	2	5,000	10,000	10,000
Water Quality Monitoring System						
Total Chlorine and Free Chlorine Analyzer		2	2	30,000	60,000	60,000
Total Ammonia and Free Ammonia Analyzer		2	2	30,000	60,000	60,000
pH, Temperature, ORP		6	6	5,000	30,000	30,000
Sample port		2	2	4,000	8,000	8,000
Sub total for Interconnect between BCPSD and SIPS (Normal Operation)					3,530,200	3,840,000
Breakpoint Chlorination						
Aboveground Storage Tank	60,000 gallon steel tank with mixer	0	0	200,000	-	-
Service Pumps	2 High Service Vertical Turbine with VFD and Control Panel	0	0	500,000	-	-
Sub total for Interconnect between BCPSD and SIPS (Emergency Operation)					-	-
Cost Estimates for Emergency Flow from BCPSD to HHPSD (The costs for Alternatives 3 and 4 are the same.)						
2 tie-ins, Flow Meter, Valves and CV with Vault		2	2	350,000	700,000	700,000
Sub total for Interconnect between BCPSD to HHPSD (Emergency Operation)					700,000	700,000
Total Estimated Cost					4,230,200	4,540,000
					Overhead and Profit (15%)	
					Mobilization (5%)	
					Contingency & Engineering (30%)	
					Grand Total Project Cost	
					634,530	681,000
					211,510	227,000
					1,269,060	1,362,000
					6,345,300	6,810,000

- THE END -

Q&A



MIKE BECKMAN, PE
ARDURRA





February 10, 2026

FROM: Commissions of Hilton Head, Broad Creek, and South Island Public Service District, and Board of Directors of Beaufort-Jasper Water & Sewer Authority

TO: Sen. Tom Davis

Re: H 3768, to extend the current sunset provision for the utility relocation law from July 1, 2026, to July 1, 2031 (Brewer – R, Gatch – R, Robbins – R, Schuessler – R, and Sessions – R)

Dear Senator Davis:

The Commissions of Hilton Head Public Service District, Broad Creek Public Service District, and South Island Public Service District, and the Board of Directors of Beaufort-Jasper Water & Sewer Authority, are asking for your support of H. 3768, which would extend the current sunset provision for the utility relocation law from July 1, 2026, to July 1, 2031. The House passed the bill 103-0 in 2025. It is currently in Senate Finance Committee.

The bill will help cover costs imposed on public water and sewer utilities for relocation of public water and/or sewer lines within DOT's right-of-way (ROW) when costs are necessitated by a transportation improvement project. The taxpayers of the PSD service area have had to cover such costs in the past and may face significant relocation costs in coming years due to U.S. 278 and Hilton Head bridges projects that could impact a large-scale drinking water transmission pipeline that provides about half of Hilton Head Island's water supply and is jointly owned by the Hilton Head PSD and Broad Creek PSD.

The bill will also reduce project delays and keep road projects on track. The provision is the result of many years of negotiation between SCDOT and public water and sewer utilities including counties, municipalities, and special purpose districts.

Under the provision, the relocation of public water or sewer lines within the DOT-owned Right of Way (ROW) are treated much like those outside of the ROW. The drinking water transmission pipeline owned by the PSDs is an example of critical infrastructure that is jointly owned by both a larger (Hilton Head PSD) and smaller (Broad Creek PSD) utility. Smaller utilities have all relocation costs paid. Larger utilities have their costs paid up to a cap of 4% of the total project cost, even if two major utilities are impacted. Each large utility only receive a pro rata share. The cap is slightly higher (4.5%) if one major and one minor utility is involved, with the smaller utility, having all of its relocation costs covered first. The larger utility only receives any remaining share. This lessens the need for small utilities to increase customer rates to pay for these relocation costs, which has often occurred. Also, this structure gives the transportation improvement project a financial incentive to minimize or

avoid relocating public water/sewer lines. Last but not least, this approach minimizes project delays and results in lower overall project costs – a benefit to everyone.

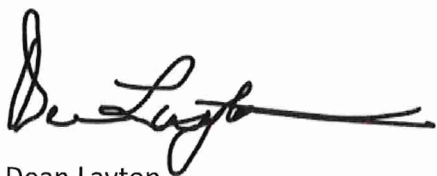
To be eligible for payment of the relocation costs, the public utility must meet the Transportation Improvement Project's bid and construction schedule. This involves the public utility very early in the project planning and design. This provides DOT and the utilities with the best opportunity to minimize/avoid relocation costs through project design.

We ask that you strongly support this much needed legislation on the Senate floor.

Sincerely,



Frank Turano
Chair
On Behalf of the Hilton Head PSD Commission



Dean Layton
Vice Chair
On Behalf of the Broad Creek PSD Commission

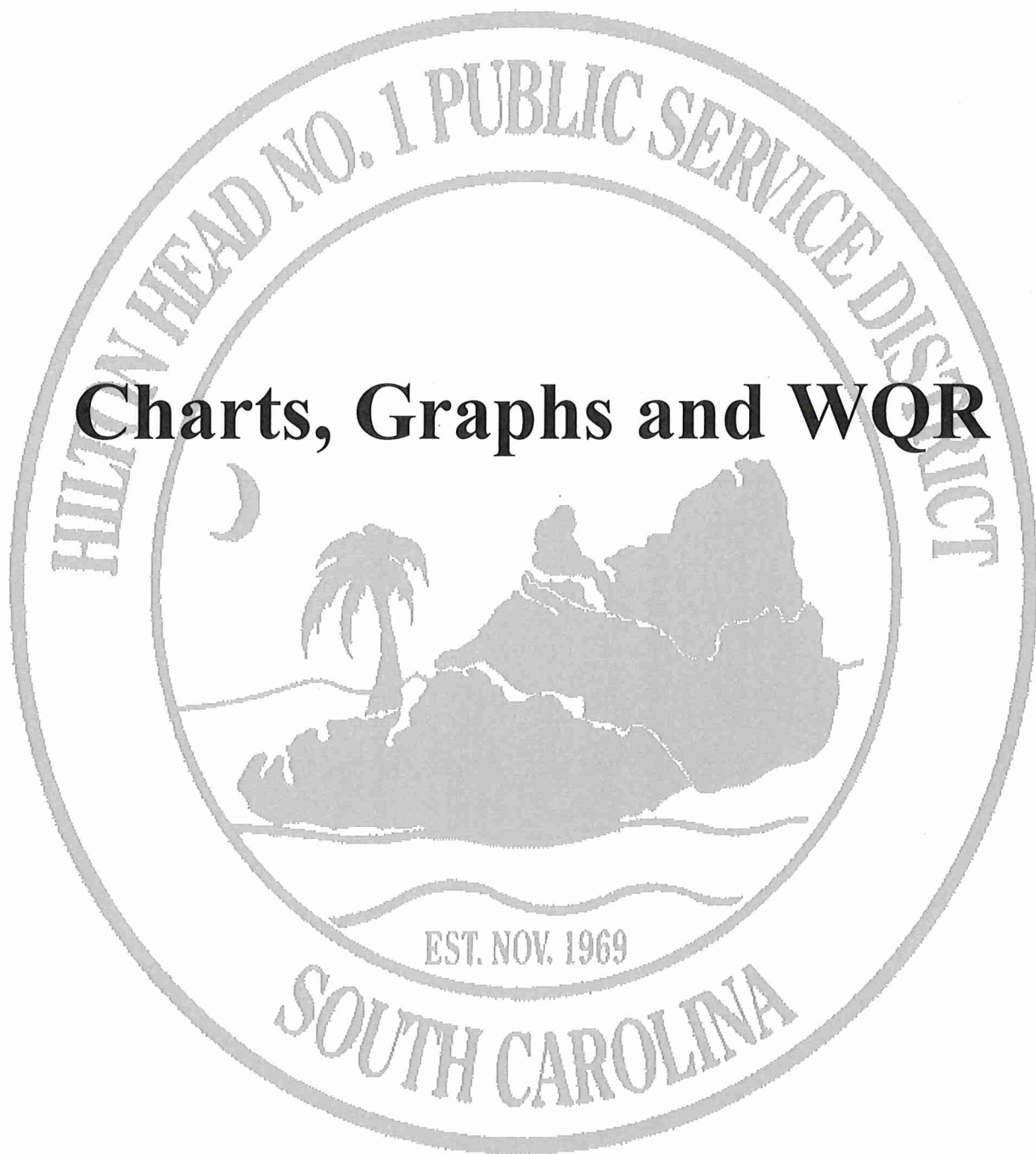


Alan Jackson
Chair
On Behalf of South Island Public Service District Commission



James E. Baker Jr.
Immediate Past Chair
On Behalf of the Beaufort-Jasper Water & Sewer Authority Board of Directors

Charts, Graphs and WQR



Jan-26

[illegible]

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											
Chlorine (avg)	2.1											
Ph (avg)	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)	2.30	Y		
RO Raw Water MFA Wells (range)	n/a	Y	147 - 461	103 - 203
Finished RO Water	2.83	Y		
Fire Station UFA	2.041.96	Y	63	140
Leg O' Mutton UFA	2.39	Y	70	191
Wild Horse UFA	2.37	Y	80	195
Seabrook UFA	2.52	Y	141	263
Union Cemetery UFA	1.84	Y		
ASR (recharged)	2.53	Y	62	92

Customer Inquiries

Type of Inquiry	Number of Inquiries	Resolved?	Comments
Low Pressure	6	y	
Customer break/leak	17	y	
PSD break/leak	8	y	
Water Outage	3	y	
Odor/Taste/Color	5	y	
Miscellaneous	143	y	
Sewer issues & Inspections	40	y	
Total	222		

Other Water Quality Notes for This Month
1/14/2026 - Changed cartridge filters