

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

APRIL 2026 AGENDA PACKET CONTENTS

1. Agenda for the April 29, 2026, Regular Commission Meeting
2. Draft Minutes of the March 25, 2026, Regular Commission Meeting
3. Memo from the Finance Manager on the Series 2026 Assessment Imposition Resolution
4. Series 2026 Assessment Imposition Resolution
5. Memo from the GM on the 911 Lease Extension
6. Addendum #7 to the Town/PSD Lease Agreement
7. Draft FY'27 Budget
8. Draft FY'27 Budget Presentation
9. Memo from the Finance Manager on the Cost of Service Analysis
10. Memo from the Finance Manager Other Rate Adjustments
11. FY'26 3rd Quarter Management Report
12. GM Monthly Report
13. Congratulatory Letter from HHI/Bluffton Chamber of Commerce to Angie Hughes - FYI
14. Charts, Graphs and Water Quality Report



Agenda

EST. NOV. 1969

SOUTH CAROLINA

HILTON HEAD PUBLIC SERVICE DISTRICT

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

AGENDA

Hilton Head Public Service District Commission
9 a.m.
April 29, 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 March 25, 2025, Regular Meeting
- VI. Adoption of Series 2026 Front Foot Assessment Imposition Resolution (Action)
- VII. 911 Center Lease Agreement Renewal (Action)
- VIII. FY '27 Draft Operations & Maintenance and Capital Improvement Program Budgets
- IX. FY '27 Cost of Service Analysis and Rates and Fees Recommendation (Action)
- X. FY '26 3rd Quarter Management Report
- XI. General Manager's Monthly Report
- XII. Executive Session:
 - A. Under S.C. Code 30-4-70 (a) (2) ("Discussion of negotiations incident to proposed contractual arrangements...")
 - i. Interim Purchased Water Agreement
 - ii. Advanced Metering Infrastructure
- XIII. Possible Action by Commission Concerning Matters Discussed in Executive Session
- XIV. Adjournment

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



Draft Minutes

EST. NOV. 1969

SOUTH CAROLINA

HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT

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

MINUTES COMMISSION MEETING MARCH 25, 2026

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

II. Those in attendance were:

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

Present by request:

Mr. Pete Nardi	General Manager
Mr. Bill Davis	Operations Manager
Ms. Amy Graybill	Finance Manager
Mr. Lawrence Flynn	Pope Flynn, LLC
Mrs. Connie Whitehead	Commission Recording Secretary

Visitors

None

III. Pledge of Allegiance

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

IV. Public Comment on Non-Agenda Items

None

V. Adoption of Draft Minutes of February 25, 2026, Commission Meeting

Key Discussion Points

- Mr. Cutrer pointed out in the visitors list that Mr. Jimmy Baker is listed as a former BJWSA Commissioner. He is actually a current commissioner.

Action

- Mr. Cutrer moved to adopt the minutes of the February 25, 2026, meeting as amended. Mr. Marks seconded. The motion passed unanimously.

VI. Coastal Community Development Corporation Presentation

Key Discussion Points

- In February, Alan Wolf and David Wetmore from Coastal Community Development Corporation (CCDC) Board of Directors presented to the Commission regarding the CCDC's efforts on local workforce housing, including potential partnership opportunities. The Commission subsequently instructed staff to bring back recommendations for a potential partnership with CCDC.
- Staff views direct financial support as the most feasible partnership. This would take the form of an annual sponsorship from the PSD, funded in its O&M budget, in exchange for the PSD staff receiving a right-of-first-refusal to lease CCDC units.
- Staff recommends the PSD provide an initial \$5,000 sponsorship to the CCDC in exchange for first-right-of-refusal on at least one unit lease for FY'26 and include an additional \$5,000 in the draft FY'27 budget for consideration of continuing partnership in the coming fiscal year.

Action

- Mr. Marks moved to adopt staff's recommendation to provide an initial \$5,000 sponsorship to the CCDC in exchange for right-of-first-refusal on at least one unit lease for FY'26 and include an additional \$5,000 in the draft FY'27 budget for consideration of continuing partnership in the coming fiscal year. Mr. Abdul-Malik seconded. The motion passed unanimously.

VII. FY'26 Audit Engagement Letter

Key Discussion Points

- Ms. Graybill presented the FY'26 Audit Engagement Letter. A copy is included in the agenda packet.
- The Commission discussed whether it would be appropriate to consider hiring a new auditing firm to allow for a fresh set of eyes. Ms. Graybill stated that the next year would be a more feasible year to look at new auditors, since this is the last year of the 3-year extension agreement with the current firm, and since we have SCIIP grant projects underway that our current firm is familiar with. Mr. Cutrer suggested the board consider continuing with the same firm and requesting a new lead auditor.

Action

- Mr. Bell moved to approve the FY'26 auditor engagement letter. Mr. Cutrer seconded. The motion passed unanimously.
- The board instructed staff to come back with a recommendation on a new auditor search.

VIII. FY'27 Rates, Fees and Millage

Key Discussion Points

- Ms. Graybill presented the FY'27 budget rates, fees and millage for discussion by the Board.
- No action was required at the March meeting. The items will be included in the April board meeting budget discussion.

IX. Future Planning: Water Independence, Wastewater Processing/Recycling, Staffing

Key Discussion Points

- At the Board's direction, Mr. Nardi gave a presentation on future planning for the PSD. The plan:
 - Supports water independence and recycled water resiliency
 - Ensures staffing alignment with growth, technology, and regulatory expectations
 - Prepares the PSD for the next 10-20 years of service excellence
- A copy is included in the agenda packet.

X. General Manager's Monthly Report

Key Discussion Points

- Mr. Nardi presented the General Manager's Monthly Report. A copy is included in the agenda packet.
- The PSD Commission has three seats up for election this year:
 - Voting District 1, currently held by Ibrahim Abdul-Malik
 - Voting District 5, currently held by Michael Marks
 - Voting District 7, currently held by Frank Turano
- The candidacy filing period is July 1 thru Aug. 17.
- The April board meeting will be April 29th at 9 a.m.

XI. Executive Session

Action

- Mrs. Soltys moved to enter into executive session. Mr. Paterno seconded. The motion passed unanimously.
- Executive Session began at 10:50 a.m.

XII. Reconvene Regular Session

Action

- Regular session reconvened at 11:45 a.m.
- Mr. Bell moved that the Board authorize legal counsel to send the follow-up letter to Ferguson Enterprises with a 15-day response window. Mr. Marks seconded. The motion passed unanimously.

XIII. Adjournment

Action

- Mr. Abdul-Malik moved to adjourn the meeting. Mr. Marks seconded. The motion passed unanimously. The meeting adjourned at 11:47 a.m.



**Front Foot Assessment
Imposition Resolution**



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

TO: All Commissioners
Pete Nardi – General Manager

From: Amy Graybill – Finance Manager

Date: 04/29/2026

RE: Series 2026 Assessment Imposition Resolution

Background

The attached resolution was prepared by the District’s Bond counsel for the Commission to review regarding the next step of imposing the assessment on those parcels related to the Series 2026 Front Foot Assessment Revenue Bond that closed on February 27, 2026.

Discussion

The Resolution is the first step that authorizes the imposition of the front-foot assessments to reimburse the District for its costs of installing water and/or sewer infrastructure. The assessments shall be applied to parcels on Miller Road, Slim Loop, Squire Pope Road, Wild Horse Road, Farmers Club Road, Dillon Road, Wiley Road, Rachel Lane, Sunday Ford, Mitchellville, Juke Joint Lane, Azalea Street, William Drive, Beach City Road, Jonesville Road, Gumtree Road, Janis Manor, Elizabeth Borad, Wright Place, William Hilton Parkway, Pink Sand Lane, Outlaw Road, Spanish Wells Road, Old House Creek Drive, Conrad Court, and various other areas of the District.

The terms and manner of payments from property owners is discussed in Section 2.02 “Provisions for Payment of Assessment” located on page three (3) of the resolution. Each assessment shall be divided into 20 equal annual payments (principal and interest) until fully paid, as outlined within the calculation of the assessments divisions. The assessments shall constitute a lien upon the affected parcels that will be superior to all other liens, except property taxes. The annual assessments collected by Beaufort County will be transferred to US Bank, as the District’s bond trustee, to make the annual debt service payments on the bonds.

Next Steps

The table on the following page displays the next steps in the assessment process:

<i>Wed.</i> 4/29/2026	<i>Adoption of Imposition Resolution regarding imposition of FFAs (“Imposition Resolution”)</i>	<i>BC/HH1</i>
Sun. 5/3/2026	Publication of the Imposition Resolution in <u>The Island Packet</u> (7 days later becomes effective)	BC
Sun. 5/10/2026	Imposition Resolution becomes effective	
Wed. 5/13/2026	Send Posters (notice of the Assessments) to Register of Deeds to be displayed in that office (w/in 30 days of publication)	BC
Wed. 5/27/2026	Adoption of Resolution authorizing the Assessment Roll and authorizing the public hearing	BC/HH1
Thurs. 5/28/2026	Assessment Roll made available for inspection at Commission’s offices	HH1
Monday. 6/1/2026	1. Letters sent to affected property owners to provide notice of assessment, objection and public hearing 1. Notice of Public Hearing sent to <u>The Island Packet</u>	BC/HH1
Thurs. 6/4/2026	Notice of Public Hearing published in <u>The Island Packet</u> (at least 10 days prior to date of hearing)	BC
Sun. 6/14/2026	Deadline for objections to Assessments.	PO
Wed. 6/17/2026	1. Commission holds public hearing on Assessments and Capacity Fees; and 2. Adoption of Resolution approving the Assessment Roll 3. Assessment Roll filed with Treasurer, Auditor and ROD; and 1. Remove Posters	BC/HH1
Fri. 6/19/2026	Mail written notice to aggrieved property owners of right to appeal assessment	BC/HH1
Tues. 7/1/2026	Appeal window closes	PO/HH1

BC = Bond Counsel; HHPSD= Hilton Head PSD; PO = Property Owners/Assessed Owners

Recommendation

Staff recommends the adoption of the following resolution:

A RESOLUTION OF THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT COMMISSION, THE GOVERNING BODY OF HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA, IN A MEETING DULY ASSEMBLED AS FOLLOWS: IMPOSING THE FRONT FOOT ASSESSMENTS RELATED TO SERIES 2026 REVENUE BOND ISSUED FEBRUARY 27, 2026.

Attachments

Series 2026 Assessment Imposition Resolution

BE IT RESOLVED BY THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT COMMISSION, THE GOVERNING BODY OF THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA, IN A MEETING DULY ASSEMBLED, AS FOLLOWS:

ARTICLE I - FINDINGS OF FACT

Section 1.01 Recital of Findings of Fact

The Hilton Head No. 1 Public Service District Commission (the “*Commission*”), the governing body of the Hilton Head No. 1 Public Service District, South Carolina (the “*District*”), has recently undertaken certain improvements to its waterworks and sewer system (collectively, the “*System*”) consisting of the installation of sewage collection lines and water distribution lines in and around Miller Road, Slim Loop Road, Steelpan Road, Squire Pope Road, Wild Horse Road, Farmers Club, Dillon Road, Wiley Road, William Hilton Parkway, Sunday Ford, Mitchellville Road, Juke Joint Lane, Marvin Lane, Azalea Street, William Drive, Beach City Road, Jonesville Road, Gumtree Road, Janis Manor, Elizabeth Road, Marshland Road, Outlaw Road, Spanish Wells Road, Old House Creek Drive, Conrad Court, Janis Manor and various other areas of the District (collectively, the “*Project*”). The construction and installation of the Project was completed between April 2023 and March 2026. The Project is separated into forty-three (43) divisions (each a “*Division*”, and collectively the “*Divisions*”). Each Division is separated on the basis of the construction costs attributable to the parcels therein. Parcels with equal construction costs or similar ownership were grouped into the same Division and individual parcels with unique construction costs were given their own Division. Only that portion of the total construction costs of the Project attributable to each Division shall be paid by each of the respective property owners of the parcels located within each Division.

The Commission has been advised that the total cost of the Project was \$866,511.22, including tap and inspection fees (the “*Project Costs*”). In order to reimburse the District for a portion of the actual costs of construction within all of the Divisions, the District issued its Waterworks and Sewer System Improvement Revenue Bond, Series 2026, in the principal amount of \$750,000 (the “*2026 Bond*”). The 2026 Bond is dated February 27, 2026 and bears interest from such date at the rate of four and twenty-five hundredths per centum (4.25%) per annum (computed on the basis of a 360-day year consisting of twelve 30-day months). Principal of and interest on the 2026 Bond shall be payable with respect to principal and interest each June 1 according to the following debt service schedule:

	<u>Rate</u>	<u>Total Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Outstanding Balance</u>
					\$750,000.00
6/1/2027	4.25%	\$94,197.92	\$40,197.92	\$54,000.00	\$696,000.00
6/1/2028	4.25%	\$94,580.00	\$29,580.00	\$65,000.00	\$631,000.00
6/1/2029	4.25%	\$94,817.50	\$26,817.50	\$68,000.00	\$563,000.00
6/1/2030	4.25%	\$94,927.50	\$23,927.50	\$71,000.00	\$492,000.00
6/1/2031	4.25%	\$94,910.00	\$20,910.00	\$74,000.00	\$418,000.00
6/1/2032	4.25%	\$94,765.00	\$17,765.00	\$77,000.00	\$341,000.00
6/1/2033	4.25%	\$94,492.50	\$14,492.50	\$80,000.00	\$261,000.00
6/1/2034	4.25%	\$94,092.50	\$11,092.50	\$83,000.00	\$178,000.00
6/1/2035	4.25%	\$94,565.00	\$7,565.00	\$87,000.00	\$91,000.00
6/1/2036	4.25%	<u>\$94,867.50</u>	<u>\$3,867.50</u>	<u>\$91,000.00</u>	\$0.00
Totals		\$946,215.42	\$196,215.42	\$750,000.00	

A general description of each Division along with an allocated portion of the total construction costs of the Project (not including certain legal fees, other reimbursable costs to the District and interest costs) attributed to each Division by the Commission is set forth as follows:

<u>Division</u>	<u>Description</u>	<u>Portion of Cost Attributed</u>
Division 1	Miller Road – Water/Sewer	\$ 8,954.72
Division 2	Slim Loop – Water/Sewer	40,960.00
Division 3	Squire Pope – Water/Sewer	31,210.61
Division 4	Wild Horse Road – Sewer	8,764.72
Division 5	Farmers Club – Water/Sewer	10,529.72
Division 6	Dillon Road – Water/Sewer	11,329.72
Division 7	Wiley Road – Sewer	9,189.72
Division 8	Rachel Lane – Water/Sewer	33,322.00
Division 9	Sunday Ford – Water/Sewer	4,040.00
Division 10	Mitchellville Road – Water/Sewer	11,389.72
Division 11	Juke Joint Lane – Water/Sewer	33,053.96
Division 12	Azalea Street. – Sewer	2,000.00
Division 13	William Drive – Sewer	3,750.00
Division 14	Beach City Road – Sewer	11,647.64
Division 15	Jonesville Road – Sewer	10,993.33
Division 16	Gumtree Road – Sewer	9,959.71
Division 17	Janis Manor – Water/Sewer	19,286.28
Division 18	Elizabeth Road – Water/Sewer	10,796.47
Division 19	Squire Pope Road – Water/Sewer	11,323.33
Division 20	Wright Place – Water/Sewer	1,770.00
Division 21	William Hilton Parkway – Sewer	9,379.09
Division 22	Wild Horse Road – Sewer	11,598.21
Division 23	Wild Horse Road – Sewer	8,640.71
Division 24	Wild Horse Road – Sewer	8,510.71
Division 25	Marshland Road – Water	9,798.93
Division 26	Pink Sand Lane – Sewer	12,523.02
Division 27	Outlaw Road – Water/Sewer	1,810.00
Division 28	Spanish Wells Road – Water/Sewer	2,970.00
Division 29	Old House Creek – Sewer	9,800.26
Division 30	Old House Creek – Sewer	223,287.54
Division 31	Old House Creek – Sewer	24,743.68
Division 32	Old House Creek – Sewer	24,788.68
Division 33	Old House Creek – Sewer	16,099.11
Division 34	Old House Creek – Sewer	24,789.74
Division 35	Old House Creek – Sewer	24,573.68
Division 36	Old House Creek – Sewer	25,814.74
Division 37	Old House Creek – Sewer	24,317.95
Division 38	Old House Creek – Sewer	24,536.02
Division 39	Old House Creek – Sewer	25,594.57
Division 40	Old House Creek – Sewer	24,275.46
Division 41	Old House Creek – Sewer	25,986.02
Division 42	Squire Pope Road – Sewer	8,098.08
Division 44	Conrad Court – Water/Sewer	10,303.37
Total		\$866,511.22

Section 1.02 Recital of Statutory Authorization

In order to pay debt service on the 2026 Bond, the District intends to utilize the provisions of Sections 6-11-1210 through 6-11-1260 of the Code of Laws of South Carolina 1976, as amended, in order to authorize the imposition of assessments on a per parcel basis on properties in the Divisions, as more fully provided herein.

**ARTICLE II - CREATION OF SPECIAL
ASSESSMENT LIENS PROVISION OF NOTICE**

Section 2.01 Description of Affected Property

The properties improved by the construction of the Project are within the District and are in the general locations of Miller Road, Slim Loop Road, Steelpan Road, Squire Pope Road, Wild Horse Road, Farmers Club, Dillon Road, Wiley Road, William Hilton Parkway, Sunday Ford, Mitchellville Road, Juke Joint Lane, Marvin Lane, Azalea Street, William Drive, Beach City Road, Jonesville Road, Gumtree Road, Janis Manor, Elizabeth Road, Marshland Road, Outlaw Road, Spanish Wells Road, Old House Creek Drive, Conrad Court, Janis Manor and various other areas of the District. A detailed description of each affected parcel, invoices and engineering reports for the affected parcels may be reviewed Monday through Friday during regular business hours of 8:00 a.m. to 4:00 p.m. at the office of the District located at 21 Oak Park Drive, Hilton Head Island, 29926.

Section 2.02 Provisions for Payment of Assessments

The cost of a portion of the Project has been reimbursed to the District from the proceeds of the 2026 Bond. All owners of properties (1) that are within the affected areas as described in Sections 1.01 and 2.01 of this Resolution, (2) that are devoted to residential or commercial purposes, and (3) to which water and/or sewer service is being or has been made available, shall pay an assessment (the "**Assessment**") in order to defray the costs of the Project, plus interest. Based on these assumptions, the Project Costs, plus accrued interest thereon at the rate attributable to the 2026 Bond of 4.25% per annum over a period of ten years in the amount of \$215,155.78, equals the total sum of \$1,081,667.00 (the "**Total Assessment**").

Section 2.03 Calculation of the Assessments

The pro-rata portion attributable to each Division shall be calculated by dividing the total costs of construction of such Division (as provided in Section 1.01 hereof) by the Project Costs (\$866,511.22); the resulting percentage shall be multiplied by the Total Assessment to achieve each Division's proportionate share of the Total Assessment. As stated above, the District has issued the 2026 Bond with a 10-year term. In order to minimize the annual costs to the owners of the properties in the Divisions, the District

shall levy the Assessments over a 20-year term and shall reduce the interest rate to 2.212%¹. On this basis, the annual installment of the Total Assessment shall equal the sum of \$54,083.35.

On the basis of such calculations, the pro-rata share of the Total Assessment for each Division, the annual portion of the Assessment in each Division, the Total Assessment per service in each Division and the Payment (as defined below) per parcel in each Division, shall be as follows:

<u>Division</u>	<u>Pro-rata Share of Total Assessment</u>	<u>Annual Portion of the Assessment per Division</u>	<u>Parcels Served</u>	<u>Assessments per Parcel in each Division</u>	<u>Payment² per Parcel in each Division</u>
Division 1	\$11,178.19	\$ 558.91	1	\$558.91	\$11,178.19
Division 2	51,130.42	2,556.52	1	2,556.52	51,130.42
Division 3	38,960.24	1,948.01	1	1,948.01	38,960.24
Division 4	10,941.01	547.05	1	547.05	10,941.01
Division 5	13,144.26	657.21	1	657.21	13,144.26
Division 6	14,142.90	707.15	1	707.15	14,142.90
Division 7	11,471.54	573.58	1	573.58	11,471.54
Division 8	41,595.89	2,079.79	1	2,079.79	41,595.89
Division 9	5,043.14	252.16	1	252.16	5,043.14
Division 10	14,217.80	710.89	1	710.89	14,217.80
Division 11	41,261.30	2,063.07	1	2,063.07	41,261.30
Division 12	2,496.60	124.83	1	124.83	2,496.60
Division 13	4,681.13	234.06	1	234.06	4,681.13
Division 14	14,539.76	726.99	1	726.99	14,539.76
Division 15	13,722.99	686.15	1	686.15	13,722.99
Division 16	12,432.72	621.64	1	621.64	12,432.72
Division 17	24,075.09	1,203.75	1	1,203.75	24,075.09
Division 18	13,477.25	673.86	1	673.86	13,477.25
Division 19	14,134.93	706.75	1	706.75	14,134.93
Division 20	2,209.49	110.47	1	110.47	2,209.49
Division 21	11,707.93	585.40	1	585.40	11,707.93
Division 22	14,478.06	723.90	1	723.90	14,478.06
Division 23	10,786.21	539.31	1	539.31	10,786.21
Division 24	10,623.93	531.20	1	531.20	10,623.93
Division 25	12,232.02	611.60	1	611.60	12,232.02
Division 26	15,632.50	781.63	1	781.63	15,632.50
Division 27	2,259.43	112.97	1	112.97	2,259.43
Division 28	3,707.45	185.37	1	185.37	3,707.45
Division 29	12,233.68	611.68	1	611.68	12,233.68
Division 30	278,730.11	13,936.51	14	995.46	19,909.29
Division 31	30,887.57	1,544.38	1	1,544.38	30,887.57
Division 32	30,943.74	1,547.19	1	1,547.19	30,943.74
Division 33	20,096.54	1,004.83	1	1,004.83	20,096.54
Division 34	30,945.06	1,547.25	1	1,547.25	30,945.06
Division 35	30,675.35	1,533.77	1	1,533.77	30,675.35
Division 36	32,224.57	1,611.23	1	1,611.23	32,224.57
Division 37	30,356.13	1,517.81	1	1,517.81	30,356.13
Division 38	30,628.34	1,531.42	1	1,531.42	30,628.34
Division 39	31,949.73	1,597.49	1	1,597.49	31,949.73

¹ This rate has been imputed by the District based on the interest accrued on the Project Costs financed over the same period as the 2026 Bond. The rate is substantially discounted from the rate attributable to the 2026 Bond.

² As defined below.

<u>Division</u>	<u>Pro-rata Share of Total Assessment</u>	<u>Annual Portion of the Assessment per Division</u>	<u>Parcels Served</u>	<u>Assessments per Parcel in each Division</u>	<u>Payment² per Parcel in each Division</u>
Division 40	30,303.09	1,515.15	1	1,515.15	30,303.09
Division 41	32,438.38	1,621.92	1	1,621.92	32,438.38
Division 42	10,108.84	505.44	1	505.44	10,108.84
Division 43	12,861.71	643.09	1	643.09	12,861.71

Section 2.04 Terms and Manner of Payment

Each Assessment shall be divided into 20 equal annual payments (each a “*Payment*”, and collectively the “*Payments*”), that shall be included on each property owner’s annual tax notice, beginning in the fall of 2026 and ending in the fall of 2045. Each Payment shall be collected at the same time and in the same manner as county taxes. Each property owner may also elect, at any time, to pay the entire Assessment as one lump sum, instead of annual payments, without any prepayment penalty. If a property owner desires to pay the entire Assessment as one lump sum, he or she must contact the Commission prior to payment to verify the total amount owed to that date.

Until fully paid, the Assessment shall constitute a lien upon the affected parcel(s) that will be superior to all other liens, except property taxes. Any delinquent payments of Assessments by a property owner will be penalized to the same extent and collected in the same manner as late payments on county taxes.

Section 2.05 Publication of Resolution and Preparation of Poster

Pursuant to the provisions of Section 6-11-1230(4)(a) of the Code of Laws of South Carolina 1976, as amended, this Resolution shall be published in a newspaper of general circulation in the District seven days before its effective date. Within thirty days (30) of the publication of this Resolution a poster shall be prepared setting forth each Division and providing notice of the proposed Assessment and generally describing the area affected. This poster shall be displayed in the Office of the Register of Deeds for Beaufort County, South Carolina. The poster shall be displayed until the assessment roll has been filed.

ARTICLE III - EFFECTIVE DATE

Section 3.01 Effective Date

The effective date of this Resolution shall be seven days following its publication in a newspaper of general circulation in the District.

[Remainder of Page Intentionally Left Blank]

DONE, RATIFIED AND ADOPTED ON April 29, 2026.

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

(SEAL)

Chairman
Hilton Head No. 1 Public Service District Commission

Attest:

Secretary
Hilton Head No. 1 Public Service District Commission



**911 Center Lease
Agreement Renewal**



(843) 681-5525

Hhpsd.com

To: All Commissioners
From: Pete Nardi, General Manager
Re: 911 Center Lease Renewal

April 23, 2026

Dear Commissioners:

Discussion:

Please see attached Addendum to our lease of office space on the second floor of our Administration Building to the Town of Hilton Head Island for its 911 Center/Emergency Operations Center. As we have discussed, the Town has informed the PSD that it plans to relocate these functions to a different site during Fiscal Year 2027. As such, we have written the attached addendum to renew in 90-day intervals starting July 1, 2026. The 90-day structure was requested by the Commission and the Town has informed us it is agreeable to that term. The Town understands that it will owe the entire 90-day lease amount regardless of when it terminates the lease. The new monthly lease amount of \$5,466.67 is an increase \$633.33 from the current monthly amount of \$4,833.34.

Recommendation:

Staff recommends Commission approval of the attached lease addendum.

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", is written over the typed name.

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

STATE OF SOUTH CAROLINA)

**ADDENDUM #7 TO TOWN OF HILTON
HEAD ISLAND/HILTON HEAD NUMBER
ONE PUBLIC SERVICES DISTRICT LEASE
AGREEMENT**

BEAUFORT COUNTY)

WHEREAS, a Lease Agreement {CO1-R2009} {the "*Lease*") was made and entered into on the 11th day of December 2008 between Hilton Head Number One Public Service District (the "*Landlord*") and the Town of Hilton Head Island (the "*Town*") (collectively "*the Parties*"). Terms using initial capitals herein and not otherwise defined shall have the meanings ascribed thereto in the Lease; and

WHEREAS, Landlord entered into the Lease with Tenant for the purpose of providing leased space for the operation of a 911 Dispatch Emergency Operations Center; and

WHEREAS, the Parties previously entered into 6 prior addenda to the Lease; and

WHEREAS, it is the Town's intent, within the next twelve (12) months, to pursue relocation of the 911 Dispatch Center to newly acquired Town real estate; and

WHEREAS, the Parties now desire to extend the term of the Lease to accommodate the Town's pursuit of relocation, as well as modify certain other terms and conditions by the terms of this Addendum #7 (this "Addendum").

NOW THEREFORE, the Parties hereby amend the Lease as follows:

1. The term of this Lease shall be extended in successive ninety (90) day intervals commencing on July 1, 2026.
2. The Town may terminate this Lease in whole or in part at any time during this extension period, for convenience of the Town, by providing a minimum thirty (30) days prior written notice to the Landlord of the Town's election.
3. Beginning July 1, 2026, the monthly Rent for this extension period shall not exceed five thousand four hundred sixty-six dollars and sixty-seventy cents (\$5,466.67) which shall be due in nonrefundable equal quarterly payments of sixteen thousand four hundred and one cent (\$16,400.01) due on the tenth day of each quarter. Specifically July 10th, October 10th, January 10th and April 10th.
4. The Parties agree to revisit the terms of this Addendum #7 on or before December 31, 2026, unless notice of termination is provided by the Town prior to this date.
5. All other terms and conditions as set forth in the original Lease and any prior Addendums remain binding upon all parties.

IN WITNESS WHEREOF, the parties hereto have caused the within Addendum to be executed on _____. The parties agree that an electronic copy, including facsimile copy, email, or scanned copy of the executed Agreement, shall be deemed, and shall have the same legal force and effect as, an original document.

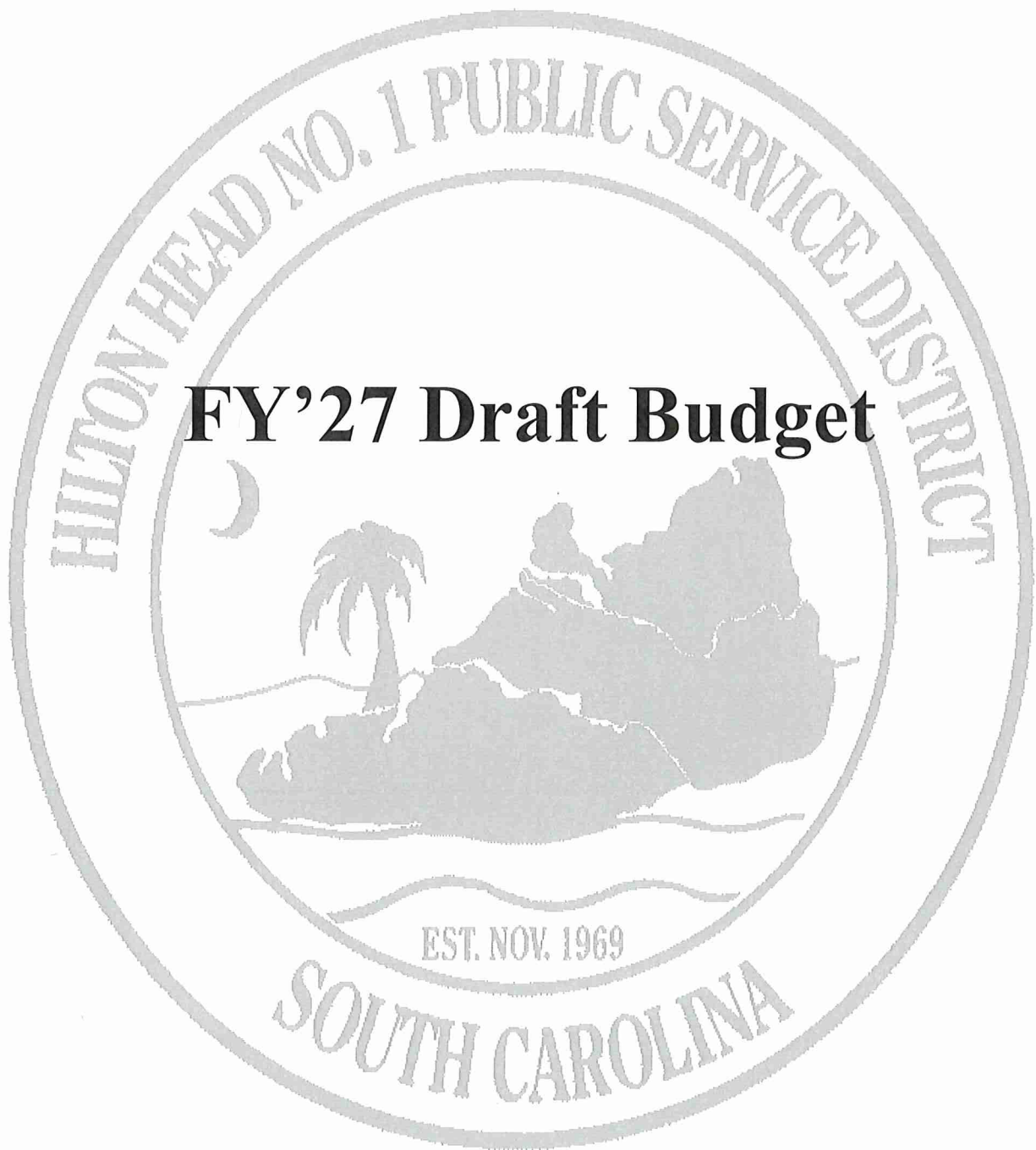
**HILTON HEAD NUMBER ONE PUBLIC SERVICE
DISTRICT**

By: _____

Its: _____

TOWN OF HILTON HEAD ISLAND

**Marc Orlando, ICMA-CM
Town Manager**



FY'27 Draft Budget

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HiltonHeadPSD

FY'27 Budget



Prepared by the Finance Department

April 2026

DRAFT



FY'27 Budget

Prepared by the Finance Department

April 2026

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On the cover: The interior of the District's new Leg O Mutton Booster Pump station which replaced and upgraded a piece of critical distribution system infrastructure that had reached the end of its useful life. This improvement was completed in the spring of 2026 and was partially funded by an allocation of American Rescue Plan Act funds from Beaufort County.

Executive Summary

A. Letter of Transmittal

The Hilton Head PSD staff is pleased to present to the PSD Commissioners the fiscal year 2027 (FY'27) Operating & Maintenance (O&M) Budget and the FY'27 Capital Improvement Plan (CIP). Staff believes the budgets are consistent with the Commission's budget directives and strategic planning efforts.

The upcoming fiscal year 2027 will be an exciting and important year for the District's long term water supply future. The District expects to complete the expansion of its Reverse Osmosis (RO) water treatment plant in November 2026, which will take the plant from a production capacity of 4 million gallons a day (MGD) to 6 million gallons a day. This project involves drilling a fourth production well in addition to upgrading and equipping the current RO water treatment plant building to process the increased daily flow capacity as well as adding emergency power to the plant. This budget anticipates significantly increased chemicals, fuel and power, and filter maintenance operating costs to support the increase from 4 to 6 MGD at the anticipated start date. This is partially offset by a lesser reduction in purchased water expense. While planning hydrogeology on the expansion was positive, staff is planning to carefully monitor how the increased capacity affects the natural aquifer resource as well as the pressure and flows of the overall system to determine the optimum level at which to run the expanded plant on a daily basis. The District is also working with its wholesale water provider on contract amendments that would reduce required purchase minimums.

This expansion is part of a \$10 million South Carolina Infrastructure Investment Program (SCIIP) grant which the District was awarded to expand its RO treatment plant capacity and build a second Aquifer Storage and Recovery (ASR) well. The District believes these projects will significantly meet its future water supply for the near term while providing additional resiliency and improving water quality. The initial expected local matching funds for both projects was estimated at \$7 million by the District's engineers at the time of grant application in 2022. In an example of the inflationary construction bidding environment of the past several years, the final construction bids on these projects came in requiring a \$20 million match to complete the projects. The match is being funded by a \$20.4 million General Obligation (GO) bond issuance and a \$2.6 million SC State Revolving Fund (SRF) engineering only GO loan which were finalized during FY 2025. These GO debt proceeds were also used for the matching funds needed to supplement a \$1,000,000 allocation from Beaufort County of its American Rescue Plan Act (ARPA) infrastructure funding to replace and upgrade the District's Leg O Mutton (LOM) booster pump station and to contribute towards an emergency generator at the RO plant. The \$2.3 million LOM project was finalized during the spring of 2026, and the RO generator will be completed with the SCIIP RO plant expansion.

The second ASR project is underway and expected to continue throughout FY 2027. As a part of the project, the District will need to build an initial storage buffer water bubble; a CIP project valued at \$290,000 has been included as part of the FY 2027 CIP budget. While this is not projected to occur until FY 2028, this will allow the District to start reserving funds and provide current year resources if the project does move faster than anticipated. It is projected that the second ASR will not be ready for operational use until late FY 2028.

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HiltonHeadPSD
FY'27 Budget

Additionally, in December 2024, the District successfully applied for a \$1.5 million State Grant from the SC Rural Infrastructure Authority (RIA) to replace all three of the screw pumps at its Wastewater Treatment Plant (WWTP) which have reached the end of their useful lives. The total cost of this project is \$4.74 million and the 2024 GO bond proceeds will be used towards the remaining match. Staff currently estimates that all of these grant projects will wrap up in FY 2028. The FY'27 CIP budget includes \$1.3 million in addition to the \$290,000 needed for the ASR bubble to finalize these projects after applying all grant funds, all 2024 GO bond proceeds, and any interest earned on the bond proceeds.

Beyond these large-scale capital projects, routine asset management is an ongoing endeavor for the District which becomes more essential and challenging each year as our infrastructure, property, plant, and equipment totaling over \$160,000,000 ages. This budget proposes a cash funded CIP of \$6.067 million. When the grant funded projects discussed above are removed, the proposed ongoing CIP budget comes to \$3.06 million. District staff has also identified several larger projects it would like to consider funding by a debt issuance or with any additional grant opportunities that may arise over the next five years. In coordination with these efforts, the District is in the process of implementing a comprehensive asset management software package to enhance and support its routine asset management. The FY 2027 budget includes allowances to support the software implementation including additional communications equipment and connectivity to allow enhanced use of the program remotely in the field.

The District has also been informed that the South Carolina Department of Transportation (SCDOT) US 278 Hilton Head Island bridge replacement project may commence during the upcoming fiscal year. This project is expected to require the relocation of the District's 24" purchased water transmission pipeline that is buried in the vicinity of the bridges to Hilton Head Island. Under the current SC Utility Relocation Act, the District expects that up to 4.5% of the original construction bid amount of the transportation project will be reimbursable to the District and Broad Creek PSD, who are joint owners of the pipeline. However, the final project budget is unknown at this time as well as the overall cost of the relocation. The District may have to incur engineering costs up front during FY'27 and then request reimbursement from the SCDOT for those costs. If 4.5% does not cover the entire project cost, the District has received a commitment from Beaufort County of \$6.5 million towards the project. Additionally, Beaufort County and the Town of Hilton Head have committed that this project will receive top priority for any other available project reserve funds to cover any remaining shortage. Due to the uncertainty surrounding the project, it has not been included in this budget. The project may also impact other smaller water and sewer mains in the area which may not be covered by the relocation act or Beaufort County. If funds need to be expended up front and await reimbursement, or are not reimbursable under the act or Beaufort County, the District plans to use its cash reserves to cover the timing lag and/or shortage. Even if all costs related to this project are ultimately fully reimbursed by the SCDOT and Beaufort County, this project will require a significant amount of District staff time to administer.

Operationally, FY'27 appears to be another year of facing continued inflation and supply chain uncertainties. Long lead times on equipment and parts continue to stretch out the timeline for large and small projects. In some cases, equipment and parts can take upwards of a year to arrive after an initial order is placed. This scarcity continues to fuel upward price momentum and bring

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HiltonHeadPSD
FY'27 Budget

a level of uncertainty to the District's ability to execute capital projects. In FY'25, the District saw significant inflationary increases in health insurance, its wholesale purchased water expense, and its electricity expense. During FY' 26, the District saw a 24% increase in its purchased water rate, insurance increases ranging from 5%-30%, and additional 7-9% biosolids increases. This FY'27 budget provides for current, known, higher inflationary increases as well as anticipating additional inflationary increases at a lower level during the next year, generally in the 3-4% range. Additionally, it was unknown at the time of budget preparation what ultimate effects fuel price volatility might have on the PSD's expenditures and supply chain.

Home prices have remained extremely high in the District's service area and the District continues to see new growth and redevelopment projects, often at high price points. The elevated housing market has continued to put a strain on workforce housing which was already limited. The District's service area contains most of the available workforce housing on Hilton Head Island which increases the importance of rate affordability for the District's services. When combined with growth in the neighboring Bluffton area as well as overall inflationary strain, there continues to be increasing stress on Hilton Head Island businesses to attract and retain a workforce. This budget includes a merit increase pool to enable the District to remain competitive in attracting and retaining employees to serve our growing customer base with exceptional customer service.

The combination of additional capital expenditures needed to complete the District's multi-year large scale projects and continued year-over-year large inflationary increases are driving the need for additional revenue in FY'27. The District has developed operating cash reserves for emergencies and contingencies as well as capital purposes. In consideration of the importance of maintaining affordability, this budget anticipates utilizing cash reserves to fund a portion of the one-time capital expenditures. Additionally, it has delayed or reduced some of its ongoing CIP rehabilitation projects to further offset these one-time expenditures. On the operating side, the staffing level has been kept at current levels despite continued customer growth and the complexities of executing the large-scale projects. Additionally, District staff continues to look for purchase discounts and opportunities to negotiate lower contracts rates.

In line with the District's policy of fiscal conservatism, revenues are projected at levels that do not rely on significant additional customer growth. Weather is one major factor that the District cannot predict. Cool, rainy weather will generally negatively affect the District's revenues while warm, dry weather will often have the opposite effect. Consumption levels for the FY'27 budget are based on the previous 12 months' consumption with a small allowance for customer growth. Expenditures are projected at levels that aim to ensure effective operation of our crucial water and sewer operations while maintaining our current service levels.

The FY'27 operating and capital budgets seek to conservatively project our revenue and expenditure needs for the upcoming year considering the continued volatile and inflationary environment while minimizing rate increases to our customers. All of these unknowns have led to a need for greater flexibility as the District analyzes and adapts to changing environments and opportunities. Longer lead times, price volatility, and a difficult labor market have made it necessary to ensure the District is financially positioned to meet these challenges in the upcoming year and beyond.

B. Organization Information

Hilton Head PSD is a special purpose district created by the South Carolina General Assembly in 1969 to provide water and sewer services to Hilton Head Island. The PSD serves more than 20,000 customer units and a population of more than 25,500 in the north- and mid-island areas of Hilton Head Island where many of the Island's full-time residents reside. The District's service area includes Hilton Head Island's hospital and emergency room, airport, and public school campus. The PSD can provide a maximum water demand of 12.5 million gallons a day (mgd) and experiences an average demand of 7 mgd which is provided through its Reverse Osmosis (RO) water treatment plant, Upper Floridan wells, Aquifer Storage and Recovery (ASR) well, and wholesale water which is purchased from Beaufort Jasper Water & Sewer Authority (BJWSA). In addition to its RO plant, ASR, and Upper Floridan wells, the PSD maintains over 270 miles of water distribution mains, 220 miles of sewer collection mains, 5 elevated storage tanks, 3 ground-level storage tanks, 1,500 hydrants, 127 sewer lift stations, 13,750 customer water meters, 650 customer Low Pressure Sewer (LPS) systems, and a 6.4 mgd tertiary-treatment, return activated sludge (RAS) recycled water wastewater treatment plant.

C. Commission Directives

The Hilton Head Public Service District Commission has directed staff to create O&M budgets and a CIP for FY'27. The following general standards are used in budget preparation:

1. General Rate Review – Rates, charges and fees underwent a comprehensive Cost of Service Analysis (COSA) as part of the FY'27 budgeting process to ensure rates are sufficient to provide revenues to meet the District's FY'27 operating expenses and debt coverage ratios.
2. Operating and Maintenance Budget – As defined in the District's Finance Policies, operating expenses excluding depreciation will not exceed operating revenues.
3. Efficiency – Continued efforts to improve District efficiency and employee productivity.
4. Staff Compensation – Is to be adequate compensation for responsibilities, recognize individual productivity and be competitive with the labor market.
5. Customer Service - Maintain or improve current Operations and Customer Service levels.
6. Adequate Cash Flow – Maintain a positive cash flow and resources to meet anticipated events and increase overall cash reserves.

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

	FY'27 Budget	FY'26 Projected	Variance (FY'26 Proj. to FY'27 Budget)		FY'26 Budget
			Increase (Decrease)	% Change	
Total Operating Revenue	\$ 18,276,000	\$ 16,987,400	\$ 1,288,600	7.6%	\$ 17,377,000
Total Operating Expenses with Depreciation	20,861,400	19,806,000	1,055,400	5.3%	20,030,400
Change in Net Position from Operations	(2,585,400)	(2,818,600)	233,200	-8.3%	(2,653,400)
Total Non-Operating Revenue	5,061,400	5,789,400	(728,000)	-12.6%	5,053,400
Total Non-Operating Expenses	970,800	1,048,400	(77,600)	-7.4%	1,038,000
Non-Operating Income/Expenses - Net	4,090,600	4,741,000	(650,400)	-13.7%	4,015,400
Increase / Decrease in Net Position before Capital Contributions	1,505,200	1,922,400	(417,200)	-21.7%	1,362,000
Total Capital Contributions	1,687,000	7,776,600	(6,089,600)	-78.3%	6,770,000
Change in Net Position	\$ 3,192,200	\$ 9,699,000	\$ (6,506,800)	-67.1%	\$ 8,132,000
Total CIP Budget Cash Flow	(6,067,000)	(11,945,400)	5,878,400	-49.2%	(9,850,000)
Add: Non Cash Depreciation Expense	5,790,000	5,617,300	172,700	3.1%	5,550,000
Less: Existing Debt Service Payments	(4,806,800)	(4,689,000)	(117,800)	2.5%	(4,689,100)
Add: Receipt of AR Grant Receivable at 06/30/25		1,133,200			
Other Debt Related Adjustments	970,800	998,400	(27,600)	-2.8%	993,000
FFA Assessments, net	158,000	388,000	(230,000)	-59.3%	413,000
Total Non-CIP Other Cash Flow Adjustments	2,112,000	3,447,900			2,266,900
Project. Change in Cash Flow	\$ (762,800)	\$ 1,201,500	\$ (1,964,300)	-163.5%	\$ 548,900

E. Budget Highlights

The FY'27 Budget highlights are:

1. Operating Revenues are budgeted at \$18,276,000 which is a \$1,288,600 or 7.6% increase from FY'26 projections. This increase is the result of proposed water and sewer rate increases and a small growth projection.
2. Operating Expenses are budgeted at \$20,861,400 which is a \$1,055,400 or 5.3% increase from FY'26 projections. Some key highlights include:
 - The FY'27 staff level is budgeted at 44 which is the same level as FY'26 with a 4% increase merit pool to support staff development and retention. The State Health Plan enacted a 3.9% employer rate increase as of January 2026; currently, no additional overall plan rate increases are expected at January 2027.
 - Additional operations and maintenance expenses are expected to be necessary in the FY'27 budget when the District's RO expansion project is completed in November 2026.

- Inflationary increases are anticipated in most areas with more significant increases anticipated in the following areas:
 - Purchased water is expected to increase by 7% in fiscal year 2027. However, the District expects to be able to purchase less water upon completion of the RO expansion project.
 - The District has been notified that business interruption insurance premiums will increase by 167%; tort insurance premiums will increase by 12%; automobile comprehensive and collision premiums will increase by 15%; and automobile liability insurance premiums will increase by 40%. Additionally, the District's insurance provider conducted an updated appraisal of the District's insurable assets during FY'26. While final results are not yet in, the District expects a significant increase in premiums related to these appraisals as well as the addition of large-scale assets from the completion of grant and debt funded projects.
 - The District biosolids disposal rates increased by 7-9% in January 2026 and the District expects another increase might be enacted in January 2027 but an estimate of the amount of the increase was not available at the time of budget preparation.
 - Fuel price projections were volatile at the time of budget preparation. Significant increases to fuel prices would have a cascading effect on the District's expenses. Many parts, equipment, and service vendors levy additional fuel surcharges beyond standard inflationary increases when fuel prices rise significantly.
- 3. Non-Operating Revenues are budgeted at \$5,061,400 which is a \$728,000 or 12.6% decrease from FY'26 projections. This category primarily includes the District's GO Debt and Operations property tax levies as well as gains on asset sales, rental income, and tower lease income. The decrease to projections is primarily related to conservatively estimating interest income at 2.6%, which is lower than the 3.8% that the District is currently receiving. This ensures that the District does not overly rely on an unpredictable revenue source to fund its operations should market conditions deteriorate in the upcoming year. It also accounts for declining investible balances as the District spends down its GO bond proceeds.
- 4. Non-Operating Expenses are budgeted at \$970,800 which is a \$77,600 or 7.4% decrease from FY'26 projections. This category relates to debt service and is based on current debt schedules.
- 5. Capital Contributions include capacity fee payments, capital grant income, and other capital contributions. The capacity fees are budgeted conservatively. The District does not budget in anticipation of any large development projects as the timing on these is often tenuous and unpredictable; until the fees are paid, there is no guarantee any anticipated project will occur as planned. The current year projections include the completion of the SCIIP grant projects and expected receipts on the SC RIA State Grant Screw Pump

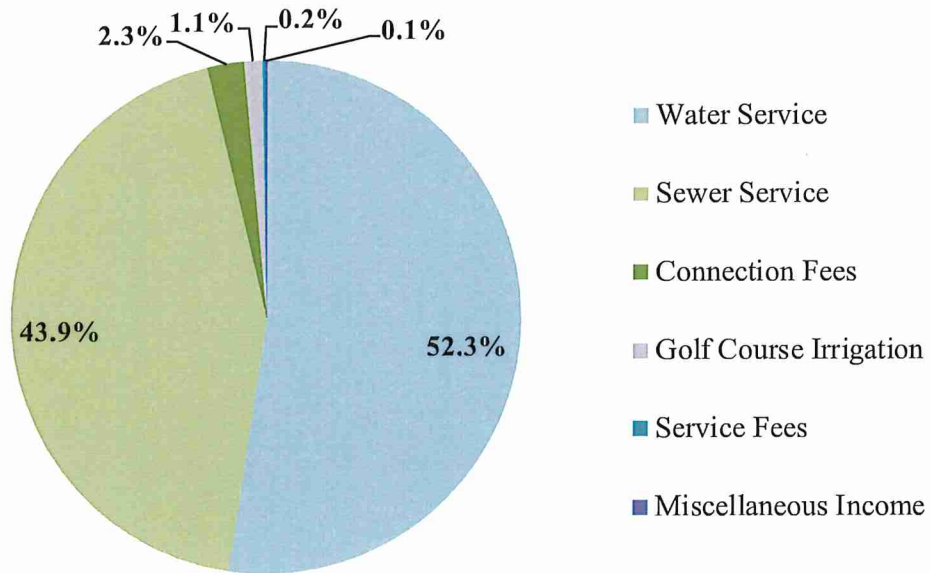
Replacement project. The 2027 budget includes the remainder of the \$1.5 million RIA State Grant for the Screw Pump replacement project. As noted previously, this budget does not attempt to project the SCDOT Bridge relocation project. The project is anticipated to be recorded as a capital project with any offsetting reimbursements from Beaufort County and/or the SCDOT reported in this line item. If any reimbursable funds are expended in the upcoming year, this is where they will be recorded.

6. Change in Net Position – The overall change in net position for FY'27 is budgeted at \$3,192,200 versus a projection of \$9,699,000 and a prior year budget of \$8,132,000. The large decrease to the prior year and budget is mostly related to receipt of the \$10 million SCIIP grant funds.
7. CIP Budget Cash Flow – The CIP budgeted cash flow for FY'27 is \$6,067,000 which is a \$5,878,400 or 49.2% decrease from the projected CIP cash flow of \$11,945,300 mainly related to grant project completion. The FY'26 projected CIP cash flow is higher than the FY'26 budgeted CIP cash flow due to timing of SCIIP Grant project progression. This budget anticipates that budgeted CIP projects that are not completed at FY'26 year-end will be carried over into FY'27 for completion. This carryover is expected to be significant as several large projects are expected to continue past June 30, 2026.
8. System Debt – Total anticipated FY'27 debt payments of \$4,806,800 consist of \$3,822,500 of principal and \$984,300 of interest (Interest expense is calculated on an accrual basis).
9. Unrestricted Cash Flow is projected to decrease approximately \$762,800 as a result of this budget. The District is anticipating that the current FY'26 projections will result in an increase in unrestricted cash of approximately \$1.2 million. The FY'26 projected increase is higher than budgeted primarily due to receipt of a large-scale development capacity fee payment, higher interest earnings than budgeted, and timing of grant and capital projects.

F. Operating Revenues

The FY'27 budgeted operating revenues are listed below:

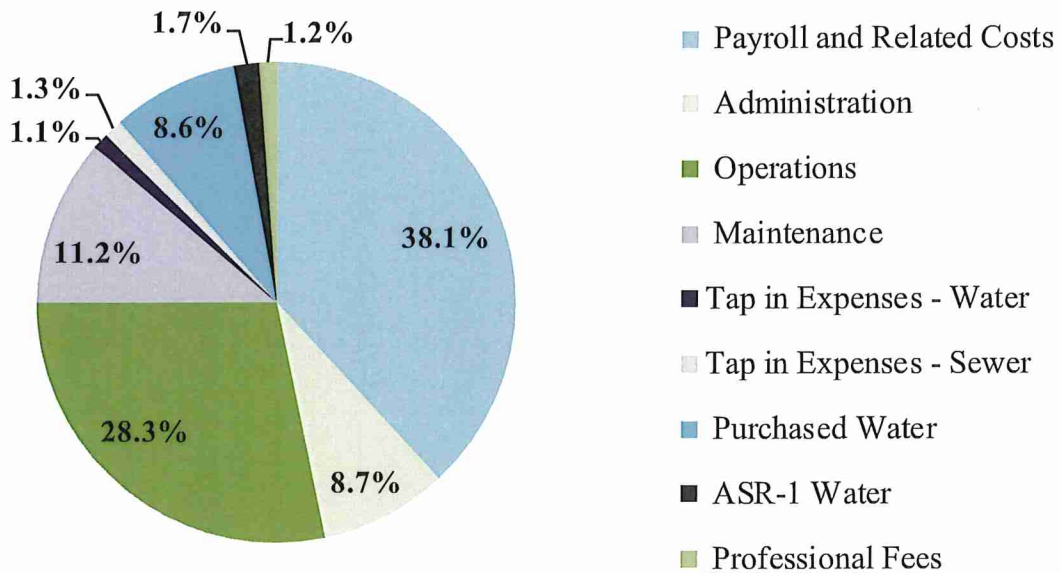
Operating Revenues	<u>FY 2027</u>	<u>% Total</u>
Water Service	\$ 9,565,300	52.3%
Sewer Service	8,020,200	43.9%
Connection Fees	424,800	2.3%
Golf Course Irrigation	210,000	1.1%
Service Fees	29,400	0.2%
Miscellaneous Income	26,300	0.1%
Total Operating Revenues	\$ 18,276,000	100%



G. Operating Expenses

The FY'27 operating expenses excluding depreciation are listed below:

Total Operating Expenses before Depreciation	FY 2027	% Total
Payroll and Related Costs	\$ 5,738,300	38.1%
Administration	1,303,900	8.7%
Operations	4,261,000	28.3%
Maintenance	1,690,000	11.2%
Tap in Expenses - Water	160,500	1.1%
Tap in Expenses - Sewer	192,000	1.3%
Purchased Water	1,288,800	8.6%
ASR-1 Water	256,900	1.7%
Professional Fees	180,000	1.2%
Total Operating Expenses before Depreciation	\$ 15,071,400	100%



H. Debt Service Coverage

Bond covenants require that the District maintain and collect rates and charges that together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding. As shown in the following table, the District's FY'27 budget is in compliance with the necessary requirement and estimated at 258%.

	FY'26 Projected	FY'27 Budget
Net Income (loss) before capital contributions per Financial Statements	\$ 1,922,400	\$ 1,505,200
Capacity Fees	639,200	270,000
Add: Depreciation	5,617,300	5,790,000
Bond Issuance Cost	50,000	-
Interest Expense (Bonds)	998,400	970,800
Assessments - Debt Service	218,000	258,000
Less: Property Taxes – GO Debt Service	<u>(2,261,900)</u>	<u>(2,282,700)</u>
Net Earnings Available for Debt Service	7,183,400	6,511,300
 Debt Service on Revenue Bonds	 2,445,200	 2,523,600
 Coverage of Debt Service by Net Earnings	 294%	 258%
 Debt Coverage without Capacity Fees	 268%	 247%

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Hilton Head PSD
FY'27 Budget

I. Bond Debt Service

As of June 30, 2027, the District's total future debt service requirement is projected to be \$44,797,115. For FY'27, the projected principal payments total \$3,822,546 while the projected interest payments are \$984,242.

Fiscal Year 2027 Debt Service				
<u>Revenue Debt</u>	<u>Interest</u>	<u>Principal</u>	<u>Total P&I</u>	<u>Revenue Source</u>
Series SRF 2014 B	14,421	146,926	161,347	User Fees
Series 2017A	6,174	35,759	41,933	FFA
Series 2020 B	96,195	2,105,000	2,201,195	User Fees/ FFA
Series 2023 FFA	7,824	17,705	25,529	FFA
Series 2026 FFA	40,198	54,000	94,198	FFA
Revenue Sub Total	164,812	2,359,390	2,524,202	
<u>General Obligation Debt</u>				
Series 2020 GO Bonds	24,063	1,355,000	1,379,063	GO Funded
Series 2024B GO Bonds	744,600	-	744,600	GO Funded
Series 2024A GO SRF	50,767	108,156	158,923	GO Funded
General Obligation Sub Total	819,430	1,463,156	2,282,586	
Total Principal & Interest	\$ 984,242	\$ 3,822,546	\$ 4,806,788	

Future Debt Service as of June 30, 2027				
<u>Revenue Debt</u>	<u>Interest</u>	<u>Principal</u>	<u>Total P&I</u>	<u>Interest Rates</u>
Series SRF 2014 B	76,039	1,497,096	1,573,135	1.00%
Series 2017 A	22,086	229,510	251,597	2.69%
Series 2020 B	233,954	7,950,000	8,183,954	1.21%
Series 2023 FFA	41,236	188,528	229,764	4.15%
Series 2026 FFA	196,216	750,000	946,216	4.25%
Revenue Sub Total	569,531	10,615,135	11,184,666	
<u>General Obligation Debt</u>				
Series 2020 GO Bonds	31,188	1,925,000	1,956,188	1.25%
Series 2024B GO Bonds	8,276,448	20,400,000	28,676,448	3.65%
Series 2024A GO SRF	521,932	2,457,881	2,979,814	2.10%
General Obligation Sub Total	8,829,568	24,782,881	33,612,450	
Total Debt	\$ 9,399,099	\$ 35,398,016	\$44,797,115	

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

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Hilton Head PSD
FY'27 Budget

Future Annual Debt Service Payments:

Fiscal Year	Annual Debt Service Requirements		
	Revenue	GO	Total
2027	2,524,202	2,282,586	4,806,789
2028	2,529,114	1,823,648	4,352,763
2029	2,248,518	1,831,004	4,079,522
2030	2,175,880	1,831,694	4,007,574
2031	323,719	1,832,106	2,155,826
2032	323,574	1,833,205	2,156,779
2033	281,369	1,833,916	2,115,286
2034	280,969	1,834,204	2,115,174
2035	281,441	1,835,032	2,116,474
2036	215,878	1,836,327	2,052,205
2037	-	1,837,016	1,837,016
2038	-	1,837,063	1,837,063
2039	-	1,838,430	1,838,430
2040	-	1,839,009	1,839,009
2041	-	1,840,763	1,840,763
2042	-	1,841,583	1,841,583
2043	-	1,842,431	1,842,431
2044	-	1,843,236	1,843,236
2045	-	119,192	119,192
	\$11,184,666	\$33,612,450	\$44,797,115

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

Revenue Debt:

Series 2014 SRF – On July 27, 2014, the District executed a loan with the South Carolina State Revolving Loan Fund (SRF) in the amount of \$2,926,430 at an interest rate of 1% per annum. The proceeds of this loan were used to pay the costs of constructing the Automated Metering Infrastructure project. Principal and interest of \$40,336.78 are payable quarterly beginning April 1, 2015 through January 1, 2036.

Series 2017A Revenue Bond - On August 26, 2017, the District issued \$515,000 of Series 2017A revenue bonds for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds are an obligation of the District, bear interest at the rate of 2.69% per annum and are payable in annual principal and semi-annual interest payments of \$41,932.75 starting June 2018 through June 2032. This bond may be redeemed in whole after June 1, 2026. If interest rates fall below the level of this bond, staff may recommend redemption of this debt. The bonds are payable from revenues derived from operations of the District’s systems and are secured by a lien upon these revenues and the collection of annual assessments by the Beaufort County Treasurer to the owners in the areas that were connected over a 20-year period.

Series 2020B Revenue Bonds - On November 2, 2020, the District issued \$14,927,000 of Series 2020B revenue bonds for purposes of refunding the District's 2014 FFA, 2015A, 2015B, 2017B SRF, and 2020 FFA revenue bonds. The bonds are an obligation of the District and bear interest at the rate of 1.26% per annum. These bonds are due in semi-annual interest payments due beginning June 2021 and annual principal payments starting June 2022 through June 2030. The bonds are payable from revenues derived from operations of the District's systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer. The original purpose of the refunded bonds are as follows:

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

Series 2023A Revenue Bond - On February 27, 2023, the District issued \$235,000 of Series 2023A revenue bonds for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds are an obligation of the District, bear interest at the rate of 4.15% per annum and are payable in annual principal and interest payments of \$27,529.36 starting June 2024 through June 2035. This bond may be redeemed in whole at any time. If interest rates fall below the level of this bond, staff may recommend redemption of this debt. The bonds are payable from revenues derived from operations of the District's systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer.

Series 2026A Revenue Bond - On February 27, 2026, the District issued \$750,000 of Series 2026A revenue bonds for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds are an obligation of the District, bear interest at the rate of 4.25% per annum and are payable in annual principal and interest payments due beginning June 2027 through June 2036. This bond may be redeemed in whole at 102% through May 31, 2031 and at par at any time thereafter. The bonds are payable from revenues derived from operations of the District's systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer.

General Obligation Debt:

Series 2020 - On November 2, 2020, the District issued \$9,910,000 of Series 2020 general obligation bonds for purposes of refunding the District's 2007, 2007 SRF, 2007 SIRF, 2009, 2010, and 2014 SRF general obligation bonds. The bonds bear interest at a rate of 1.27% per annum. These bonds are due in semi-annual interest payments due beginning May 2021 and annual principal payments starting May 2021 through May 2028. The original purpose of the refunded bonds are as follows:

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

Series 2024A SRF GO - On August 30, 2024, the District executed a loan with the South Carolina State Revolving Loan Fund (SRF) in the amount of \$2,589,929 at an interest rate of 2.1% per annum. The proceeds of this loan were used to pay engineering costs associated with the RO Water Treatment Plant Expansion from 4 MGD to 6 MGD, the construction of a second ASR, and the addition of the Leg O' Mutton booster pump station. Principal and interest of \$39,730.86 are payable quarterly beginning May 1, 2025 through February 1, 2045.

Series 2024B GO Debt – On November 5, 2024, the District issued \$20,400,000 of Series 2024B general obligation bonds for purposes of expanding the RO Water Treatment Plant from 4 MGD to 6 MGD, constructing a second ASR, adding the Leg O' Mutton booster pump station, replacement of all three screw pumps at the District's WWTP, and to defray the costs of other system improvements. The bonds bear interest at a rate of 3.65% per annum. These bonds are due in semi-annual interest payments due beginning May 2025 and annual principal payments starting May 2028 through May 2044.

J. Capital Improvement Plan (CIP)

The CIP for FY'27 is divided into separate categories for ease of explanation. The categories are not ranked according to importance. Non-recurring, non-routine projects have been ranked in priority order. As a part of asset management planning, the projects in the FY'27 column have been identified which staff believes should be completed within the next 12 months. The Commission is only approving the FY'27 projects as a part of this budget. Years 2028 through 2031 are provided as a high-level guide of expected projects in upcoming years to aid in evaluation of the District's long-term financial position.

Cash and Grant funded FY'27 projects total \$6,067,000 as follows:

<u>FY'27 CIP Rate/Cash Funded Projects</u>	
Wastewater Treatment Plant	\$ 3,452,000
Collection System	730,000
Distribution System	1,485,000
Facility & Equipment	<u>400,000</u>
Total Rate Funded CIP Projects	<u><u>\$ 6,067,000</u></u>

The FY'27 CIP plan also shows potential projects for which the District might seek debt financing or pursue any additional grant opportunities that come available during the upcoming five years.

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

Projected FY'26 overall cash flow is anticipated to decrease by \$7,298,500 which is mainly related to the spend down of the 2024 GO debt proceeds on the related capital projects; unrestricted cash flow is projected to increase \$1,201,500 from \$15,873,800 to \$17,075,300. The FY'27 budget projects an overall cash decrease of \$10,850,700 which is also mainly related to the spend down of the 2024 GO debt issuance; unrestricted cash for FY'27 is projected to decrease by \$762,800 to \$16,312,500 as a result of this budget.

This budget also includes an analysis of the unrestricted cash balance projected by this budget in relation to the District's Financial Policy regarding Unreserved and Reserved Funds. The projected unrestricted cash balance represents 395 days cash on hand which approximates the upper emergency reserve target of 12 months cash on hand. Growth beyond this level allowed a portion of the one-time needed large capital expenditures in this budget to be funded out of cash. Further funding this unrestricted reserve in future years would represent progress towards the capital reserve target which would allow the District to expand funding larger capital projects on a cash basis instead of necessitating debt issuances.

A five-year projection based on annual rate increases in the 3-4% range and small growth projections shows the PSD maintaining its current financial position and remaining well over its 120 days cash on hand minimum and its 120% debt coverage requirement. The Commission is only approving the FY'27 budget at this time. Projections for years 2028 through 2031 are only provided to show a high-level review of the District's current expected long term financial position. Additionally, several larger CIP projects are listed in the cash CIP projections for years 2028 through 2031 which may be included as a part of a future debt issuance or grant opportunity instead of funded through cash.

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HiltonHeadPSD
FY'27 Budget

Statement of Revenues, Expenses, and Changes in Net Position FY'27 Operating & Maintenance Budget

	FY'27 Budget	FY'26 Projected	Variance (FY'26 Project. to FY'27 Budget)		FY'26 Budget
			Increase (Decrease)	% Change	
TOTAL OPERATING REVENUES					
Water Service	\$ 9,565,300	\$ 8,870,700	694,600	7.8%	\$ 9,162,500
Sewer Service	8,020,200	7,452,900	567,300	7.6%	7,501,000
Water Tap In Fees	214,800	214,700	100	0.0%	220,800
Sewer Connection Fees	210,000	199,400	10,600	5.3%	270,000
Golf Course Irrigation	210,000	186,100	23,900	12.8%	180,300
Service Fees	29,400	22,700	6,700	29.5%	20,100
Miscellaneous Income	26,300	40,900	(14,600)	-35.7%	22,300
Total Operating Revenue	18,276,000	16,987,400	1,288,600	7.6%	17,377,000
OPERATING EXPENSES					
Payroll and Related Expenses					
Salaries	3,804,200	3,636,900	167,300	4.6%	3,739,200
Commission Honorarium	81,000	79,900	1,100	1.4%	81,000
FICA	294,600	272,800	21,800	8.0%	284,700
Group Insurance	716,700	671,600	45,100	6.7%	661,400
Retirement	664,800	616,300	48,500	7.9%	640,700
Workman's Comp	48,600	44,200	4,400	10.0%	45,300
Training/Continuing Education	90,900	89,000	1,900	2.1%	85,500
Uniforms	37,500	36,300	1,200	3.3%	39,900
Total Payroll and Related Expenses	5,738,300	5,447,000	291,300	5.3%	5,577,700
Administration					
Bad Debts	9,600	6,600	3,000	45.5%	12,600
Bank/Bond Administration Fees	162,000	156,600	5,400	3.4%	147,300
Billing and Accounting	46,200	43,700	2,500	5.7%	49,200
Communications	171,900	159,400	12,500	7.8%	153,300
Dues and Subscriptions	23,100	22,400	700	3.1%	22,200
Insurance Other than Group or Vehicle	371,100	303,900	67,200	22.1%	289,500
License and Permits	64,900	62,500	2,400	3.8%	69,800
Office Supplies	27,000	25,300	1,700	6.7%	28,500
Computer Software and Supplies	186,900	185,800	1,100	0.6%	180,000
Personnel Support	28,200	27,300	900	3.3%	30,000
Postage	84,000	81,600	2,400	2.9%	77,400
Public Education	37,200	36,400	800	2.2%	34,800
Recruitment and Advertising	5,700	5,500	200	3.6%	5,100
Special Functions	31,500	23,500	8,000	34.0%	25,000
Utilities	54,600	53,300	1,300	2.4%	51,900
Total Administration	1,303,900	1,193,800	110,100	9.2%	1,176,600

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HiltonHeadPSD
FY'27 Budget

	FY'27 Budget	FY'26 Projected	Variance (FY'26 Project. to FY'27 Budget)		FY'26 Budget
			Increase (Decrease)	% Change	
Operations					
Biosolids Disposal	546,000	490,900	55,100	11.2%	507,000
Operations Chemicals	1,384,000	1,198,200	185,800	15.5%	1,206,800
Lab Chemicals and Supplies	28,800	27,900	900	3.2%	26,700
Fuel, Power and Utility	1,961,100	1,726,900	234,200	13.6%	1,555,600
Other Supplies and Materials	25,800	25,200	600	2.4%	21,600
Quality Analysis	22,500	19,100	3,400	17.8%	24,300
Safety	38,700	37,700	1,000	2.7%	40,500
SCADA Communications (Alarms)	42,600	38,200	4,400	11.5%	36,600
Tools and Small Equipment	39,600	38,500	1,100	2.9%	38,700
Vehicle Fuel	90,300	80,700	9,600	11.9%	88,500
Vehicles Insurance	46,500	33,700	12,800	38.0%	33,600
Vehicle Maintenance	35,100	34,700	400	1.2%	33,600
Total Operations	4,261,000	3,751,700	509,300	13.6%	3,613,500
Maintenance					
ASR Maintenance	4,500	2,400	2,100	87.5%	7,200
Biosolids Maintenance	12,600	12,100	500	4.1%	6,900
Meter Device Maintenance	12,000	10,800	1,200	11.1%	20,100
Effluent System Maintenance	25,200	14,500	10,700	73.8%	28,200
Equipment Maintenance	39,000	35,600	3,400	9.6%	41,100
Facilities Maintenance	103,800	91,300	12,500	13.7%	106,800
Generator Maintenance	25,200	68,000	(42,800)	-62.9%	24,000
Operations Grounds Maintenance	66,600	65,000	1,600	2.5%	68,700
Hydrant Maintenance	60,600	59,100	1,500	2.5%	62,100
Lift Station Maintenance	327,000	289,500	37,500	13.0%	358,500
LPS System Maintenance	63,000	61,000	2,000	3.3%	59,100
Plant Maintenance - WWTP	112,200	164,000	(51,800)	-31.6%	97,200
RO Maintenance	137,100	102,600	34,500	33.6%	102,300
SCADA Maintenance	24,900	21,300	3,600	16.9%	27,000
Water System Maintenance	195,000	188,900	6,100	3.2%	168,000
Sewer System Maintenance	213,000	205,600	7,400	3.6%	225,000
Tower & Tank Maintenance	172,300	167,100	5,200	3.1%	167,700
Well Maintenance	96,000	93,800	2,200	2.3%	96,000
Total Maintenance	1,690,000	1,652,600	37,400	2.3%	1,665,900
Tap in and Connection Expenses					
Water Tap In Expenses	160,500	176,300	(15,800)	-9.0%	165,000
Sewer Connection Expenses	192,000	172,800	19,200	11.1%	252,000
Total Connection Expenses	352,500	349,100	3,400	1.0%	417,000
Water Expenses					
Purchased Water	1,288,800	1,402,200	(113,400)	-8.1%	1,562,200
ASR Water	256,900	249,500	7,400	3.0%	290,500
Total Water Expenses	1,545,700	1,651,700	(106,000)	-6.4%	1,852,700

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HiltonHeadPSD
FY'27 Budget

	FY'27 Budget	FY'26 Projected	Variance (FY'26 Project. to FY'27 Budget)		FY'26 Budget
			Increase (Decrease)	% Change	
Professional Fees					
Professional Fees - Accounting	39,000	35,900	3,100	8.6%	36,000
Professional Fees - Engineering	81,000	67,200	13,800	20.5%	81,000
Professional Fees - Legal	36,000	23,100	12,900	55.8%	36,000
Professional Fees - Other	24,000	16,600	7,400	44.6%	24,000
Total Professional Fees	180,000	142,800	37,200	26.1%	177,000
Total Operating Expenses before Depreciation	15,071,400	14,188,700	882,700	6.2%	14,480,400
Operating Income before Depreciation	3,204,600	2,798,700	405,900	14.5%	2,896,600
Depreciation	5,790,000	5,617,300	172,700	3.1%	5,550,000
Total Operating Expenses with Depreciation	20,861,400	19,806,000	1,055,400	5.3%	20,030,400
Change in Net Position from Operations	(2,585,400)	(2,818,600)	233,200	-8.3%	(2,653,400)
Non-Operating Revenue					
Property Taxes - GO Bond Levy	2,282,700	2,261,900	20,800	0.9%	2,177,000
Property Taxes - Operations Levy	1,499,700	1,429,900	69,800	4.9%	1,361,000
Gain on Disposition of Assets	15,000	37,800	(22,800)	-60.3%	15,000
Interest Income	499,000	1,270,600	(771,600)	-60.7%	717,000
Interest Income - Assessments	74,200	48,400	25,800	53.3%	43,600
Rental Income	48,800	89,400	(40,600)	-45.4%	89,400
Tower Lease Income	609,900	617,200	(7,300)	-1.2%	615,900
Tower Lease Interest Income	32,100	34,200	(2,100)	-6.1%	34,500
Total Non-Operating Revenue	5,061,400	5,789,400	(728,000)	-12.6%	5,053,400
Non-Operating Expenses					
Interest Expense - Bonds	970,800	998,400	(27,600)	-2.8%	993,000
Bond Issuance Cost	-	50,000	(50,000)	-100.0%	45,000
Total Non-Operating Expenses	970,800	1,048,400	(77,600)	-7.4%	1,038,000
Non-Operating Income/Expenses - Net	4,090,600	4,741,000	(650,400)	-13.7%	4,015,400
Increase / Decrease in Net Position before Capital Contributions	1,505,200	1,922,400	(417,200)	-21.7%	1,362,000
Capital Contributions					
Sewer Capacity Fees	156,000	358,000	(202,000)	-56.4%	156,000
Water Capacity Fees	114,000	281,200	(167,200)	-59.5%	114,000
Capital Grant Income	1,417,000	7,137,400	(5,720,400)	-80.1%	6,500,000
Capital Contributions	-	-	-	0.0%	-
Total Capital Contributions	1,687,000	7,776,600	(6,089,600)	-78.3%	6,770,000
Change in Net Position	\$ 3,192,200	\$ 9,699,000	\$ (6,506,800)	-67.1%	\$ 8,132,000

Operating Revenues

	Proposed		Variance		FY'26 Budget
	FY'27 Draft Budget	FY'26 Projected 8+4	Increase (Decrease)	% Change	
TOTAL OPERATING REVENUES					
1 Water Service	\$ 9,565,300	\$ 8,870,700	694,600	7.8%	\$9,162,500
2 Sewer Service	8,020,200	7,452,900	567,300	7.6%	7,501,000
3 Water Tap In Fees	214,800	214,700	100	0.0%	220,800
4 Sewer Connection Fees	210,000	199,400	10,600	5.3%	270,000
5 Golf Course Irrigation	210,000	186,100	23,900	12.8%	180,300
6 Service Fees	29,400	22,700	6,700	29.5%	20,100
7 Miscellaneous Income	26,300	40,900	(14,600)	-35.7%	22,300
Total Operating Revenue	18,276,000	16,987,400	1,288,600	7.6%	17,377,000

Operating revenues consist of water services, sewer services, connection fees, service fees, golf course irrigation, and miscellaneous income. The total operating revenues are budgeted at \$18,276,000. This budget includes the following base rate, volumetric rate, reclaimed golf irrigation, and other fee rate increases:

	FY 2026	FY 2027		FY 2026	FY 2027
Water/Irrigation Base Rate per Unit:	Current	Revised Rate	Sewer Base Rate per Unit:	Current	Revised Rate
Residential Customers	18.25	19.25	Residential & Commercial Customers	20.25	21.25
Commercial Customers	22.50	23.50	Residential & Commercial Sewer	FY 2026	FY 2027
Residential Water	FY 2026	FY 2027	Rates per 1,000 Gallons:	Current	Revised Rate
Rates per 1,000 Gallons:	Current	Revised Rate	Residential sewer usage is capped at	2.85	3.16
Block 1 - 0 to 10,000 Gal	1.69	1.88	10,000 gallons per month. There is		
Block 2 - 10,001 to 20,000 Gal	2.37	2.52	no cap on commercial sewer usage.		
Block 3 - 20,001 to 30,000 Gal	3.04	3.33	Reclaimed Golf Course Irrigation	FY 2026	FY 2027
Block 4 - All Over 30,000 Gal	4.06	4.44		Current	Revised Rate
Residential Irrigation	FY 2026	FY 2027	Non-pressurized Usage Rate/1,000 Gallons	0.61	0.69
Rates per 1,000 Gallons:	Current	Revised Rate	Pressurized Usage Rate/1,000 Gallons	0.91	1.03
Block 1 - 0 to 10,000 Gal	2.37	2.52	Other Fee Changes	FY 2026	FY 2027
Block 2 - 10,001 to 20,000 Gal	2.37	2.52		Current	Revised Rate
Block 3 - 20,001 to 30,000 Gal	3.04	3.33	Reconnection Fee	35.00	70.00
Block 4 - All Over 30,000 Gal	4.06	4.44	Minimum Developer Plan Review Fee*	-	350.00
Commercial Water & Irrigation	FY 2026	FY 2027	Developer Plan Review Hourly Staff Rate	-	135.00
Rates per 1,000 Gallons:	Current	Revised Rate	* Greater of Time and Materials or Minimum Fee		
Block 1 - 0 to 10,000 Gal	1.69	1.88			
Block 2 - 10,001 to 20,000 Gal	2.37	2.52			
Block 3 - 20,001 to 30,000 Gal	3.04	3.33			
Block 4 - All Over 30,000 Gal	4.06	4.44			

Operating Revenues (continued)

Major/selected variances are as follows:

1. Water Service revenues are based on the presented rate changes, current customer counts, the rolling 12 months billed consumption as of February 2026 of approximately 1.910 billion gallons, and a growth component of 0.25%. This consumption estimate is one of the most variable estimates in this budget document. Weather patterns can greatly affect consumption due to irrigation demand. A particularly cool, rainy year could lead to the PSD missing budgeted numbers while a very dry, hot year could lead to us exceeding the numbers.
2. Sewer Service revenues are based on the above rate changes, current customer counts, the rolling 12 months billed consumption as of February 2026 of approximately 1.082 billion gallons, and a growth component of 0.25%. While this number is also subject to fluctuation, it is not as negatively impacted by usage since irrigation-only customers are not charged sewer and residential customer usage is capped at 10,000 gallons a month.
3. Water Tap In Fees are budgeted at 120 connections at an estimated average tap in fee. Water tap in fees are partially offset by Water Tap In Expenses; the residual is estimated District employee labor cost recovery.
4. Sewer Connection Fees are budgeted at 120 connections at an estimated average connection cost and are offset by Sewer Connection Expenses less the \$150 connection fee.
5. Golf Course Irrigation is budgeted based on historical consumption and the presented rate changes. While this revenue can be weather dependent, it is also dependent upon the operations of a small number of customers and, as such, can be highly variable depending on their management and operating practices.
6. Service Fees are budgeted at \$29,400 which is an increase of \$6,700 from the FY'26 projection based on the reconnection fee and developer plan review fee rate changes. The customer service team continues to regularly communicate with non-payers to keep penalties and reconnect fees down. This line item also contains miscellaneous fees such as hydrant meter set fees, backflow inspection fees, and returned payment fees.
7. Miscellaneous Income is budgeted at \$26,300 and consists mostly of capital credits from the District's electricity provider.

Payroll and Related Expenses

	Proposed		Variance		FY'26 Budget
	FY'27 Draft Budget	FY'26 Projected 8+4	Increase (Decrease)	% Change	
Payroll					
1 Salaries	3,804,200	3,636,900	167,300	4.6%	3,739,200
2 Commission Honorarium	81,000	79,900	1,100	1.4%	81,000
3 FICA	294,600	272,800	21,800	8.0%	284,700
4 Group Insurance	716,700	671,600	45,100	6.7%	661,400
5 Retirement	664,800	616,300	48,500	7.9%	640,700
6 Workman's Comp	48,600	44,200	1,900	1.3%	45,300
7 Training/Continuing Education	90,900	89,000	1,200	3.3%	85,500
8 Uniforms	37,500	36,300	1,200	3.3%	39,900
Total Payroll	5,738,300	5,447,000	291,300	5.3%	5,577,700

Line Item Definitions – Payroll and Related Expenses

Payroll and Related Expenses

- | | | |
|----|-------------------------------|--|
| 1. | Salaries | Salaries, on-call, overtime, and goal payments for district employees as well as any payments for any temporary employee contract labor. |
| 2. | Honorarium | Stipends paid to the commissioners. |
| 3. | FICA | FICA/Medicare is calculated at 7.65% of total projected salaries and Commission honorariums. |
| 4. | Group Insurance | State Health Plan which includes a 3.9% employer rate increase effective January 2026. |
| 5. | Retirement | Retirement is calculated at 18.41% of total projected retirement eligible salaries. |
| 6. | Workman's Comp | Based on expected premiums calculated by the state based on the prior calendar year's salary and claims. |
| 7. | Training/Continuing Education | Continuing education for entire staff (Seminars, Operator/ Technician Exams, GFOA, SEDA, WEF, AWWA, etc.) including travel, meals, lodging and associated costs. |
| 8. | Uniforms | Shirts, pants, shorts, jackets, and caps. |

**Payroll and Related Expenses
Proposed FY'27 Budget
Variance Summary**

Payroll and Related Costs:

The budgeted FY'27 staffing level is 44 full time employees (FTEs) which is the same as FY'26. Given the current tight labor market and lack of workforce housing in the District's service area, staff believes it is important to budget in a way that allows staff to be flexible to attract and retain talent in this competitive and changing employment market. Given this, this budget only anticipates minimal vacancy allowances to allow the District to reach this full level should opportunities arise. Only including minimal vacancy allowances also shows what the projected level of staffing is anticipated to cost going forward. There may be savings to budget in this area should there be periods of vacancy. The District staff always endeavors to take the appropriate time to select candidates that fit with the District's needs when hiring employees as opposed to simply filling a position within a given time frame. Board compensation is also included in this category. The total budget for payroll and related costs is \$5,738,300 reflecting a \$291,300 increase compared to the FY'26 projections. Selected/major variances are as follows:

1. Salaries for the FY'27 budget are \$3,804,200. This is a \$167,300 increase compared to the FY'26 projection of \$3,636,900 and a \$65,000 increase compared to the FY'26 budget. For FY'27, there is a proposed 4.0% merit pool available for increases. Staff is not guaranteed to receive a salary rate adjustment; salary rate adjustments are merit based and are determined on an individual basis. The salaries line item also includes anticipated overtime and on call compensation which can vary based on customer after hour calls and disaster related events.
3. & 5. FICA and Retirement are based upon the Salaries line item with FICA due at 7.65% of wages and retirement at 18.41% of wages. The SCRS has not indicated that there will be any increase to the required employer contribution rate for FY 2027.
4. Group insurance for the FY'27 budget is \$716,700. This is a \$45,100 increase compared to the FY'26 projection of \$671,600. The SC Public Employee Benefit Authority enacted a 3.9% employer rate increase in January 2026. While there is no overall plan rate increase currently expected beginning January 2027, the District is an optional employer and may be subject to an experience rating increase. An estimate of this increase was not available at the time of budget preparation.

Administration Expenses

	Proposed		Variance		FY'26 Budget
	FY'27 Draft Budget	FY'26 Projected 8+4	Increase (Decrease)	%	
Administration					
9 Bad Debts	9,600	6,600	3,000	45.5%	12,600
10 Bank/Bond Administration Fees	162,000	156,600	5,400	3.4%	147,300
11 Billing and Accounting	46,200	43,700	2,500	5.7%	49,200
12 Communications	171,900	159,400	12,500	7.8%	153,300
13 Dues and Subscriptions	23,100	22,400	700	3.1%	22,200
14 Insurance Other than Group or Vehicle	371,100	303,900	67,200	22.1%	289,500
15 License and Permits	64,900	62,500	2,400	3.8%	69,800
16 Office Supplies	27,000	25,300	1,700	6.7%	28,500
17 Computer Software and Supplies	186,900	185,800	1,100	0.6%	180,000
18 Personnel Support	28,200	27,300	900	3.3%	30,000
19 Postage	84,000	81,600	2,400	2.9%	77,400
20 Public Education	37,200	36,400	800	2.2%	34,800
21 Recruitment and Advertising	5,700	5,500	200	3.6%	5,100
22 Special Functions	31,500	23,500	8,000	34.0%	25,000
23 Utilities	54,600	53,300	1,300	2.4%	51,900
Total Administration	1,303,900	1,193,800	110,100	9.2%	1,176,600

Line Item Definitions – Administration Expenses

- | | |
|---|--|
| 9. Bad Debts | Write off of un-collectible receivables. |
| 10. Bank/Bond Administration Fees | Monthly fees for credit card processing and maintaining operating and trust accounts. |
| 11. Billing and Accounting | Monthly fees associated with producing customer statements, lockbox processing fees, e-box processing fees, and printing forms. |
| 12. Communications | Telephone lines, answering service, cell phones, tablets, radios, cable, internet, etc. |
| 13. Dues and Subscriptions | Yearly dues for professional industry organizations (i.e. AWWA, GFOA, SCRWA, WEASC, WEF, etc.). |
| 14. Insurance Other than Group or Vehicle | General Tort Liability, Building and Property, Surety Bond, Data Processing, Cyber Insurance, Inland Marine, Business Interruption. |
| 15. Licenses and Permits | SC DHEC Fees, Lab License, Property Tax Fees, Staff License renewals. |
| 16. Office Supplies | Includes all office supplies needed for administrative operations such as pens, paper, ink, and minor furniture less than the District's \$5,000 group capitalization threshold. |

Line Item Definitions – Administration Expenses (continued)

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

**Administration Expenses
Proposed FY'27 Budget
Variance Summary**

Administration Expense:

This category covers those items necessary to handle the administration of the day-to-day operations. Such items as insurance other than group health insurance, computer software, utilities, public education, billing and accounting are included. The total budget for administration is \$1,303,900 reflecting a \$110,100 increase compared to the FY'26 projections. Major/selected variances are as follows:

Administration Expenses
Proposed FY'27 Budget
Variance Summary (Continued)

Administration Expense (continued):

12. Communications expense is budgeted at \$171,900 for FY'27 which is a \$12,500 increase from the FY'26 projections. This increase is related to additional communications equipment and connectivity to support the use of the District's asset management software remotely in the field.

14. Insurance other than group or vehicle is budgeted at \$371,100 for FY'27 which is a \$67,200 increase from the FY'26 projections. The District has been notified by the SC Insurance Reserve Fund that business interruption insurance premiums will increase by 167% and tort insurance premiums will increase by 12%. While property premium rates are not expected to increase, the District's insurance provider conducted an appraisal of the District's insurable assets during FY'26. While final results were not available at the time of budget preparation, the District expects a significant increase in premiums related to the updated property values from these appraisals as well as the addition of large-scale insurable assets from the completion of the grant and debt funded projects.

17. Special Functions is budgeted at \$31,500 which is a \$8,000 increase from the FY'26 projections. This includes an allowance for the FY 2027 Commissioner election as well as a \$5,000 sponsorship to the Coastal Community Development Corporation to support their workforce housing initiative and to include a right of first notification on available workforce housing for eligible District employees.

Operations Expenses

	Proposed		Variance		FY'26 Budget
	FY'27 Draft Budget	FY'26 Projected 8+4	Increase (Decrease)	% Change	
Operations					
24 Biosolids Disposal	546,000	490,900	55,100	11.2%	507,000
25 Operations Chemicals	1,384,000	1,198,200	185,800	15.5%	1,206,800
26 Lab Chemicals and Supplies	28,800	27,900	900	3.2%	26,700
27 Fuel, Power and Utility	1,961,100	1,726,900	234,200	13.6%	1,555,600
28 Other Supplies and Materials	25,800	25,200	600	2.4%	21,600
29 Quality Analysis	22,500	19,100	3,400	17.8%	24,300
30 Safety	38,700	37,700	1,000	2.7%	40,500
31 SCADA Communications (Alarms)	42,600	38,200	4,400	11.5%	36,600
32 Tools and Small Equipment	39,600	38,500	1,100	2.9%	38,700
33 Vehicle Fuel	90,300	80,700	9,600	11.9%	88,500
34 Vehicles Insurance	46,500	33,700	12,800	38.0%	33,600
35 Vehicle Maintenance	35,100	34,700	400	1.2%	33,600
Total Operations	4,261,000	3,751,700	509,300	13.6%	3,613,500

Line Item Definitions – Operations Expenses

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|-----------------------------------|--|
| 24. Biosolids Disposal | Hauling and disposal of sludge. |
| 25. Operations Chemicals | Sodium hypochlorite, granular chlorine, ammonia, re-agent pillows, lime, sulfur dioxide, polymers, degreasers. |
| 26. Lab Chemicals and Supplies | Chemicals and supplies, such as beakers, stirrers, sample bottles, culture cups, colored buffers, chemical standards for quality analysis use, forceps, filters, rubber gloves, etc., necessary for laboratory operations and water quality testing. |
| 27. Fuel, Power and Utility | Electricity, diesel, propane, and water for treatment plants, wells, lift stations, RO Plant, ASR, etc. |
| 28. Other Supplies and Materials | Miscellaneous operating expense items such as batteries, marking paint, tape, cleaner, etc. |
| 29. Quality Analysis | Quality analysis testing. |
| 30. Safety | Mandatory staff meetings on topics such as forklift safety, lock-out/tag-out safety, driver safety, etc. Also, sanitation products, personal protection equipment (PPE) such as safety glasses, vests, boots, gloves, etc. and worksite safety equipment such as traffic cones, barricades, flashers, etc. |
| 31. SCADA Communications (Alarms) | Monthly cost of network service for SCADA (Supervisory Control and Data Acquisitions System) communications equipment. |
| 32. Tools and Small Equipment | Shovels, water meter pit pumps, flags, locator probes, manhole pullers, PVC pipe saws, miscellaneous hand tools (wrenches, screw drivers, pliers, etc.) and miscellaneous power tools (cordless drills, cut-off saws, rechargeable flashlights, etc.) under \$5,000.00. |
| 33. Fuel – Vehicles | Gasoline and diesel fuel for PSD’s fleet of vehicles. |
| 34. Insurance – Vehicles | Liability, collision and comprehensive insurance for fleet vehicles. |
| 35. Vehicle Maintenance | Repairs to fleet vehicles such as oil changes, brakes, tires, batteries, windshield wipers, tire rotation, belts, fuel filters, alternators, water pumps, wheel alignment, major tune-ups, diesel injectors, engine and transmission repairs as well as vehicle management expenses. |

**Operations Expenses
Proposed FY'27 Budget
Variance Summary**

This category covers the direct costs of operating the water distribution system, sewage collection system, wastewater treatment plant, and vehicle fleet. Such items as bio-solids disposal, chemicals, power, and lab support are included. The total budget for operations is \$4,261,000 reflecting a \$509,300 increase compared to the FY'26 projections. Major/selected variances include:

26. Biosolids disposal is budgeted at \$546,000 for FY'27 which is a \$55,100 increase from the FY'26 projection of \$490,900. The District saw a 7-9% increase in biosolids disposal rates in January 2026 and is expecting an additional increase at January 2027. This item also contains a fuel component so it is directly affected by rising fuel prices.
27. Operations chemicals are budgeted at \$1,384,000 for FY'27. This is a \$185,800 increase from the FY'26 projection of \$1,198,200. While inflation on chemicals slowed from the double-digit levels seen in prior years, chemical costs have continued to see smaller inflationary increases. Additionally, elevated fuel prices would likely lead to increased costs as many of these chemicals are delivered on a weekly basis. The District also anticipates completing its RO plant expansion in November 2026. Increasing production capacity from 4 to 6 MGD is expected to result in a corresponding increase in chemical purchases.
27. Fuel, power, and utility are budgeted at \$1,961,100 for FY'27 which is a \$234,200 increase from FY'26 projections of \$1,726,900. The District anticipates completing its RO plant expansion in November 2026. Increasing production capacity from 4 to 6 MGD is expected to result in a corresponding increase in electricity expense. At the time of budget preparation, PEC did not anticipate a rate increase during the upcoming 2027 fiscal year. As this is such a large expense for the District, a rate increase here could significantly increase this line item should another increase be enacted during the upcoming fiscal year.
33. Vehicle Fuel is budgeted at \$90,300 which is a \$9,600 or 11.9% increase from the FY'26 projection of \$80,700. Fuel prices were rising at the time of budget preparation. As noted previously, continued increases in vehicle fuel could not only affect this line item but be passed along in many of the District's other expenses.
34. Vehicle Insurance is budgeted at \$46,500 which is a \$12,800 or 38% increase from the FY'26 projection of \$33,700. The SC Insurance Reserve Fund notified the District of another 15% automobile comprehensive and collision premium increase and a 40% automobile liability insurance premium increase.

Line Item Definitions – Maintenance Expenses (continued)

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

Maintenance Expenses
Proposed FY'27 Budget
Variance Summary

Maintenance:

This category covers preventative maintenance and emergency repairs to water and sewer mains, ASR wells, RO system, generators, pump stations, wells, elevated water tanks, ground storage tanks and the wastewater treatment plant that do not meet the District's property, plant, and equipment capitalization policy. Items greater than \$5,000 which extend the useful life of the asset are capitalized and included in the CIP budget. The total FY'27 budget is \$1,690,000 reflecting a \$37,400 increase compared to the FY'26 projections.

**Maintenance Expenses
Proposed FY'27 Budget
Variance Summary (continued)**

Note: Many of the maintenance expenses can fluctuate significantly from year to year making them difficult to estimate. Budgeted amounts have been estimated utilizing future expectations and/or reviewing the five-year history. This area should be considered in conjunction with the System Rehab line items on the CIP budget as that is where repairs and replacements that meet the District's capitalization threshold (i.e. are over \$5,000 and extend the useful life of an asset) are reported.

Major/selected variances include:

39. Effluent System Maintenance is budgeted at \$25,200 for FY'27 which is an increase of \$10,700 from FY'26 projections. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget for this line item.
41. Facilities Maintenance is budgeted at \$103,800 for FY'27 which is an increase of \$12,500 from FY'26 projections. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget for this line item.
42. Generator Maintenance is budgeted at \$25,200 for FY'27 which is a decrease of \$42,800 from FY'26 projections. The FY'26 line item was affected by temporary rental expenses necessary due to an unplanned outage for a minor repair that was triggered by the FY'26 generator switchgear project. This is an example of how elevated lead times can cause additional expense to the District.
45. Lift Station Maintenance is budgeted at \$327,000 for FY'27 which is an increase of \$37,500 from FY'26 projections. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget for this line item.
47. Plant Maintenance -WWTP is budgeted at \$112,200 for FY'27 which is a decrease of \$51,800 from FY'26 projections. FY'26 included one-time preventative cleaning of the District's Equalization Basin #1. Additionally, there were a number of smaller repairs that did not meet the District's \$5,000 capitalization threshold.
48. RO Maintenance is budgeted at \$137,100 for FY'27 which is an increase of \$34,500 from FY'26 projections. This line item includes filters necessary for RO maintenance. In addition to needing more filters to accommodate the increase from 4 MGD to 6 MGD in November 2026, the District has been notified of a 30% price increase on these filters.
52. Well Maintenance continues to be budgeted at an elevated \$96,000 level to continue capping off and demolishing some of the District's well sites and housing that have been affected by saltwater intrusion and which management believes will not be returned to service at a future date.

Tap in and Water Expenses

	Proposed		<u>Variance</u>		
	FY'27	FY'26	Increase	%	FY'26
	<u>Draft Budget</u>	<u>Projected 8+4</u>	<u>(Decrease)</u>	<u>Change</u>	<u>Budget</u>
Tap in and Connection Expenses					
54 Water Tap In Expenses	160,500	176,300	(15,800)	-9.0%	165,000
55 Sewer Connection Expenses	192,000	172,800	19,200	11.1%	252,000
Total Connection Expenses	352,500	349,100	3,400	1.0%	417,000
Water Expenses					
56 Purchased Water	1,288,800	1,402,200	(113,400)	-8.1%	1,562,200
57 ASR Water	256,900	249,500	7,400	3.0%	290,500
Total Water Expenses	1,545,700	1,651,700	(106,000)	-6.4%	1,852,700

Line Item Definitions – Tap in and Water Expenses

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|---------------------------------|--|
| 54. Tap-in Expenses - Water | Water meters, meter boxes, tapping saddles, brass ball valves, curb stop and corporation stop, brass and cut-off valves. These materials expenses are offset by Water Tap In Fees. |
| 55. Connection Expenses – Sewer | Expenses associated with sewer connections which are offset by Sewer Connection Fees. |
| 56. Purchased Water | Water that is purchased from BJWSA. |
| 57. ASR Water | Water withdrawn from the ASR well valued at the off-peak rate from BJWSA. |

**Tap In and Water Expenses
Proposed FY'27 Budget
Variance Summary**

Tap in and Water Expenses:

- 54/55. Tap in/connection expenses are budgeted based on a conservative estimate of new connections. They are offset by connection/inspection fee revenue. The difference between water tap in revenues and expenses is related to staff labor. The difference between sewer connection revenues and expenses are sewer connection fees.
- 56/57. Purchased Water / ASR Water – Purchased Water expense has been budgeted at \$1,288,800, a \$113,400 decrease from FY'26 projections. ASR water has been budgeted at \$256,900, a \$7,400 increase from FY'26 projections.

**Tap In and Water Expenses
Proposed FY'27 Budget
Variance Summary (continued)**

55/56. Water Expenses for FY'27 consist of two line items: Purchased Water Expense and ASR Water Expense. Purchased water expense consists of water that is purchased from BJWSA and not used to fill the ASR. ASR water expense is for water that has been drawn out of the ASR well for sale to customers. Purchased water can also be affected by periods of down time at the RO Plant or Wells.

The current wholesale rate charged by BJWSA is \$3.35 per thousand gallons of water purchased during peak periods. It is currently estimated that this rate will increase by 7% during FY'2027.

Staff anticipates that there will be some downtime at the RO Plant during FY 2027 due to the SCIP RO Expansion project and has used a rate of 8% instead of the expected 7% to accommodate this. The actual amount of downtime is unknown and will depend on how the project progresses, which could result in this line item coming in higher or lower than budgeted.

Additionally, staff has budgeted purchased water for March through June at the required contract minimum of 1 million gallons a day due to the anticipated increase in RO plant capacity from 4 MGD to 6 MGD. The District is working with its wholesale provider on amendments related to the contract minimums so there may be savings to budget if these negotiations are completed and the District is able to take less than 1 million gallons a day during that time period.

The off-peak rate for FY'26 (generally October through February) is \$1.13 cents per 1,000 gallons of water purchased in excess of contracted requirements. The off-peak rate is currently adjusted annually based on the July Consumer Price Index and BJWSA will provide 60 days' notice of their intent to adjust the rates. ASR Water is valued at the off-peak rate and a 3.0% increase has been anticipated as a part of this budget which estimates the new off-peak rate at \$1.16.

Staff is currently working with its wholesale provider to discuss changes to its peak and off-peak rates and contract terms. While there have been discussions about changes to the methodology of calculating the peak and off-peak rate, no formal changes were available at the time of budget preparation to incorporate into this budget. If these changes are enacted during the upcoming fiscal year, they could have an effect on this budget area.

Professional Fees and Depreciation Expense

	Proposed FY'27 Draft Budget	FY'26 Projected 8+4	Variance Increase (Decrease)	% Change	FY'26 Budget
Professional Fees					
58 Professional Fees - Accounting	39,000	35,900	3,100	8.6%	36,000
59 Professional Fees - Engineering	81,000	67,200	13,800	20.5%	81,000
60 Professional Fees - Legal	36,000	23,100	12,900	55.8%	36,000
61 Professional Fees - Other	24,000	16,600	7,400	44.6%	24,000
Total Professional Fees	180,000	142,800	37,200	26.1%	177,000
Total Operating Expenses	15,071,400	14,188,700	882,700	6.2%	14,480,400
Operating Income before Depreciation	3,204,600	2,798,700	405,900	14.5%	2,896,600
62 Depreciation	5,790,000	5,617,300	172,700	3.1%	5,550,000
Total Operating Expenses with Depreciation	20,861,400	19,806,000	1,055,400	5.3%	20,030,400
Change in Net Assets from Operations	(2,585,400)	(2,818,600)	233,200	-8.3%	(2,653,400)

Line Item Definitions – Professional Fees and Depreciation

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|-------------------------------------|--|
| 58. Professional Fees - Accounting | Annual audit and financial consultant fees. |
| 59. Professional Fees - Engineering | Professional engineering services. |
| 60. Professional Fees - Legal | General counsel/labor law/contract issues. |
| 61. Professional Fees - Other | Various miscellaneous studies and consulting. |
| 62. Depreciation | An allocation of the useful life of capital purchases. |

Professional Fees and Depreciation Expense
Proposed FY'27 Budget
Variance Summary

Professional Fees:

This category covers fees paid to professionals for legal, accounting, engineering, and other consulting assistance in the operation and administration of the District. The total FY'27 budget of \$180,000 reflects a \$37,200 increase compared to the FY'26 projections. Major/selected variances include:

**Professional Fees and Depreciation Expense
Proposed FY'27 Budget
Variance Summary**

Professional Fees (continued):

58. Professional fees accounting is budgeted at expected annual audit and financial consulting needs which includes the need for another single audit related to spending over \$750,000 of federal funds under the SCIIP Grant in FY'26.
59. Professional fees engineering is budgeted at \$81,000 for FY'27 in anticipation of continued developer work, capital project studies, and other miscellaneous consulting needs.
60. Professional fees legal is budgeted at \$36,000 in consideration of wholesale water contract negotiations, SCDOT, other infrastructure funding, and/or future water supply legal needs.
61. Professional fees other is budgeted at \$24,000 based on prior year history of miscellaneous consulting needs.

Depreciation:

This category covers depreciation of the District's water and sewer systems as well as buildings and support equipment. Although this is a non-cash item, it is an expense to the District. Staff has performed an analysis of depreciation expense including a review of expected additions and assets reaching the end of their depreciable lives. The total budgeted depreciation for FY'27 is \$5,790,000, which is an increase of \$172,700 from the FY'26 projections based on staff's projection of anticipated depreciation on large-scale capital additions. Given the large-scale nature of the projects the District is finalizing, this expense could come in higher or lower than budget depending upon project timing and completion.

Non-Operating Revenue

	Proposed		Variance		FY'26 Budget
	FY'27 Draft Budget	FY'26 Projected 8+4	Increase (Decrease)	% Change	
Non-Operating Revenue					
63 Property Taxes - GO Bond Levy	2,282,700	2,261,900	20,800	0.9%	2,177,000
64 Property Taxes - Operations Levy	1,499,700	1,429,900	69,800	4.9%	1,361,000
65 Gain on Disposition of Assets	15,000	37,800	(22,800)	-60.3%	15,000
66 Interest Income	499,000	1,270,600	(771,600)	-60.7%	717,000
67 Interest Income - Assessments	74,200	48,400	25,800	53.3%	43,600
68 Rental Income	48,800	89,400	(40,600)	-45.4%	89,400
69 Tower Lease Income	609,900	617,200	(7,300)	-1.2%	615,900
70 Tower Lease Interest Income	32,100	34,200	(2,100)	-6.1%	34,500
Total Non-Operating Revenue	5,061,400	5,789,400	(728,000)	-12.6%	5,053,400

**Proposed FY'27 Budget
Variance Summary**

Non-Operating Revenue:

63/64. The FY'26 assessed values of the District were estimated by the staff at \$476.6 million based on collections to date. The County had not provided an update of the estimated value at the time of budget preparation. Budgeted amounts were based on the prior year amount with a small growth component.

The General Obligation (GO) Debt Levy is estimated at \$2,282,700 for FY'27 to meet our general obligation debt payment requirements. This budget sets the GO Debt millage rate at 4.6 mills, which is a decrease of 0.2 from the FY'26 millage rate of 4.8 mills. The Operations Levy is set at 3.1 mills, an increase of 0.1 mills from the FY'26 millage rate of 3.0 and is estimated at \$1,499,700 for FY'27. These rates are calculated directly from the estimated values discussed above. Both the GO and Operations levies are collected annually via Beaufort County property tax bills.

65. Gain on Disposition of Assets is a conservative estimate related to the replacement of vehicles. The CIP budget includes an allowance for additional vehicles. Additionally, if the timing of the purchase of vehicles is delayed, this line item would also be anticipated to be delayed.

66. Interest Income is based on balances of our operating and restricted accounts invested in interest bearing investments. Interest is estimated 2.6%. The District is currently earning in excess of 3.8% on its reserve funds. This is a particularly variable estimate. If rates continue at current levels, the District may earn significantly more revenue. If rates collapse, the District may earn significantly less income than budgeted.

Interest Income in both the current year and upcoming year also includes an estimate of the interest anticipated to be earned on the 2024 GO bond proceeds as they are spent down on the related capital projects. This interest income will be spent on the capital projects related to the debt issuance.

- 67. Assessment Interest Receivable: Annual front foot assessments are billed and collected through Beaufort County property tax bills. These funds are collected to pay the District’s front foot assessment revenue debt and are based on set amortization schedules. The increase in this item to projections is related to the expected interest to be collected on the 2026 FFA assessment.

- 68. Rental Income is collected from the Town of Hilton Head 911 Center located on the second floor of the District Administration Building and the Hilton Head Plantation POA Property Lease for the boat and RV storage lot (POA Property Lease requires an annual 3% increase each September). The Town of Hilton Head has notified the PSD that they intend to vacate the second floor premises but have not provided a definitive date. The lease will be renewed in quarterly renewal periods; this budget anticipates that only the first quarterly renewal payment will be received.

- 69. Tower Lease Income is generated from the cellular companies that have leased space on the District’s water towers. Projections for FY’27 are based on 3 cellular customers (AT&T, T-Mobile, Verizon) for a total of 13 leases which contain annual escalators ranging from 3.0% to 5.0%. During FY’23, Sprint cancelled one of their two leases due to the merger with T-Mobile. For the other Sprint site, T-Mobile has opted to cancel their lease which runs through July 2026 and maintain the other Sprint lease. This reduced the number of leases from 14 to 13 in the FY 2027 budget.

Non-Operating Expenses

Non-Operating Expenses	Proposed		Variance		FY'26 Budget
	FY'27 Draft Budget	FY'26 Projected 8+4	Increase (Decrease)	% Change	
71 Interest Expense - Bonds	970,800	998,400	(27,600)	-2.8%	993,000
72 Bond Issuance Cost	-	50,000	(50,000)	-100.0%	45,000
Total Non-Operating Expenses	970,800	1,048,400	(77,600)	-7.4%	1,038,000
Non-Operating Income/Expenses - Net	4,090,600	4,741,000	(650,400)	-13.7%	4,015,400
Increase / Decrease in Net Assets before capital Contributions	1,505,200	1,922,400	(417,200)	-21.7%	1,362,000

**Proposed FY'27 Budget
Variance Summary**

Non-Operating Expenses:

- 71. Interest Expense – Bonds is based on the District’s current debt schedules.

- 72. No bond issuance expenses are currently anticipated for FY 2027. The FY 2026 projection includes the 2026 FFA debt issuance.

Summary of Capital Contributions

Capital Contributions	FY'27 <u>Draft Budget</u>	FY'26 <u>Projected 8+4</u>	Increase <u>(Decrease)</u>	% <u>Change</u>	FY'26 <u>Budget</u>
73 Sewer Capacity Fees	156,000	358,000	(202,000)	-56.4%	156,000
74 Water Capacity Fees	114,000	281,200	(167,200)	-59.5%	114,000
75 Capital Grant Income	1,417,000	7,137,400	(5,720,400)	-80.1%	6,500,000
76 Capital Contributions	-	-	-	0.0%	-
Total Developer Contributions of Systems	1,687,000	7,776,600	(6,089,600)	-78.3%	6,770,000
Change in Net Assets	<u>\$ 3,192,200</u>	<u>\$ 9,699,000</u>	<u>\$(6,506,800)</u>	<u>-67.1%</u>	<u>\$8,132,000</u>

**Proposed FY'27 Budget
Variance Summary**

Developer Contribution of Systems:

- 73/74. Water and Sewer Capacity Fees: These are payments received from new taps/ connections to the system. Sewer capacity fees are budgeted at \$156,000 and water capacity fees are budgeted at \$114,000 using a conservative estimate of new connections. The District does not budget in anticipation of any large developer capacity fee payments as the timing of these are often tenuous and there is no guarantee that any known potential development will materialize.

- 75. Capital Grant Income is budgeted at \$1,417,000 which is the amount staff expects to be spent in FY'27 on the SC RIA screw pump project state grant. The FY'26 projection includes the finalization of the SCIIP grant as well as the first anticipated draw on the SC RIA screw pump project state grant. The timing on this line item may vary depending on how the projects progress. However, this line item is offset by a related CIP project in the CIP budget. Should more or less be earned than anticipated in each year, these will offset each other.

- 76. While nothing is budgeted for Capital Contributions, this is the line item where any SCDOT reimbursements for work related to the US 278 bridge project would be recorded if earned during FY'2027. This is also the line item where the District would record any non-cash contributions of systems from large-scale developer projects. An offsetting capital asset would be recorded in either case.

Acronyms	
AMI	Advanced Metering Infrastructure
ARPA	American Rescue Plan Act
ASR	Aquifer Storage and Recovery
BC ARPA	Beaufort County American Rescue Plan Act Allocation
BIC	Bond Issuance Costs
CCR	Consumer Confidence Report
CIP	Capital Improvement Plan
COSA	Cost of Service Analysis
FTE	Full-time Employee
FY	Fiscal Year
GO	General Obligation (Debt)
GFOA	Government Finance Officers Association
IRF	Insurance Reserve Fund
IVR	Integrated Voice Response System
IT	Information Technology
LGIP	Local Government Investment Pool
LOM	Leg O Mutton Booster Site/Well/GST
LPS	Low Pressure Sewer
O&M	Operation and Maintenance
RAS	Return Activated Sludge
RD	Revenue Debt
RF	Rate Funded
RO	Reverse Osmosis
SCADA	Supervisory Control and Data Acquisition System
SCDES	South Carolina Department of Environmental Services
SCIIP	South Carolina Infrastructure Investment Program
SC RIA	South Carolina Rural Infrastructure Authority
SRF	State Revolving Fund
SIRF	State Infrastructure Revolving Fund
TF	Town Funded
VFD	Variable Frequency Drive
WWTP	Wastewater Treatment Plant

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FY'27 Budget

FY'27 Rate/Cash Funded Capital Improvement Plan Budget

CIP Projects			2027	2028	2029	2030	2031
CIP Rate/Cash Funded Projects (Amounts in 000's)		Priority Ranking					
WWTP							
Grant Projects	Funding Needed Above Debt Proceeds	1	1,300.0				
Grant Projects	Construction Costs from Grant Projects	R	1,417.0				
Centrifuge	Air conditioned structure to house centrifuge panel	2	200.0				
WWTP SCADA	PLC Upgrades & Fiber to improve communications	3	135.0				
Reuse Water System	Upgrades, improvements, etc. to the reuse water system including new flow meters, valves, piping, etc.	4	110.0	100.0	90.0	50.0	50.0
Clarifiers	New gear box and motors (Hydraulic)	5	60.0	60.0	60.0		
Influent Monitoring	NH3 probe and SCADA Connection	6	30.0				
System Rehab	Replace valves, actuators, motors, parts, etc.	*	200.0	275.0	300.0	350.0	350.0
Mobile Belt Press	Serves as a Backup to the Centrifuge			200.0	50.0	50.0	
Sludge Building	Replace metal shed sludge handling building				900.0		
Warehouse/Garage	Build new warehouse building					2,400.0	-
TOTAL WWTP			\$ 3,452.0	\$ 635.0	\$1,400.0	\$2,850.0	\$ 400.0
Wastewater Collection System							
Gravity Main Line Refurbishment	Gravity sewer main line repairs and relining	1		400.0	450.0	450.0	500.0
Lift Stations - Rehab	Rehab and pumps	*	350.0	375.0	400.0	425.0	450.0
Lift Stations - Control Panels	Place control panels	*	110.0	115.0	120.0	125.0	130.0
District Funded MSP Projects	District Funded MSP Projects	*	-	25.0	25.0	25.0	25.0
LPS System	LPS Changeouts	*	70.0	75.0	80.0	85.0	90.0
System Rehab	Replace pipes, manholes, laterals, equipment as dictated by inspections	*	200.0	225.0	250.0	275.0	300.0
Royal James L/S	Install Screening Devices			175.0			
TOTAL COLLECTION SYSTEM			\$ 730.0	\$1,390.0	\$1,325.0	\$1,385.0	\$1,495.0
Water Production/Distribution System							
Water Line Replacement	Replace 12" Ribaut Island Road line	1	150.0				
ASR #2	Build Bubble for ASR #2 (250MGAL)	2	290.0				
RO System	Rehab RO West Well Pump	3	160.0				
Ammonia Drum scales	4 total 1 @ fire station, 1 @ Wild Horse, 2@ASR	4	20.0				
Metering System	Changing out meters and base stations	*	625.0	650.0	675.0	700.0	725.0
Fire Hydrants	New and replacement hydrants	*	90.0	100.0	110.0	120.0	130.0
System Rehab	Replace VFDs, PLCs, valves, equipment, RO membranes etc.	*	150.0	175.0	200.0	225.0	250.0
TOTAL DISTRIBUTION SYSTEM			\$ 1,485.0	\$ 925.0	\$ 985.0	\$1,045.0	\$1,105.0
Facilities and Equipment							
SCADA Improvements	Upgrade radio network to serve as backup to fiber, hardware/software backups, ASR communication improvements, PLC Upgrades	1	145.0	95.0	115.0	120.0	125.0
Vehicles	Fleet replacements	2	150.0	275.0	285.0	295.0	305.0
Operations Equipment	General	*	35.0	50.0	60.0	70.0	80.0
Admin Building	Building Improvements, furniture, etc.	*	35.0	40.0	45.0	50.0	55.0
Technology	General computer equipment	*	35.0	40.0	45.0	50.0	55.0
Admin Building - AC	Admin Building Cooling Tower			300.0			
Excavator	Mini Excavator			75.0			
TOTAL FACILITIES AND EQUIPMENT			\$ 400.0	\$ 875.0	\$ 550.0	\$ 585.0	\$ 620.0
TOTAL RATE/CASH FUNDED CIP PROJECTS			\$ 6,067.0	\$3,825.0	\$4,260.0	\$5,865.0	\$3,620.0
* These are ongoing projects to be performed and completed on an as needed basis. As such, they have not been given a ranking.							
R These projects are funded by reimbursements from the RIA State Grant in FY2027.							

**FY'27 Rate Related CIP Projects
Funded from User Fees**

Wastewater Treatment Plant

- Grant Projects (Screw Pump)\$1,300,000**
 - Expected remaining funds needed to finalize grant projects. While this is anticipated to be needed for the screw pump project it may also be spent on the ASR project depending on project completion timing.

- Grant Projects (Screw Pump)\$1,417,000**
 - Screw pump construction expenses offsetting capital grant income.

- Centrifuge.....\$200,000**
 - Air conditioned structure to house centrifuge panel to reduce hydrogen sulfide damage.

- WWTP SCADA.....\$135,000**
 - This is expected to replace the FY'26 electrical cabinet improvement project and will provide PLC and Fiber upgrades to improve SCADA communications at the WWTP.

- Reuse Water System.....\$110,000**
 - Replace a flow meter at Palmetto Hall and a pump and motor at Port Royal.

- Clarifiers.....\$60,000**
 - Replacement of one hydraulic gearbox and motor.

- Influent Monitoring.....\$30,000**
 - NH3 probes and related SCADA communication improvements.

- System Rehab.....\$200,000**
 - Replace valves, actuators, motors, parts, etc.

- Total Wastewater Treatment Plant.....\$3,452,000**

WWTP (Amounts in 000's)	2027	2028	2029	2030	2031
Grant Projects	2,717.0	-	-	-	-
Centrifuge	200.0	-	-	-	-
WWTP SCADA	135.0	-	-	-	-
Reuse Water System	110.0	100.0	90.0	50.0	50.0
Clarifiers	60.0	60.0	60.0	-	-
Influent Monitoring	30.0	-	-	-	-
System Rehab	200.0	275.0	300.0	350.0	350.0
Mobile Belt Press	-	200.0	50.0	50.0	-
Sludge Building	-	-	900.0	-	-
Warehouse/Garage	-	-	-	2,400.0	-
	\$ 3,452.0	\$ 635.0	\$1,400.0	\$2,850.0	\$ 400.0

Wastewater Collection System

Gravity Main Line Refurbishment.....\$0

- The remaining balance of the FY'26 project is anticipated to carryover.

Lift Station Rehab\$350,000

- Major rehab and part replacements to PSD lift stations.

Lift Station Control Panels\$110,000

- Lift Station control panel replacements.

District Funded MSP Projects.....\$0

- This District anticipates carrying over enough from the FY'26 budget for this line item in FY'27 for continued funding of unserved MSP areas.

LPS System.....\$70,000

- Change out customer LPS pumps.

System Rehab.....\$200,000

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

Total Collection System\$730,000

Collection System (Amounts in 000's)	2027	2028	2029	2030	2031
Gravity Main Line Refurbishment	-	400.0	450.0	450.0	500.0
Lift Stations - Rehab	350.0	375.0	400.0	425.0	450.0
Lift Stations - Control Panels	110.0	115.0	120.0	125.0	130.0
District Funded MSP Projects	-	25.0	25.0	25.0	25.0
LPS System	70.0	75.0	80.0	85.0	90.0
System Rehab	200.0	225.0	250.0	275.0	300.0
Royal James L/S	-	175.0	-	-	-
	\$ 730.0	\$1,390.0	\$1,325.0	\$1,385.0	\$1,495.0

Water Distribution System

Water Line Replacement.....\$150,000

- The remainder of the FY'26 project budget will carry over and supplement this amount to replace a 12" Ribaut Island Road water line.

ASR #2.....\$290,000

- Purchase water to build the initial bubble for ASR #2. While this project is not predicted to occur until FY'28, including it in FY'27 is a conservative measure that allows the District to start reserving funds for this known project and provides current year resources should the project move faster than anticipated. Additional funding may be necessary in FY'28 based on availability of non-wholesale water and rate negotiations with the District's wholesale provider.

RO System.....\$160,000

- Improvements and rehab to the RO west well and related pump.

Ammonia Drum Scales.....\$20,000

- Purchase 4 scales for the Fire Station well, Wild Horse well, and 2 ASR wells.

Metering System.....\$625,000

- Change out customer meters. The District has over 13,750 water meters which equates to over 900 change outs a year assuming a 15-year lifespan.

Fire Hydrants\$90,000

- New hydrants and hydrant repairs/replacements.

System Rehab\$150,000

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

Total Distribution System\$1,485,000

Distribution System (Amounts in 000's)	2027	2028	2029	2030	2031
Water Line Replacement	150.0	-	-	-	-
ASR #2	290.0	-	-	-	-
RO System	160.0	-	-	-	-
Ammonia Drum scales	20.0	-	-	-	-
Metering System	625.0	650.0	675.0	700.0	725.0
Fire Hydrants	90.0	100.0	110.0	120.0	130.0
System Rehab	150.0	175.0	200.0	225.0	250.0
	\$ 1,485.0	\$ 925.0	\$ 985.0	\$1,045.0	\$1,105.0

Facilities and Equipment

SCADA Improvements.....\$145,000

- Upgrade radio network to serve as backup to fiber, hardware/software backups, ASR communication improvements, PLC Upgrades.

Vehicles.....\$150,000

- Funding for two fleet vehicles. Vehicle prices have risen dramatically during the past fiscal years and many governmental incentive programs have been reduced.

Operations Equipment.....\$35,000

- Operations equipment exceeding the District’s \$5,000 capitalization threshold.

Admin Building.....\$35,000

- General major repairs, furniture, and fixtures for the administrative building exceeding the District’s \$5,000 capitalization threshold.

Technology.....\$35,000

- General computer equipment.

Total Facilities and Equipment.....\$400,000

Facilities and Equipment (Amounts in 000's)	2027	2028	2029	2030	2031
SCADA Improvements	145.0	95.0	115.0	120.0	125.0
Vehicles	150.0	275.0	285.0	295.0	305.0
Operations Equipment	35.0	50.0	60.0	70.0	80.0
Admin Building	35.0	40.0	45.0	50.0	55.0
Technology	35.0	40.0	45.0	50.0	55.0
Admin Building - AC	-	300.0	-	-	-
Excavator	-	75.0	-	-	-
	\$ 400.0	\$ 875.0	\$ 550.0	\$ 585.0	\$ 620.0

Total FY'27 Rate/Cash Funded CIP Projects \$6,067,000

NOTE: The District will also carry over any unfinished FY'26 CIP projects into FY'27 for completion.

Future Year Potential Debt or Grant Funded Projects

Staff has compiled the following list of larger projects that it may recommend financing with debt in years subsequent to FY’27. These projects would also be considered if any additional grant funding opportunities arise. The estimated project totals below are very preliminary staff estimations only. The District would need to engage an engineer to provide a more accurate project total prior to commencing any of these projects. The District is in the process of seeking proposals for an engineering study to start gathering estimates on the warehouse, garage, and AC projects below along with recommendations for other WWTP reconfiguration projects to improve operations and efficiency. Some of these projects are also included on subsequent years of the Rate Funded CIP on the previous pages. If these were to be funded by other means, it would free up additional cash in those years.

CIP Projects - Potential WWTP Debt/Grant Projects		Est. Project Total
(Amounts in 000's)		
WWTP Warehouse & Garage	Replacement of Warehouse & Garage Buildings	\$ 2,400.0
WWTP Sludge Shed	Replace Sludge Building	900.0
WWTP UV Treatment System	Conversion to UV Filtration	1,500.0
WWTP Centrifuge	Purchase of Backup Centrifuge	1,500.0
Admin Building - AC	Admin Building AC Upgrades	300.0
Collections-Royal James Lift Station	Tank, Pump, and Site Upgrade	3,500.0
TOTAL		\$ 10,100.0

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

These projects are not all included in the cash flow projections and are provided for planning purposes only at this time. If staff were to consider it advantageous to move forward with any of these projects during FY’27, a separate financing plan would be brought forward to the Commission. The District will see the increased GO debt millage needed to fund the 2024 GO debt issuance that financed the matching portion of grant projects fall off in FY’28 and will see its largest revenue debt issuance paid off in FY’30. Both provide opportunities to explore debt financing in the near future without significant rate increases.

Cash Flow and Five-Year Projections

Cash Flow

The table below shows a summary of FY'25 actual cash flow, FY'26 projected cash flow, and FY'27 budgeted cash flow. Total cash is currently projected to decrease by approximately \$7,298,500 for FY'26 and decrease by approximately \$10,850,700 for FY'27 mainly due to the use of the 2024 GO Bond proceeds. The Debt Capital Improvement Projects line item, which factors into Restricted Cash on hand for Debt Service, estimates the spend down of these projects; if these projects progress quicker or slower than estimated, these figures could change significantly. Unrestricted cash is projected to increase by approximately \$1,201,500 in FY'26 and decrease by approximately \$762,800 in FY'27.

	Actual FY 2025	Projected FY 2026	Budgeted FY 2027
Preliminary Cash Flow Projections			
Beginning Cash on Hand	\$ 16,205,300	\$ 35,887,800	\$ 28,589,300
(Projected) Change in Net Position	6,789,300	9,699,000	3,192,200
Less Financed Assessments Capacity and Tap Fees	(62,900)	(580,000)	(100,000)
Accrual Changes	(1,177,800)	-	-
Add Depreciation	5,420,400	5,617,300	5,790,000
Add Amortization / Bond Defeasance	209,200	-	-
Add Interest Expense	755,000	998,400	970,800
Add Assessment Collections	208,300	218,000	258,000
Less (Use of Restricted Grant)/Add Receipt of AR Grant	(1,000,000)	1,133,200	-
Add Debt Proceeds	22,989,900	750,000	-
- Debt Payments	(4,268,300)	(4,689,000)	(4,806,800)
- Debt Capital Improvement Projects	(4,863,600)	(8,500,000)	(10,087,900)
- Cash Capital Improvement Projects (transfer & additions)	(5,317,000)	(11,945,400)	(6,067,000)
(Projected) Cash on Hand	<u>\$ 35,887,800</u>	<u>\$ 28,589,300</u>	<u>\$ 17,738,600</u>
	Actual FY 2025	Projected FY 2026	Budgeted FY 2027
Composition of Cash			
Restricted Cash on hand for Debt Service	\$ 620,200	\$ 620,200	\$ 620,200
Restricted Cash on hand for Capital Grant/Debt Service	18,587,900	10,087,900	-
Restricted Cash on hand for Debt Service - GO Debt Levy	805,900	805,900	805,900
Unrestricted Cash	<u>15,873,800</u>	<u>17,075,300</u>	<u>16,312,500</u>
Total Cash on Hand	<u>\$ 35,887,800</u>	<u>\$ 28,589,300</u>	<u>\$ 17,738,600</u>
(Projected) Change related to Cash on Hand	<u>\$ 19,682,500</u>	<u>\$ (7,298,500)</u>	<u>\$ (10,850,700)</u>

The actual FY'25 contains a line called accrual changes. The District uses the accrual method of accounting whereby revenues and expenses are recorded when earned or incurred rather than when paid. This line item reconciles the change in net position for accrual purposes to the cash received/paid. The FY'26 projection, FY'27 budget, and future year projections do not attempt to project these timing-related accrual differences except to recognize that a 06/30/2025 substantial outstanding grant receivable was received at the beginning of FY'26. In particular, FY'26 CIP projects that are not completed by the fiscal year end, may be carried over into FY'27 for completion. The table above also does not attempt to project any cash flow related to debt financing of the infrastructure or future water supply projects shown on the previous page.

Cash Flow and Operating Reserve Targets

The District’s Financial Policy for Unreserved and Reserved Funds states that “the District shall maintain unrestricted cash reserves equal to at least four months of the total budgeted operating expenses, net of depreciation, for the current fiscal year as an operating reserve fund. These funds shall be available in the District’s general bank operating cash account and operating reserve investment and/or cash accounts and used for the purpose of floating the District’s operations throughout each applicable Fiscal Year, which currently runs from July 1 to June 30.” The policy further states that “to prepare for emergencies or contingencies, the target balance of operating reserve funds is six months to one year of the total budgeted operating expenses, net of depreciation. To increase the District’s ability to fund capital expenditures on a pay as you go basis, the District may also target one to two years of annual depreciation expense in this reserve.”


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

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

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

Funding the capital portion of this policy would allow the District to plan to pay for larger capital projects out of cash instead of needing a debt issuance for larger projects. The list of potential debt projects on page 44 would be examples of the types of larger projects that could be funded by cash if the capital portion of this reserve were fully funded.

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HiltonHeadPSD
FY'27 Budget

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

		Days	Balance Based
		Cash on	on FY'27
Financial Policy Targets:		Hand	Budget
Minimum Operating Reserve	4 Months	120	5,023,800
Lower Contingency Operating Reserve Target	6 Months	183	7,535,700
Upper Contingency Operating Reserve Target	12 Months	365	15,071,400
Lower Capital Operating Reserve Target	1 Year Depreciation	140	5,790,000
Upper Capital Operating Reserve Target	2 Years Depreciation	280	11,580,000
Combined Lower Contingency & Capital Target	6 Mo + 1 Year Deprec	323	13,325,700
Combined Upper Contingency & Capital Target	12 Mo + 2 Years Deprec	645	26,651,400
<i>Unrestricted Cash from Proposed FY'27 Operating Budget</i>		395	16,312,500
<i>Amount from the Proposed FY'27 Operating Budget Available for Capital if Contingency Reserve is set at Upper 12 Month Target</i>		30	1,241,100

Cash Flow and Five-Year Projections

Five-Year Projections

The table below provides a five-year projection of change in net position, cash flow, days cash on hand, and debt service. FY'26 and FY'27 are based on the current year projections and budget. Water and Sewer revenues for FY'28 – FY'31 are projected based on a 0.25% water and sewer customer growth rate and annual yearly rate increases of 3-4%. Other revenues and expenses are projected based on any known expectations and growth rates from 0-6% based on a review of five-year history. This projection is meant to be a high-level snapshot of the District's five-year financial position with high level growth expectations only. Future year budgets and rates will be prepared and proposed based on the updated needs of the District at that time. This projection also does not include any impacts related to the potential debt or grant funded infrastructure or future water supply projects shown on page 44.

	Projected FY'26	Budget FY'27	Projection FY'28	Projection FY'29	Projection FY'30	Projection FY'31
Total Operating Revenue	\$ 16,987,400	\$ 18,276,000	\$ 18,878,400	\$ 19,496,600	\$ 20,131,400	\$ 20,783,400
Total Operating Expenses with Depreciation	19,806,000	20,861,400	21,441,100	22,049,400	22,687,800	23,357,900
Change in Net Position from Operations	(2,818,600)	(2,585,400)	(2,562,700)	(2,552,800)	(2,556,400)	(2,574,500)
Total Non-Operating Revenue	5,789,400	5,061,400	4,651,300	4,708,700	4,760,600	4,813,500
Total Non-Operating Expenses	1,048,400	970,800	925,400	871,600	806,000	739,500
Non-Operating Income/Expenses - Net	4,741,000	4,090,600	3,725,900	3,837,100	3,954,600	4,074,000
Increase in Net Position before Capital Contributions	1,922,400	1,505,200	1,163,200	1,284,300	1,398,200	1,499,500
Total Capital Contributions	7,776,600	1,687,000	270,000	270,000	270,000	270,000
Change in Net Position	\$ 9,699,000	\$ 3,192,200	\$ 1,433,200	\$ 1,554,300	\$ 1,668,200	\$ 1,769,500
Total CIP Budget Cash Flow	(11,945,400)	(6,067,000)	(3,825,000)	(4,260,000)	(5,865,000)	(3,620,000)
Add: Non Cash Depreciation Expense	5,617,300	5,790,000	5,790,000	5,790,000	5,790,000	5,790,000
Less: Debt Service Payments	(4,689,000)	(4,806,800)	(4,351,800)	(4,078,300)	(4,006,300)	(2,154,500)
Add: (Projected) Debt Proceeds	750,000	-	-	-	-	-
Add: Receipt of AR Grant Receivable at 06/30/25	1,133,200	-	-	-	-	-
Less: GO Cash Change	-	-	-	-	-	-
Other Debt Related Adjustments	998,400	970,800	925,400	871,600	806,000	739,500
FFA Assessment, net	(362,000)	158,000	158,000	158,000	158,000	158,000
Total Non-CIP Other Cash Flow Adjustments	3,447,900	2,112,000	2,521,600	2,741,300	2,747,700	4,533,000
Projected Change in Unrestricted Cash Flow	\$ 1,201,500	\$ (762,800)	\$ 129,800	\$ 35,600	\$ (1,449,100)	\$ 2,682,500
Projected Beginning Unrestricted Cash	15,873,800	17,075,300	16,312,500	16,442,300	16,477,900	15,028,800
Projected Ending Unrestricted Cash	\$ 17,075,300	\$ 16,312,500	\$ 16,442,300	\$ 16,477,900	\$ 15,028,800	\$ 17,711,300
Projected Days Cash on Hand	439	395	383	370	325	368
Projected Net Earnings Available for Debt Service	7,183,400	6,511,300	6,582,879	6,642,902	6,690,589	6,724,995
Parity Revenue Debt Service	2,445,200	2,523,600	2,528,200	2,247,300	2,174,600	322,400
Projected Debt Coverage with Capacity Fees	294%	258%	260%	296%	308%	2086%
Projected Debt Coverage without Capacity Fees	221%	247%	250%	284%	295%	2002%

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FY'27 Budget

FY' 27 Schedule of Rates, Fees, and Deposits

<u>Water & Irrigation Monthly Base Rate per Unit:</u>		<u>Sewer Base Monthly Rate per Unit:</u>	
Residential Customers	19.25	Residential Customers	21.25
Commercial Customers	23.50	Commercial Customers	21.25
Residential Water		Residential & Commercial Sewer	
<u>Monthly Usage Rates per 1,000 Gallons:</u>		<u>Monthly Usage Rates per 1,000 Gallons:</u>	
Block 1 - 0 to 10,000 Gal	1.88	3.16	
Block 2 - 10,001 to 20,000 Gal	2.52	Residential sewer usage is capped at 10,000 gallons per month.	
Block 3 - 20,001 to 30,000 Gal	3.33	There is no cap on commercial sewer usage.	
Block 4 - All Over 30,000 Gal	4.44	<u>Reclaimed Golf Course Irrigation</u>	
Commercial Water & Irrigation		Non-pressurized Usage Rate per 1,000 Gallons	
<u>Monthly Usage Rates per 1,000 Gallons:</u>		0.69	
Block 1 - 0 to 10,000 Gal	1.88	Pressurized Usage Rate per 1,000 Gallons	
Block 2 - 10,001 to 20,000 Gal	2.52	1.03	
Block 3 - 20,001 to 30,000 Gal	3.33	<u>Meter Install Fees (Existing Service Line)</u>	
Block 4 - All Over 30,000 Gal	4.44	3/4" Meter	1,360.00
Residential Irrigation		1" Meter	1,840.00
<u>Monthly Usage Rates per 1,000 Gallons:</u>		2" Meter and Backflow	4,110.00
Block 1 - 0 to 10,000 Gal	2.52	Any other size	Time & Materials
Block 2 - 10,001 to 20,000 Gal	2.52	<u>Meter Install Fees (No Existing Service Line)</u>	
Block 3 - 20,001 to 30,000 Gal	3.33	3/4" Meter	Greater of Time & Materials or \$1,620.00
Block 4 - All Over 30,000 Gal	4.44	1" Meter	Greater of Time & Materials or \$2,100.00
Other Fees & Charges		Any other size	Time & Materials
Grease Trap Inspection Fee	100.00	<u>Sewer Lateral Installation Fees</u>	
Backflow Inspection Fee	175.00	Greater of \$1,200 or Time & Materials	
Sewer Connection Fee	150.00	<u>Capacity Fees (per unit):</u>	
Hydrant Meter Set Fee	200.00	Water Capacity (House)	2,400.00
Late Fees	Greater of \$5 or 2%	Water Capacity (Mobile Home)	1,800.00
Returned Payment Fees	15.00	Sewer Capacity	3,040.00
Reconnection Fee	70.00	<u>Deposits:</u>	
Meter Tampering	50.00	Residential Deposit	100.00
System/Meter Damage	Time & Materials	Contractor Deposit	100.00
Minimum Developer Plan Review Fee*	350.00	Commercial Deposit	200.00
Developer Plan Review Hourly Staff Rate	135.00	<u>Hourly Labor Rate</u> for time and materials and for work performed for outside agencies	
* Greater of Time and Materials or Minimum Fee		75.00	



HiltonHeadPSD

Fiscal Year 2027

**OPERATIONS & MAINTENANCE BUDGET, CAPITAL
IMPROVEMENT PROGRAM, COST OF SERVICE
ANALYSIS**



Executive Summary

- ▶ The FY 2027 budget projects operating revenues to increase 7.6% with recommended Cost of Service Scenario 2 which includes increases to the water and sewer volumetric tiers and a \$1.00 base rate increase for each service.
- ▶ 5.3% overall operating expense increase which includes:
 - ▶ Retaining current staffing level of 44 FTEs. Includes 4% merit pool.
 - ▶ 20%+ Insurance increase due to updated property appraisals and premium rate increases.
 - ▶ Increased RO electricity, chemicals, and maintenance due to finalizing expansion from 4 MDG to 6 MGD.
 - ▶ 7-9% Biosolids rate increases.
 - ▶ 7% anticipated purchase water increase offset by reduced consumption related to RO expansion.
 - ▶ Continued fuel volatility could lead to higher expenses across the board.
- ▶ Supports asset management and long-range water supply initiatives by:
 - ▶ \$3.1 Million Non-Debt/Grant Project Rate Funded CIP
 - ▶ \$3.0 Million Additional Rate/Cash Funding needed to finalize Debt/Grant Project CIP
 - ▶ Identification of \$10.1 Million other large capital projects to consider for future debt or grant opportunities.

Statement of Revenues & Expenses

- Total Operating Revenues (pg. 19-20)

	Budget vs. Projections				FY26 Budget
	FY27 Draft Budget	FY26 Projected 8+4	Variance		
			Increase (Decrease)	% Change	
OPERATING REVENUES					
Water Service	\$ 9,565,300	\$ 8,870,700	694,600	7.8%	\$ 9,162,500
Sewer Service	8,020,200	7,452,900	567,300	7.6%	7,501,000
Water Tap In Fees	214,800	214,700	100	0.0%	220,800
Sewer Connection Fees	210,000	199,400	10,600	5.3%	270,000
Service Fees	29,400	22,700	6,700	29.5%	20,100
Golf Course Irrigation	210,000	186,100	23,900	12.8%	180,300
Miscellaneous Income	26,300	40,900	(14,600)	-35.7%	22,300
Total Operating Revenue	18,276,000	16,987,400	1,288,600	7.6%	17,377,000

Statement of Revenues & Expenses

- Total Operating Expenses (pg. 21-34)

	Budget vs. Projections				FY'26 Budget	FY'26 Projected 8+4	Variance		FY'26 Budget
	Draft Budget	FY'26 Projected 8+4	Increase (Decrease)	% Change					
OPERATING EXPENSES									
Payroll and Related Expenses	5,738,300	5,447,000	291,300	5.3%	\$	5,577,700			
Administration	1,303,900	1,193,800	110,100	9.2%		1,176,600			
Operations	4,261,000	3,751,700	509,300	13.6%		3,613,500			
Maintenance	1,690,000	1,652,600	37,400	2.3%		1,665,900			
Connection Expenses	352,500	349,100	3,400	1.0%		417,000			
Water Expenses	1,545,700	1,651,700	(106,000)	-6.4%		1,852,700			
Professional Fees	180,000	142,800	37,200	26.1%		177,000			
Depreciation	5,790,000	5,617,300	172,700	3.1%		5,550,000			
Total Operating Expenses	<u>20,861,400</u>	<u>19,806,000</u>	<u>1,055,400</u>	<u>5.3%</u>		<u>20,030,400</u>			
Change in Net Position from Operations	(2,585,400)	(2,818,600)	233,200	-8.3%		(2,653,400)			

Statement of Revenues & Expenses

- Non-Operating Revenue and Expenses
& Capital Contributions (pg. 35-37)

	FY27 Draft Budget	FY26 Projected 8+4	Budget vs. Projections		FY26 Budget
			Increase (Decrease)	% Change	
Total Non-Operating Revenue	5,061,400	5,789,400	(728,000)	-12.6%	5,053,400
Total Non-Operating Expenses	970,800	1,048,400	(77,600)	-7.4%	1,038,000
Non-Operating Income/Expenses - Net	4,090,600	4,741,000	(650,400)	-13.7%	4,015,400
Increase / Decrease in Net Position before capital Contributions	1,505,200	1,922,400	(417,200)	-21.7%	1,362,000
Capacity Fees	270,000	639,200	(369,200)	-57.8%	270,000
Capital Grant Income	1,417,000	7,137,400	(5,720,400)	-80.1%	6,500,000
Capital Contributions	-	-	-	0.0%	-
Total Capital Contributions	1,687,000	7,776,600	(6,089,600)	-57.8%	6,770,000
Change in Net Position	\$ 3,192,200	\$ 9,699,000	\$ (6,506,800)	-67.1%	\$ 8,132,000

Rate/Cash Funded CIP – (pg. 39-43)

FY'27 Comprehensive Capital Improvement Plan Summary

<u>FY'27 CIP Rate/Cash Funded Projects</u>	
Wastewater Treatment Plant	\$ 3,452,000
Collection System	730,000
Distribution System	1,485,000
Facility & Equipment	400,000
Total Rate Funded CIP Projects	\$ 6,067,000

NOTE: The District will also carry over any unfinished FY'26 CIP projects into FY'27 for completion.

Potential Future Project CIP Project List – (Pg. 44)

Future Annual Debt Service – (Pg. 12)

CIP Projects - Potential WWTP Debt/Grant Projects (Amounts in 000's)		Est. Project Total
WWTP Warehouse & Garage	Replacement of Warehouse & Garage Buildings	\$ 2,400.0
WWTP Sludge Shed	Replace Sludge Building	900.0
WWTP UV Treatment System	Conversion to UV Filtration	1,500.0
WWTP Centrifuge	Purchase of Backup Centrifuge	1,500.0
Admin Building - AC	Admin Building AC Upgrades	300.0
Collections-Royal James Lift Station	Tank, Pump, and Site Upgrade	3,500.0
TOTAL		\$ 10,100.0

Fiscal Year	Annual Debt Service Requirements		
	Revenue	GO	Total
2027	2,524,202	2,282,586	4,806,789
2028	2,529,114	1,823,648	4,352,763
2029	2,248,518	1,831,004	4,079,522
2030	2,175,880	1,831,694	4,007,574
2031	323,719	1,832,106	2,155,826
2032	323,574	1,833,205	2,156,779
2033	281,369	1,833,916	2,115,286
2034	280,969	1,834,204	2,115,174
2035	281,441	1,835,032	2,116,474
2036	215,878	1,836,327	2,052,205
2037	-	1,837,016	1,837,016
2038	-	1,837,063	1,837,063
2039	-	1,838,430	1,838,430
2040	-	1,839,009	1,839,009
2041	-	1,840,763	1,840,763
2042	-	1,841,583	1,841,583
2043	-	1,842,431	1,842,431
2044	-	1,843,236	1,843,236
2045	-	119,192	119,192
	\$11,184,666	\$33,612,450	\$44,797,115

Cash Flow Projections – (Pg. 45)

	Actual FY 2025	Projected FY 2026	Budgeted FY 2027
Preliminary Cash Flow Projections			
Beginning Cash on Hand	\$ 16,205,300	\$ 35,887,800	\$ 28,589,300
(Projected) Change in Net Position	6,789,300	9,699,000	3,192,200
Less Financed Assessments Capacity and Tap Fees	(62,900)	(580,000)	(100,000)
Accrual Changes	(1,177,800)	-	-
Add Depreciation	5,420,400	5,617,300	5,790,000
Add Amortization / Bond Defeasance	209,200	-	-
Add Interest Expense	755,000	998,400	970,800
Add Assessment Collections	208,300	218,000	258,000
Less (Use of Restricted Grant)/Add Receipt of AR Grant	(1,000,000)	1,133,200	-
Add Debt Proceeds	22,989,900	750,000	-
- Debt Payments	(4,268,300)	(4,689,000)	(4,806,800)
- Debt Capital Improvement Projects	(4,863,600)	(8,500,000)	(10,087,900)
- Cash Capital Improvement Projects (transfer & additions)	(5,317,000)	(11,945,400)	(6,067,000)
(Projected) Cash on Hand	\$ 35,887,800	\$ 28,589,300	\$ 17,738,600
Composition of Cash			
Restricted Cash on hand for Debt Service	\$ 620,200	\$ 620,200	\$ 620,200
Restricted Cash on hand for Capital Grant/Debt Service	18,587,900	10,087,900	-
Restricted Cash on hand for Debt Service - GO Debt Levy	805,900	805,900	805,900
Unrestricted Cash	15,873,800	17,075,300	16,312,500
Total Cash on Hand	\$ 35,887,800	\$ 28,589,300	\$ 17,738,600
(Projected) Change related to Cash on Hand	\$ 19,682,500	\$ (7,298,500)	\$ (10,850,700)

Operating Cash Reserve Targets – (Pg. 46 - 47)

	Days		Balance Based	
	Cash on Hand	on FY'27 Budget	Hand	Budget
Financial Policy Targets:				
Minimum Operating Reserve	4 Months	120	5,023,800	
Lower Contingency Operating Reserve Target	6 Months	183	7,535,700	
Upper Contingency Operating Reserve Target	12 Months	365	15,071,400	
Lower Capital Operating Reserve Target	1 Year Depreciation	140	5,790,000	
Upper Capital Operating Reserve Target	2 Years Depreciation	280	11,580,000	
Combined Lower Contingency & Capital Target	6 Mo + 1 Year Deprec	323	13,325,700	
Combined Upper Contingency & Capital Target	12 Mo + 2 Years Deprec	645	26,651,400	
Unrestricted Cash from Proposed FY'27 Operating Budget		395	16,312,500	
Amount from the Proposed FY'27 Operating Budget Available for Capital if Contingency Reserve is set at Upper 12 Month Target		30	1,241,100	

Cost of Service Analysis - Scenario 1

Volumetric increases to tiers, \$0.50 base rate increase for both water and sewer.

Net Cost of Service	2027	2028	2029	2030	2031
Total Water Cost of Service	650,100	1,057,600	1,433,500	1,492,400	2,615,800
Total Sewer Cost of Service	(1,641,800)	(1,157,200)	(1,627,700)	(3,171,600)	(163,900)
Total Combined Cost of Service	\$ (991,700)	\$ (99,600)	\$ (194,200)	\$ (1,679,200)	\$ 2,451,900

Debt Coverage	2027	2028	2029	2030	2031
Net Earnings for Debt Coverage Ratio	\$ 6,282,500	\$ 6,353,500	\$ 6,413,000	\$ 6,460,300	\$ 6,494,300
Parity Revenue Debt Service	\$ 2,523,600	\$ 2,528,200	\$ 2,247,300	\$ 2,174,600	\$ 322,400
Debt Coverage Ratio	249%	251%	285%	297%	2014%
Debt Coverage Ratio without Capacity Fees	238%	241%	273%	285%	1931%

Cost of Service Analysis - Scenario 2

Volumetric increases to tiers, \$1.00 base rate increase for both water and sewer.

Net Cost of Service	2027	2028	2029	2030	2031
Total Water Cost of Service	770,400	1,178,000	1,554,000	1,613,200	2,736,800
Total Sewer Cost of Service	(1,533,200)	(1,048,200)	(1,518,400)	(3,062,200)	(54,200)
Total Combined Cost of Service	\$ (762,800)	\$ 129,800	\$ 35,600	\$ (1,449,000)	\$ 2,682,600

Debt Coverage	2027	2028	2029	2030	2031
Net Earnings for Debt Coverage Ratio	\$ 6,511,400	\$ 6,582,900	\$ 6,642,800	\$ 6,690,500	\$ 6,725,000
Parity Revenue Debt Service	\$ 2,523,600	\$ 2,528,200	\$ 2,247,300	\$ 2,174,600	\$ 322,400
Debt Coverage Ratio	258%	260%	296%	308%	2086%
Debt Coverage Ratio without Capacity Fees	247%	250%	284%	295%	2002%

Staff is recommending Scenario 2 to counteract the inflationary pressures it has encountered, to ensure it is attracting and retaining talent in a difficult job market with limited workforce housing, and to continue to perform needed preventative maintenance and capital projects to its vital water and sewer infrastructure. The FY 2027 deficit would be covered by cash reserves including the projected \$1.2 million increase in cash anticipated for FY 2026.

Cost of Service Analysis - Scenario 3

Volumetric increases to tiers, \$1.50 base rate increase for both water and sewer.

Net Cost of Service	2027	2028	2029	2030	2031
Total Water Cost of Service	890,500	1,298,300	1,674,600	1,734,000	2,857,800
Total Sewer Cost of Service	(1,424,100)	(939,100)	(1,409,200)	(2,952,700)	55,400
Total Combined Cost of Service	\$ (533,600)	\$ 359,200	\$ 265,400	\$ (1,218,700)	\$ 2,913,200

Debt Coverage	2027	2028	2029	2030	2031
Net Earnings for Debt Coverage Ratio	\$ 6,740,600	\$ 6,812,300	\$ 6,872,600	\$ 6,920,800	\$ 6,955,600
Parity Revenue Debt Service	\$ 2,523,600	\$ 2,528,200	\$ 2,247,300	\$ 2,174,600	\$ 322,400
Debt Coverage Ratio	267%	269%	306%	318%	2157%
Debt Coverage Ratio without Capacity Fees	256%	259%	294%	306%	2074%

Cost of Service Analysis - Scenario 4

No Rate Increase

Net Cost of Service	2027	2028	2029	2030	2031
Total Water Cost of Service	97,200	486,200	842,800	881,700	1,984,300
Total Sewer Cost of Service	(2,087,100)	(1,617,000)	(2,102,500)	(3,662,200)	(670,900)
Total Combined Cost of Service	\$ (1,989,900)	\$ (1,130,800)	\$ (1,259,700)	\$ (2,780,500)	\$ 1,313,400

Debt Coverage	2027	2028	2029	2030	2031
Net Earnings for Debt Coverage Ratio	\$ 5,284,300	\$ 5,322,300	\$ 5,347,500	\$ 5,359,000	\$ 5,355,800
Parity Revenue Debt Service	\$ 2,523,600	\$ 2,528,200	\$ 2,247,300	\$ 2,174,600	\$ 322,400
Debt Coverage Ratio	209%	211%	238%	246%	1661%
Debt Coverage Ratio without Capacity Fees	199%	200%	226%	234%	1577%

Cost of Service Analysis - Proposed Rate Increases

Monthly Water & Irrigation Base Rate/Unit:	Scenario 1		Scenario 2		Scenario 3	
	Current	% Inc	% Inc	% Inc	% Inc	% Inc
Residential Customers	18.25	3%	19.25	5%	19.75	8%
Commercial Customers	22.50	2%	23.50	4%	24.00	7%
Usage Rates per 1,000 Gallons:						
Block 1 - 0 to 10,000 Gal	1.69	1.88 11%	1.88	1.88 11%	1.88	1.88 11%
Block 2 - 10,001 to 20,000 Gal	2.37	2.52 6%	2.52	2.52 6%	2.52	2.52 6%
Block 3 - 20,001 to 30,000 Gal	3.04	3.33 10%	3.33	3.33 10%	3.33	3.33 10%
Block 4 - All Over 30,000 Gal	4.06	4.44 9%	4.44	4.44 9%	4.44	4.44 9%
Commercial Water & Irrigation						
Usage Rates per 1,000 Gallons:						
Block 1 - 0 to 10,000 Gal	1.69	1.88 11%	1.88	1.88 11%	1.88	1.88 11%
Block 2 - 10,001 to 20,000 Gal	2.37	2.52 6%	2.52	2.52 6%	2.52	2.52 6%
Block 3 - 20,001 to 30,000 Gal	3.04	3.33 10%	3.33	3.33 10%	3.33	3.33 10%
Block 4 - All Over 30,000 Gal	4.06	4.44 9%	4.44	4.44 9%	4.44	4.44 9%
Residential Irrigation						
Usage Rates per 1,000 Gallons:						
Block 1 - 0 to 10,000 Gal	2.37	2.52 6%	2.52	2.52 6%	2.52	2.52 6%
Block 2 - 10,001 to 20,000 Gal	2.37	2.52 6%	2.52	2.52 6%	2.52	2.52 6%
Block 3 - 20,001 to 30,000 Gal	3.04	3.33 10%	3.33	3.33 10%	3.33	3.33 10%
Block 4 - All Over 30,000 Gal	4.06	4.44 9%	4.44	4.44 9%	4.44	4.44 9%

Sewer Base Rate/Unit:						
Residential Customers	20.25	20.75	2%	21.25	5%	21.75
Commercial Customers	20.25	20.75	2%	21.25	5%	21.75
Residential & Commercial Sewer						
Usage Rates per 1,000 Gallons:	2.85	3.16	11%	3.16	11%	3.16
Residential sewer usage is capped at 10,000 gallons per month. There is no cap on commercial sewer usage.						
Monthly Residential Bill at:						
5,000 Gallons	\$ 61.20	\$ 64.70	6%	\$ 65.70	7%	\$ 66.70
10,000 Gallons	\$ 83.90	\$ 89.90	7%	\$ 90.90	8%	\$ 91.90
20,000 Gallons	\$ 107.60	\$ 115.10	7%	\$ 116.10	8%	\$ 117.10
30,000 Gallons	\$ 138.00	\$ 148.40	8%	\$ 149.40	8%	\$ 150.40
50,000 Gallons	\$ 219.20	\$ 237.20	8%	\$ 238.20	9%	\$ 239.20
100,000 Gallons	\$ 422.20	\$ 459.20	9%	\$ 460.20	9%	\$ 461.20
Monthly Commercial Bill at:						
5,000 Gallons	\$ 65.45	\$ 68.95	5%	\$ 69.95	7%	\$ 70.95
10,000 Gallons	\$ 88.15	\$ 94.15	7%	\$ 95.15	8%	\$ 96.15
20,000 Gallons	\$ 140.35	\$ 150.95	8%	\$ 151.95	8%	\$ 152.95
30,000 Gallons	\$ 199.25	\$ 215.85	8%	\$ 216.85	9%	\$ 217.85
50,000 Gallons	\$ 337.45	\$ 367.85	9%	\$ 368.85	9%	\$ 369.85
100,000 Gallons	\$ 682.95	\$ 747.85	10%	\$ 748.85	10%	\$ 749.85

Affordability Review – Scenario 2 Proposed Rate Increases

Beaufort County HUD Income Guidance

HUD Low Income (80% AMI Limit)
 4.5% Affordability Guideline for Water & Sewer Bill
 Monthly Bill

1 Person	2 Person	3 Person	4 Person
56,500	64,600	72,650	80,700
2,543	2,907	3,269	3,632
211.88	242.25	272.44	302.63

HUD Very Low Income (50% AMI Limit)
 4.5% Affordability Guideline for Water & Sewer Bill
 Monthly Bill

35,350	40,400	45,450	50,450
1,591	1,818	2,045	2,270
132.56	151.50	170.44	189.19

Beaufort County HUD Extremely Low Income (30% AMI Limit)

4.5% Affordability Guideline for Water & Sewer Bill
 Maximum Monthly Bill at 4.5% Affordability Guideline

21,200	24,200	27,250	31,200
954.00	1,089.00	1,226.25	1,404.00
79.50	90.75	102.19	117.00

HHPSD Bill for Essential Household Use (50Gal/Per Person/Day)

HHPSD Monthly Bill at Scenario 2

Annual Grand Total

1,500 Gal	3,000 Gal	4,500 Gal	6,000 Gal
48.06	55.62	63.18	70.74
576.72	667.44	758.16	848.88
2.7%	2.8%	2.8%	2.7%

HHPSD Bill % of HUD Extremely Low Income (30% AMI Limit)

Hourly Wage Required to pay HHPSD Monthly Bill with 8 Hrs of Work

6.01	6.95	7.90	8.84
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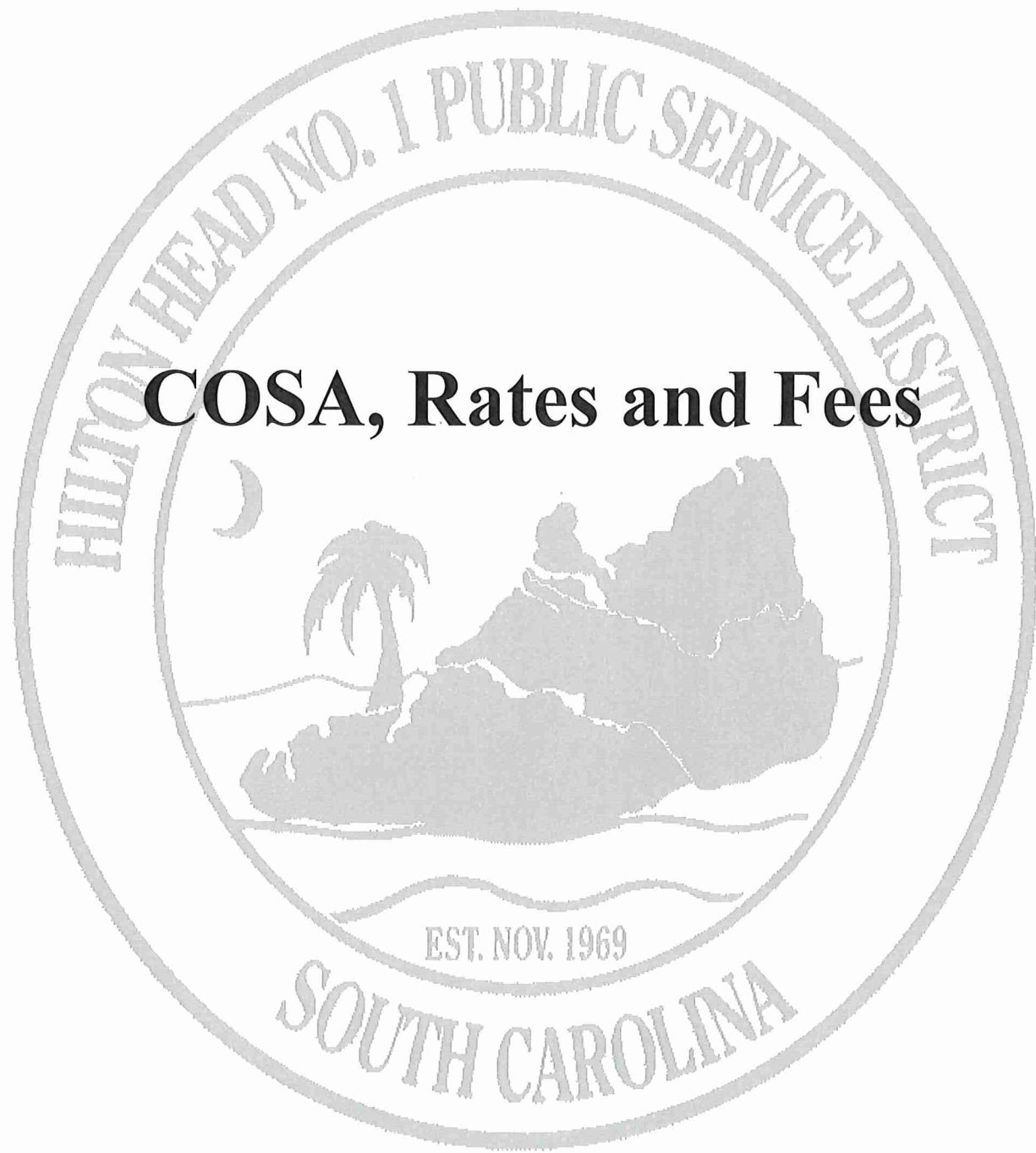
Proposed Scenario 2 comes in around 2.8% of the Beaufort County HUD Extremely Low Income Level (30% of Area Median Income) for essential water usage. This far exceeds the EPA's affordability standard of 4.5% of 100% Area Median Income.



Next Steps

- Commission to hold a vote on the favored COSA scenario.
- Commission to hold a vote on operations millage, golf irrigation, reconnect fee, and developer plan review fee increases.
- If any revisions to the budget draft or COSA analysis presented are requested, staff will bring those to the May meeting for Commission review.
- If no revisions are requested, in accordance with SC law and our enabling legislation, staff will publish notice of the public hearings for the budget and proposed rate increases in *The Island Packet*, our customer service lobby, and the Hilton Head library.
- After holding the public hearings in May (if no revisions) or June (if revisions are requested for the May meeting), the Commission will take a vote to adopt the FY'27 budget and a vote to adopt the FY'27 revised rates.

Questions?



COSA, Rates and Fees



To: Board of Commissioners
Pete Nardi – General Manager

From: Amy Graybill – Finance Manager

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

Date: April 29, 2026

Background

The following document contains the preliminary COSA models for discussion.

Cost of Service Assumptions

1. Water and Sewer revenues are based on the FY'27 draft budget which utilizes customer counts as of February 2026 and a growth rate of 0.25%. For FY'28 through FY'31, water and sewer customer growth is also projected at 0.25% and annual rate increases are projected in the 3-4% range.
2. Customer consumption levels for the FY'27 budget were based on the rolling 12 months of billed consumption as of February 2026 of approximately 1.910 billion gallons. For FY '28 through FY'31, the consumption is calculated to grow in accordance with the customer growth.
3. These cost-of-service analyses do not attempt to predict consumption reductions that might occur as a result of increasing the upper tiers to encourage water efficiency. Staff has no basis to determine if or what amount of consumption reduction might occur as a result of the upper tier increases.
4. Preliminary FY'27 budget estimates were also utilized for the FY'28 through FY'31 other revenues and expenditures. Various growth rates between 0% - 6% were used based on the five-year line-item history.
5. Revenue and expense line items that were not specifically related to water or sewer service were allocated on the basis of customer counts.

6. Depreciation is not used as it is a non-cash item. Instead, the rate funded Capital Improvement Plan (CIP) found at Exhibit C is included for fiscal years 2027 through 2031. As with revenue and expenses, projects that were not specifically related to water or sewer were allocated on the basis of customer counts.
7. General obligation (GO) debt is paid by the GO property tax levy which is a part of non-operating revenues. The millage rate is set each year at an amount expected to cover the GO debt service. All GO debt projects were water related.
8. Rate related revenue debt principal and interest payments are allocated based on the actual revenue debt's relationship to water service or sewer service. Front Foot Assessment debt and related principal and interest collections have been allocated 100% to sewer for the purposes of this analysis.

Rates and Scenario Discussion

In March 2026, staff prepared a preliminary budget rate discussion memo for Commission review. Due to continued inflationary pressures and the finalization of large-scale expansion projects, staff believes a 6-10% rate increase is necessary. It is staff's understanding that neighboring utilities will be proposing similar increases for the upcoming fiscal year.

In prior years, staff completed a plan to bring commercial and residential volumetric tiers together based on the recommendation of a 2018 rate study. Based on a review of neighboring utility rates and the Commission's desire to promote conservation, staff has proposed higher volumetric tier increases for higher tiers versus lower tiers to encourage conservation in the last several years. The District's rates are now at a point where lower tiers offer a discount to conserve water while the top tier is in line with the flat commercial rate of neighboring utilities. In order to continue to raise the higher tiers at higher rates than the lower tiers for residential customers, staff believes the District may need to consider going to a flat rate for commercial entities, which is a common industry practice. Staff recommends that the District consider obtaining an updated rate study in coming years once the current long term water supply projects are completed and the wholesale water contract rate negotiations are completed. Until that point, staff believes it will be more appropriate to raise tiers at more comparable percentages across the tiers so that the top tier does not become punitive to commercial customers.

Staff presented a comparison of the District's FY'26 rates to neighboring utility rates at the March meeting. The Commission requested a comparison of an average residential customer bill, inclusive of irrigation, between the neighboring utilities in addition to the overall rate review. Exhibit A includes the comparison presented last month accompanied by a new comparison of an average residential customer bill at 6,000 gallons, 13,500 gallons, and 33,000 gallons. The 6,000 gallon level is based on the EPA's definition of essential household use of 50 gallons per person per day for a four person household. The 13,500 gallon level is based on that essential use plus the recommended 1" of water per square foot per week of a 2,800 square foot lawn. The 33,000 gallon level is based on the essential household use plus the recommended 1" of water per square foot per week of a 10,000 square foot lawn. The District's average residential usage (does not include separate irrigation meters) is around 9,600 gallons and the District's median residential usage is around 7,300 gallons. This comparison is presented at FY'26 rates as FY'27 rates have not yet been posted.

The need to balance rate increases with affordability was also discussed at the March meeting. A **general affordability metric promulgated by the US Environmental Protection Agency is that water and sewer services should not exceed 4.5% of median household item**, which approximates working one full day at minimum wage. An analysis of a HHPSD monthly bill for essential household usage, which the EPA defines as 50 gallons per person per day, shows that even at the Beaufort County HUD extremely low 30% area medium income level, the PSD still far exceeds this metric using the proposed Scenario 2 FY'27 rates.

Beaufort County HUD Income Guidance	1 Person	2 Person	3 Person	4 Person
HUD Low Income (80% AMI Limit)	56,500	64,600	72,650	80,700
4.5% Affordability Guideline for Water & Sewer Bill Monthly Bill	2,543	2,907	3,269	3,632
	211.88	242.25	272.44	302.63
HUD Very Low Income (50% AMI Limit)	35,350	40,400	45,450	50,450
4.5% Affordability Guideline for Water & Sewer Bill Monthly Bill	1,591	1,818	2,045	2,270
	132.56	151.50	170.44	189.19
Beaufort County HUD Extremely Low Income (30% AMI Limit)	21,200	24,200	27,250	31,200
4.5% Affordability Guideline for Water & Sewer Bill	954.00	1,089.00	1,226.25	1,404.00
Maximum Monthly Bill at 4.5% Affordability Guideline	79.50	90.75	102.19	117.00
HHPSD Bill for Essential Household Use (50Gal/Per Person/Day)	1,500 Gal	3,000 Gal	4,500 Gal	6,000 Gal
HHPSD Monthly Bill at Scenario 2	48.06	55.62	63.18	70.74
Annual Grand Total	576.72	667.44	758.16	848.88
HHPSD Bill % of HUD Extremely Low Income (30% AMI Limit)	2.7%	2.8%	2.8%	2.7%
Hrly Wage Required to pay HHPSD Monthly Bill with 8 Hrs of Work	6.01	6.95	7.90	8.84

Given the above, staff is presenting the following scenarios for Commission consideration. Please note that the Commission is only selecting an option for FY'27 at this time. FY'28 – 31 are presented to provide a high-level guide of the PSD's five-year financial picture based on the rates adopted for FY'27 and current expectations. While some of these future years may show larger deficits, staff will be re-evaluating the current needs and proposed projects in each of the upcoming years as a part of future budgeting processes and may suggest rate adjustments or moving the timing of anticipated capital projects in those years as considered appropriate.

• **Scenario 1 –**

- **Increase the 1st water tier \$0.19/1,000 gallons (11%) from \$1.69 to \$1.88.**
- **Increase the 2nd water tier \$0.15/1,000 gallons (6%) from \$2.37 to \$2.52 (this makes this tier approximately 33% higher than the 1st tier).**
- **Increase the 3rd water tier \$0.29/1,000 gallons (10%) from \$3.04 to \$3.33 (this makes this tier approximately 33% higher than the 2nd tier).**
- **Increase the 4th water tier \$0.38/1,000 gallons (9%) from \$4.06 to \$4.44 (this makes this tier approximately 33% higher than the 3rd tier).**
- **Increase the sewer volumetric rate \$0.31/1,000 gallons (11%) from \$2.85 to \$3.16.**
- **Increase both the water and sewer base rates by \$0.50 each.**

This option presents a budget which projects an unrestricted cash deficit of \$991,700.

- *Scenario 2 –*
 - *All of the volumetric increases from Scenario 1.*
 - *Increase both the water and sewer base rates by \$1.00 each.*

This option presents a projected unrestricted cash deficit of \$762,800.

- *Scenario 3 –*
 - *All of the volumetric increases from Scenario 1.*
 - *Increase both the water and sewer base rates by \$1.50 each.*

This option presents a projected unrestricted cash deficit of \$533,600.

- *Scenario 4 – No change.*

This option presents the cost of service if no rate increases are implemented for FY'27 and shows a deficit of \$1,989,900. This is a reduction of \$998,200 from Scenario 1, \$1,227,100 from Scenario 2, and \$1,456,300 from Scenario 3.

Any deficits shown would be covered by cash on hand which is projected to increase approximately \$1.2 million in FY'26. Debt coverage remains well above the required 1.20 under all scenarios.

Recommendation

Staff is recommending Scenario 2, which includes volumetric water and sewer tier increases per Exhibit B, and a \$1.00 base rate increase for water and sewer. This option absorbs the majority of the one-time capital expense needed for FY'27 through the use of cash reserves while providing sufficient operating revenue increases to offset projected operating expense increases.

The following pages contain the preliminary COSA models for review, a comparison of current rates to other utilities, and a comparison of the proposed rate structures and monthly bills they would generate at different consumption levels.

Scenario 1 – Volumetric water and sewer tier increases, and a \$0.50 base rate increase for each service.

This scenario includes water and sewer volumetric increases as found in Exhibit B as well as a \$0.50 base rate increase for both water and sewer service.

Category	2027	2028	2029	2030	2031
Water Operating Revenues	\$ 9,690,200	\$ 10,028,800	\$ 10,376,700	\$ 10,734,200	\$ 11,101,800
Sewer Operating Revenues	8,356,900	8,620,200	8,890,100	9,167,000	9,451,000
Total Operating Revenues	18,047,100	18,649,000	19,266,800	19,901,200	20,552,800
Water Operating Expenses excluding Depreciation	(7,701,500)	(7,975,100)	(8,261,600)	(8,561,600)	(8,875,900)
Sewer Operating Expenses excluding Depreciation	(7,369,900)	(7,676,000)	(7,997,900)	(8,336,200)	(8,692,000)
Total Operating Expenses excluding Depreciation	(15,071,400)	(15,651,100)	(16,259,500)	(16,897,800)	(17,567,900)
Water Non-Operating Revenues	4,006,900	3,582,300	3,625,100	3,662,000	3,699,600
Sewer Non-Operating Revenues	1,054,500	1,068,900	1,083,600	1,098,600	1,113,900
Total Non-Operating Revenues	5,061,400	4,651,200	4,708,700	4,760,600	4,813,500
Water Capacity Fees & Developer Contributions	114,000	114,000	114,000	114,000	114,000
Sewer Capacity Fees	1,573,000	156,000	156,000	156,000	156,000
Total Capacity Fees	1,687,000	270,000	270,000	270,000	270,000
Water GO Debt Service	(2,282,600)	(1,823,600)	(1,831,000)	(1,831,700)	(1,832,100)
Water Revenue Debt Service	(1,482,000)	(1,484,700)	(1,316,200)	(1,272,600)	(161,300)
Sewer Revenue Debt Service	(1,042,200)	(1,043,400)	(931,000)	(901,900)	(161,100)
Total Debt Service	(4,806,800)	(4,351,700)	(4,078,200)	(4,006,200)	(2,154,500)
Sewer FFA, net	158,000	158,000	158,000	158,000	158,000
Water Rate Funded CIP Projects	(1,694,900)	(1,384,100)	(1,273,500)	(1,351,900)	(1,430,300)
Sewer Rate Funded CIP Projects	(4,372,100)	(2,440,900)	(2,986,500)	(4,513,100)	(2,189,700)
Total CIP Projects	(6,067,000)	(3,825,000)	(4,260,000)	(5,865,000)	(3,620,000)
Net Cost of Service	2027	2028	2029	2030	2031
Total Water Cost of Service	650,100	1,057,600	1,433,500	1,492,400	2,615,800
Total Sewer Cost of Service	(1,641,800)	(1,157,200)	(1,627,700)	(3,171,600)	(163,900)
Total Combined Cost of Service	\$ (991,700)	\$ (99,600)	\$ (194,200)	\$ (1,679,200)	\$ 2,451,900

Debt Coverage	2027	2028	2029	2030	2031
Net Earnings for Debt Coverage Ratio	\$ 6,282,500	\$ 6,353,500	\$ 6,413,000	\$ 6,460,300	\$ 6,494,300
Parity Revenue Debt Service	\$ 2,523,600	\$ 2,528,200	\$ 2,247,300	\$ 2,174,600	\$ 322,400
Debt Coverage Ratio	249%	251%	285%	297%	2014%
Debt Coverage Ratio without Capacity Fees	238%	241%	273%	285%	1931%

Scenario 2 – Volumetric water and sewer tier increases, and a \$1.00 base rate increase for each service.

The only change from Scenario 1 is a \$120,300 increase in the water cost of service and a \$108,600 increase in the sewer cost of service which is the staff projection of the additional revenue that would be generated by increasing the base rate for each service by another \$0.50.

Net Cost of Service	2027	2028	2029	2030	2031
Total Water Cost of Service	770,400	1,178,000	1,554,000	1,613,200	2,736,800
Total Sewer Cost of Service	(1,533,200)	(1,048,200)	(1,518,400)	(3,062,200)	(54,200)
Total Combined Cost of Service	\$ (762,800)	\$ 129,800	\$ 35,600	\$ (1,449,000)	\$ 2,682,600

Debt Coverage	2027	2028	2029	2030	2031
Net Earnings for Debt Coverage Ratio	\$ 6,511,400	\$ 6,582,900	\$ 6,642,800	\$ 6,690,500	\$ 6,725,000
Parity Revenue Debt Service	\$ 2,523,600	\$ 2,528,200	\$ 2,247,300	\$ 2,174,600	\$ 322,400
Debt Coverage Ratio	258%	260%	296%	308%	2086%
Debt Coverage Ratio without Capacity Fees	247%	250%	284%	295%	2002%

Scenario 3 – Volumetric water and sewer tier increases, and a \$1.50 base rate increase for each service.

The only change from Scenario 2 is a \$120,100 increase in the water cost of service and a \$109,100 increase in the sewer cost of service which is the staff projection of the additional revenue that would be generated by increasing the base rate for each service by another \$0.50.

Net Cost of Service	2027	2028	2029	2030	2031
Total Water Cost of Service	890,500	1,298,300	1,674,600	1,734,000	2,857,800
Total Sewer Cost of Service	(1,424,100)	(939,100)	(1,409,200)	(2,952,700)	55,400
Total Combined Cost of Service	\$ (533,600)	\$ 359,200	\$ 265,400	\$ (1,218,700)	\$ 2,913,200

Debt Coverage	2027	2028	2029	2030	2031
Net Earnings for Debt Coverage Ratio	\$ 6,740,600	\$ 6,812,300	\$ 6,872,600	\$ 6,920,800	\$ 6,955,600
Parity Revenue Debt Service	\$ 2,523,600	\$ 2,528,200	\$ 2,247,300	\$ 2,174,600	\$ 322,400
Debt Coverage Ratio	267%	269%	306%	318%	2157%
Debt Coverage Ratio without Capacity Fees	256%	259%	294%	306%	2074%

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

This scenario shows staff’s projection of the cost of service if no water or sewer rate changes are enacted for FY’27. This shows a \$673,200 reduction of the water cost of service and a \$553,900 reduction of the sewer cost of service from Scenario 2 which represents staff’s projection of the additional revenue that will be generated by increasing the volumetric tiers and base rates to the level of scenario 2.

Net Cost of Service	2027	2028	2029	2030	2031
Total Water Cost of Service	97,200	486,200	842,800	881,700	1,984,300
Total Sewer Cost of Service	(2,087,100)	(1,617,000)	(2,102,500)	(3,662,200)	(670,900)
Total Combined Cost of Service	\$ (1,989,900)	\$ (1,130,800)	\$ (1,259,700)	\$ (2,780,500)	\$ 1,313,400

Debt Coverage	2027	2028	2029	2030	2031
Net Earnings for Debt Coverage Ratio	\$ 5,284,300	\$ 5,322,300	\$ 5,347,500	\$ 5,359,000	\$ 5,355,800
Parity Revenue Debt Service	\$ 2,523,600	\$ 2,528,200	\$ 2,247,300	\$ 2,174,600	\$ 322,400
Debt Coverage Ratio	209%	211%	238%	246%	1661%
Debt Coverage Ratio without Capacity Fees	199%	200%	226%	234%	1577%

Exhibit A
FY 26 Estimated Monthly Residential Bill Comparisons

<i>Essential Indoor Household Use 6,000 Gallons (Family of 4 - 50 GPD)</i>	HHPSD	BJWSA	BCPSD	SIPSD
Water Base Charge	\$ 18.25	\$ 12.69	\$ -	\$ 19.77
Water Volumetric Charge	<u>10.14</u>	<u>29.82</u>	<u>18.24</u>	<u>10.56</u>
Water Total	28.39	42.51	18.24	30.33
Sewer Base Charge	20.25	18.51	47.96	19.44
Sewer Volumetric Charge	<u>17.10</u>	<u>47.64</u>	<u>-</u>	<u>15.72</u>
Sewer Total	37.35	66.15	47.96	35.16
Monthly Bill Grand Total	\$ 65.74	\$ 108.66	\$ 66.20	\$ 65.49

<i>Household Use 13,500 Gal - 6,000 Gal Indoor + 7,500 Outdoor (2,800 Sq Ft Yd 1"/Sq Ft/Wk)</i>	HHPSD	BJWSA	BCPSD	SIPSD
Water Base Charge	\$ 18.25	\$ 12.69	\$ -	\$ 19.77
Water Volumetric Charge	<u>25.20</u>	<u>67.10</u>	<u>41.04</u>	<u>28.94</u>
Water Total	43.45	79.79	41.04	48.71
Sewer Base Charge	20.25	18.51	47.96	19.44
Sewer Volumetric Charge	<u>28.50</u>	<u>79.40</u>	<u>-</u>	<u>31.44</u>
Sewer Total	48.75	97.91	47.96	50.88
Monthly Bill Grand Total	\$ 92.20	\$ 177.70	\$ 89.00	\$ 99.59

<i>Household Use 33,000 Gal - 6,000 Gal Indoor + 27,000 Outdoor (10,000 Sq Ft Yd 1"/Sq Ft/Wk)</i>	HHPSD	BJWSA	BCPSD	SIPSD
Water Base Charge	\$ 18.25	\$ 12.69	\$ -	\$ 19.77
Water Volumetric Charge	<u>83.18</u>	<u>164.01</u>	<u>139.44</u>	<u>165.11</u>
Water Total	101.43	176.70	139.44	184.88
Sewer Base Charge	20.25	18.51	47.96	19.44
Sewer Volumetric Charge	<u>28.50</u>	<u>79.40</u>	<u>-</u>	<u>31.44</u>
Sewer Total	48.75	97.91	47.96	50.88
Monthly Bill Grand Total	\$ 150.18	\$ 274.61	\$ 187.40	\$ 235.76

Exhibit A
FY 2026 Monthly Rate Table Comparisons

Water & Irr Base Rate per Unit:	HHPSD	BJWSA	BCPSD		SIPSD	
Residential Customers	18.25	12.69	-	-	-	19.77
Commercial Customers	22.50	17.98	-	-	-	59.36
Residential Water						
Usage Rates per 1,000 Gallons:						
Block 1 - 0 to 10,000 Gal	1.69	4.97	0 - 21,000 Gal	3.04	0 to 6,000 Gal	1.76
Block 2 - 10,001 to 20,000 Gal	2.37	4.97	21,001 to 36,000	6.30	6001 to 12,000 Gal	3.99
Block 3 - 20,001 to 30,000 Gal	3.04	4.97	36,001 to 100,000	14.52	12,001 to 20,000 Gal	5.59
Block 4 - All Over 30,000 Gal	4.06	4.97	Over 100,000	32.54	Over 20,000	7.68
Commercial Water & Irrigation						
Usage Rates per 1,000 Gallons:						
		Water				
		Only				
Block 1 - 0 to 10,000 Gal	1.69	4.97		3.96		3.99
Block 2 - 10,001 to 20,000 Gal	2.37	4.97		3.96		3.99
Block 3 - 20,001 to 30,000 Gal	3.04	4.97		3.96		3.99
Block 4 - All Over 30,000 Gal	4.06	4.97		3.96		3.99
Residential Irrigation Only Meter						
Usage Rates per 1,000 Gallons:						
		Commerical				
		Rate Also				
Block 1 - 0 to 10,000 Gal	2.37	6.60	0 - 21,000 Gal	3.04	0 to 6,000 Gal	1.76
Block 2 - 10,001 to 20,000 Gal	2.37	6.60	21,001 to 36,000	6.30	6001 to 12,000 Gal	3.99
Block 3 - 20,001 to 30,000 Gal	3.04	6.60	36,001 to 100,000	14.52	12,001 to 20,000 Gal	5.59
Block 4 - All Over 30,000 Gal	4.06	6.60	Over 100,000	32.54	Over 20,000	7.68
Sewer Base Monthly Rate per Unit:						
Residential Customers	20.25	18.51		47.96		19.44
Commercial Customers	20.25	22.84		69.29		58.32
Residential & Commercial Sewer						
Usage Rates per 1,000 Gals:						
	2.85	7.94		-		2.62
Residential Sewer Cap	Capped at 10,000	Capped at 10,000		N/A		Capped at 12,000
Max Res Sewer Bill with Cap	48.75	97.91		47.96		50.88
Commercial	No Cap	No Cap, \$10.71 Usage Rate		4.81/1,000 over 50,000		No Cap, Restaurant Rate - 5.25

* The table above reflects an average residential and commercial customer, the other utilities have some additional specific customer classes.

Exhibit B Consumption Rates & Monthly Bill Comparison

Monthly		Scenario	%	Scenario	%	Scenario	%
<u>Water & Irrigation Base Rate/Unit</u>	<u>Current</u>	<u>1</u>	<u>Inc</u>	<u>2</u>	<u>Inc</u>	<u>3</u>	<u>Inc</u>
Residential Customers	18.25	18.75	3%	19.25	5%	19.75	8%
Commercial Customers	22.50	23.00	2%	23.50	4%	24.00	7%
<u>Usage Rates per 1,000 Gallons:</u>							
Block 1 - 0 to 10,000 Gal	1.69	1.88	11%	1.88	11%	1.88	11%
Block 2 - 10,001 to 20,000 Gal	2.37	2.52	6%	2.52	6%	2.52	6%
Block 3 - 20,001 to 30,000 Gal	3.04	3.33	10%	3.33	10%	3.33	10%
Block 4 - All Over 30,000 Gal	4.06	4.44	9%	4.44	9%	4.44	9%
<u>Commercial Water & Irrigation</u>							
<u>Usage Rates per 1,000 Gallons:</u>							
Block 1 - 0 to 10,000 Gal	1.69	1.88	11%	1.88	11%	1.88	11%
Block 2 - 10,001 to 20,000 Gal	2.37	2.52	6%	2.52	6%	2.52	6%
Block 3 - 20,001 to 30,000 Gal	3.04	3.33	10%	3.33	10%	3.33	10%
Block 4 - All Over 30,000 Gal	4.06	4.44	9%	4.44	9%	4.44	9%
<u>Residential Irrigation</u>							
<u>Usage Rates per 1,000 Gallons:</u>							
Block 1 - 0 to 10,000 Gal	2.37	2.52	6%	2.52	6%	2.52	6%
Block 2 - 10,001 to 20,000 Gal	2.37	2.52	6%	2.52	6%	2.52	6%
Block 3 - 20,001 to 30,000 Gal	3.04	3.33	10%	3.33	10%	3.33	10%
Block 4 - All Over 30,000 Gal	4.06	4.44	9%	4.44	9%	4.44	9%
<u>Sewer Base Rate/Unit:</u>							
Residential Customers	20.25	20.75	2%	21.25	5%	21.75	7%
Commercial Customers	20.25	20.75	2%	21.25	5%	21.75	7%
<u>Residential & Commercial Sewer</u>							
<u>Usage Rates per 1,000 Gallons:</u>	2.85	3.16	11%	3.16	11%	3.16	11%
Residential sewer usage is capped at 10,000 gallons per month.							
There is no cap on commercial sewer usage.							
<u>Monthly Residential Bill at:</u>							
5,000 Gallons	\$ 61.20	\$ 64.70	6%	\$ 65.70	7%	\$ 66.70	9%
10,000 Gallons	\$ 83.90	\$ 89.90	7%	\$ 90.90	8%	\$ 91.90	10%
20,000 Gallons	\$ 107.60	\$ 115.10	7%	\$ 116.10	8%	\$ 117.10	9%
30,000 Gallons	\$ 138.00	\$ 148.40	8%	\$ 149.40	8%	\$ 150.40	9%
50,000 Gallons	\$ 219.20	\$ 237.20	8%	\$ 238.20	9%	\$ 239.20	9%
100,000 Gallons	\$ 422.20	\$ 459.20	9%	\$ 460.20	9%	\$ 461.20	9%
<u>Monthly Commercial Bill at:</u>							
5,000 Gallons	\$ 65.45	\$ 68.95	5%	\$ 69.95	7%	\$ 70.95	8%
10,000 Gallons	\$ 88.15	\$ 94.15	7%	\$ 95.15	8%	\$ 96.15	9%
20,000 Gallons	\$ 140.35	\$ 150.95	8%	\$ 151.95	8%	\$ 152.95	9%
30,000 Gallons	\$ 199.25	\$ 215.85	8%	\$ 216.85	9%	\$ 217.85	9%
50,000 Gallons	\$ 337.45	\$ 367.85	9%	\$ 368.85	9%	\$ 369.85	10%
100,000 Gallons	\$ 682.95	\$ 747.85	10%	\$ 748.85	10%	\$ 749.85	10%

Exhibit C
Preliminary Rate Funded CIP Projects

CIP Projects			2027	2028	2029	2030	2031
CIP Rate/Cash Funded Projects (Amounts in 000's)		Priority Ranking					
WWTP							
Grant Projects	Funding Needed Above Debt Proceeds	1	1,300.0				
Grant Projects	Construction Costs from Grant Projects	R	1,417.0				
Centrifuge	Air conditioned structure to house centrifuge panel	2	200.0				
WWTP SCADA	PLC Upgrades & Fiber to improve communications	3	135.0				
Reuse Water System	Upgrades, improvements, etc. to the reuse water system including new flow meters, valves, piping, etc.	4	110.0	100.0	90.0	50.0	50.0
Clarifiers	New gear box and motors (Hydraulic)	5	60.0	60.0	60.0		
Influent Monitoring	NH3 probe and SCADA Connection	6	30.0				
System Rehab	Replace valves, actuators, motors, parts, etc.	*	200.0	275.0	300.0	350.0	350.0
Mobile Belt Press	Serves as a Backup to the Centrifuge			200.0	50.0	50.0	
Sludge Building	Replace metal shed sludge handling building				900.0		
Warehouse/Garage	Build new warehouse building					2,400.0	-
TOTAL WWTP			\$ 3,452.0	\$ 635.0	\$1,400.0	\$2,850.0	\$ 400.0
Wastewater Collection System							
Gravity Main Line Refurbishment	Gravity sewer main line repairs and relining	1		400.0	450.0	450.0	500.0
Lift Stations - Rehab	Rehab and pumps	*	350.0	375.0	400.0	425.0	450.0
Lift Stations - Control Panels	Place control panels	*	110.0	115.0	120.0	125.0	130.0
District Funded MSP Projects	District Funded MSP Projects	*	-	25.0	25.0	25.0	25.0
LPS System	LPS Changeouts	*	70.0	75.0	80.0	85.0	90.0
System Rehab	Replace pipes, manholes, laterals, equipment as dictated by inspections	*	200.0	225.0	250.0	275.0	300.0
Royal James L/S	Install Screening Devices			175.0			
TOTAL COLLECTION SYSTEM			\$ 730.0	\$1,390.0	\$1,325.0	\$1,385.0	\$1,495.0
Water Production/Distribution System							
Water Line Replacement	Replace 12" Ribaut Island Road line	1	150.0				
ASR #2	Build Bubble for ASR #2 (250MGAL)	2	290.0				
RO System	Rehab RO West Well Pump	3	160.0				
Ammonia Drum scales	4 total 1 @ fire station, 1 @ Wild Horse, 2@ASR	4	20.0				
Metering System	Changing out meters and base stations	*	625.0	650.0	675.0	700.0	725.0
Fire Hydrants	New and replacement hydrants	*	90.0	100.0	110.0	120.0	130.0
System Rehab	Replace VFDs, PLCs, valves, equipment, RO membranes etc.	*	150.0	175.0	200.0	225.0	250.0
TOTAL DISTRIBUTION SYSTEM			\$ 1,485.0	\$ 925.0	\$ 985.0	\$1,045.0	\$1,105.0
Facilities and Equipment							
SCADA Improvements	Upgrade radio network to serve as backup to fiber, hardware/software backups, ASR communication improvements, PLC Upgrades	1	145.0	95.0	115.0	120.0	125.0
Vehicles	Fleet replacements	2	150.0	275.0	285.0	295.0	305.0
Operations Equipment	General	*	35.0	50.0	60.0	70.0	80.0
Admin Building	Building Improvements, furniture, etc.	*	35.0	40.0	45.0	50.0	55.0
Technology	General computer equipment	*	35.0	40.0	45.0	50.0	55.0
Admin Building - AC	Admin Building AC Upgrades			300.0			
Excavator	Mini Excavator			75.0			
TOTAL FACILITIES AND EQUIPMENT			\$ 400.0	\$ 875.0	\$ 550.0	\$ 585.0	\$ 620.0
TOTAL RATE/CASH FUNDED CIP PROJECTS			\$ 6,067.0	\$3,825.0	\$4,260.0	\$5,865.0	\$3,620.0
* These are ongoing projects to be performed and completed on an as needed basis. As such, they have not been given a ranking.							
R These projects are funded by reimbursements from the RIA State Grant in FY 2027.							



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

To: Board of Commissioners
Pete Nardi – General Manager

From: Amy Graybill – Finance Manager

Subject: Fiscal Year (FY) 2027 Other Rate Adjustment Items

Date: April 29, 2026

Background

Staff has examined fee rates and other non-water and sewer rates to ensure that the District is recovering the appropriate costs.

Operations Millage

The District levies two types of millage on taxable parcels in its service area: debt-service millage to fund repayment of general obligation bonds issued for capital projects; and operations millage to fund routine water/wastewater/recycled water operations. In general, millage increases are limited to increases in inflation and population growth. For FY 2027, this was 3.33% for Beaufort County. This allows for an increase of 0.1 in the operations millage, to 3.1 mills, which would represent approximately \$48,000. Staff currently expects that the debt-service millage rate, which is based entirely on the District's related debt service requirements, will be *reduced* from 4.8 in FY 2026 to 4.6 in FY 2027 due to increases in the value of a mill. Overall millage would still be *reduced* from 7.8 to 7.7 even if an additional 0.1 mills of operating millage were levied.

Recommendation: Staff recommends increasing the operating millage rate from 3.0 to 3.1 in the FY 2027 budget.

Golf Course Recycled Water Irrigation

The District sells recycled water to eight (8) golf course customers for their irrigation. These sales are governed by individual contracts with each course. There are two classes of golf customers: customers who purchase non-pressurized water and those who purchase pressurized water that requires additional electricity expense on the District's part (i.e., some courses have their own ability to pump recycled water from the District's Oak Park Drive facility, and some need the District to pump recycled water to them). Pressurized recycled water is sold at a slightly higher rate than non-pressurized.

The golf courses represent an important discharge capacity partner of the District's wastewater treatment program. As such, recycled water may be sent to the courses at no cost to them



**FY'26 3rd Quarter
Management Report**



**HILTON HEAD PUBLIC SERVICE DISTRICT
STRATEGIC GOALS & OBJECTIVES**

Adopted: July 2025

3rd Qtr. Fiscal Year '26 Management Report:

- 1. Goal No. 1 – Water Services: Provide for all of our customers’ water supply needs with the highest quality water possible in a cost-effective manner**
 1. PSD tap water is in compliance with all state and federal regulations.
 2. We are under construction of the Reverse Osmosis Plant Expansion.
 - a. New RO Filter Trains Nos. 5 and 6 are in operation.
 - b. Inspections by S.C. Department of Environmental Services (DES)/Rural Infrastructure Authority (RIA) passed.
 - c. Generator installed; sodium hypochlorite bulk and day tanks installed; E-House (controls + power distribution) installed.
 - d. Instrumentation and controls work substantially complete.
 - e. Current RO Plant Expansion Project Finish Date: Nov. 2, 2026.
 3. We are under construction of RO Well #4.
 - a. 24-hour flow test of new well successful.
 - b. Install of emergency generator, Oct. 12.
 - c. Current RO Well #4 Project Finish Date: Oct. 16, 2026.
 4. We are under construction of Aquifer Storage & Recovery (ASR) Well #2.
 - a. New Middle Floridan Aquifer monitoring well complete.
 - b. ASR #2 production well 36” casing, borehole, and annular construction progressing.
 - c. Current ASR #2 Project Finish Date: Dec. 9, 2027.
 5. Draft terms of Interim Purchased Water Agreement presented to all three boards on April 23.
 6. U.S. 278 Corridor Project: Working with S.C. DOT and its contractors on completion of last geotechnical bores in Mackey and Skull creeks necessary for bridge piling planning; helped lobby for passage of Utility Relocation Provision extension; awaiting DOT utility coordination on full project.
 7. Emergency Response Plan and Risk & Resiliency Assessment updates certified to U.S. Environmental Protection Agency.

- 2. Goal No. 2 – Recycled Water Services: Provide for all of the District’s wastewater collection, treatment, and recycled water distribution services in a cost-effective manner while enhancing and protecting the Island’s environment.**
 8. PSD Recycled Water Plant and Sanitary Sewer System earned Facility Excellence Awards for 2025 from the S.C. S.C. DES.
 9. PSD team hosted S.C. DES staff for a site visit of our Recycled Water operations, including our wetlands nourishment and golf-course irrigation programs. This visit was part of the renewal of our National

Pollutant Discharge Elimination System (NPDES) permit by DES. It was a very informative visit for DES as the PSD's program is unique in South Carolina.

10. The Old House Creek subdivision low-pressure sewer (LPS) project is complete. Twelve (12) of 25 homes have either connected or requested connection to date.
 11. Requisitioning for Screw Pump Replacement project underway.
 12. New bar-screening equipment installed at headworks of Recycled Water Plant.
 13. Project to clean sediment from equalization basins progressing.
- 3. Goal No. 3 – Environmental and Sustainability: Operate in a sustainable manner with high regard for protecting and improving the environment.**
14. PSD teamed with Hilton Head Audubon Society and Low Country Master Gardeners to plant a water-efficient/wildlife-friendly demonstration garden off PSD front parking lot. Initial planting on Earth Day included local high school juniors from the HHI Chamber's Junior Leadership Class of '26. The garden grew out of the PSD's involvement in the HHI-Bluffton Chamber of Commerce's Environmental Affairs Committee. A public ribbon-cutting for the garden is planned for May 30.
- 4. Goal No. 4 – Customer Relations: Direct all activities to achieve a consistently high level of customer satisfaction.**
15. Monthly e-newsletters sent.
 16. News releases sent on Facility of Excellence Awards and Angie Hughes earning Certified Government Finance Officer designation.
- 5. Goal No. 5 – Financial Responsibility: Conduct all District activity in a fiscally responsible manner.**
17. The PSD's 2025 Annual Comprehensive Financial Report earned the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).
 18. Request for Proposals for Warehouse/Garage Reconfiguration and related HVAC; and Request for Qualifications for On-Call Water/Wastewater Consulting developed and distributed.
 19. Preliminary Rates and Fees discussion held with Commission in March.
 20. Financial Ratios Benchmark Analysis presented to Commission in February.
 21. Non-revenue water for 2nd Qtr. is projected to be 13%, a 2% reduction from 1st Qtr.
- 6. Goal No. 6 – Organizational Excellence and Leadership: Achieve organizational excellence and leadership.**
22. One (1) workplace injury to date in FY '26.
 23. Assistant Finance Manager Angie Hughes achieved Certified Government Finance Officer designation.
 24. License exams passed this quarter: Brent Durden and Jake Ambrosia, "D" Biological Wastewater; Kiefer Clear, "D" Water Distribution; Tim Durham, "D" and "C" Water Treatment.
 25. License upgrades achieved this quarter: Pete Schuelke, "A" Collections.
 26. Fifteen (15) PSD team members earned Employee Recognition during the 3rd Qtr.: J.P. Sarricolea, Shaun Chisolm, Rakeem Riley, Doug Nice, Jake Ambrosia, Tim Durham, Shani Wittingham, Brent Durden, TyShon Hogan, Dustin Berry, Ethan Ducharme, Keifer Clear, Thomas Gilmore, Alfred Young, and Trey O'Leary.

27. Training programs this quarter included: S.C. Assoc. of CPAs; Government Finance Officers Assoc.; S.C. AWWA Distribution Workshop; S.C. Environmental Conference; WEASC Sea Island District Mtg.; Clearwater Co.-O&M of Onsite Sodium Hypochlorite Generation Systems; U.S. Dept. of Homeland Security – Industrial Control System Deployments.

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

- 28. S.C. Critical Infrastructure Cybersecurity Program MOA with S.C. Law Enforcement Division signed in February.
- 29. Routine meetings are being held with key staff and our software vendor to prepare for launch of the Computerized Maintenance Management System (CMMS).
- 30. Cross-Functional Teams meeting routinely on Customer/Developer Projects, Cybersecurity, Capital Planning & Budgeting, Workforce Development, and Emergency Planning.

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

- 31. Sponsorship of Coastal Community Development Corporation in exchange for first notification on workforce housing for PSD staff developed and approved by Commission.
- 32. S.C. General Assembly and federal legislation we are tracking, including assessments of some of the bills from the S.C. Water Quality Association (SCWQA):
 - a. **H 3768.** The General Assembly is expected to approve **H. 3768**, extension of the **Utility Relocation Act** provision that provides up to 4.5 percent of the total transportation project budget for water and sewer relocations. Would extend the current sunset provision for the utility relocation law from July 1, 2026, to July 1, 2032 House passed (103-0); S Finance passed; Senate amendment (to extend sunset date from 2031 to 2032); Senate passed (44-0). The Senate version will now head back to the House where it should pass.

NEW BILL

- b. **Commission of Public Works – S 1028.** Would remove the option to hold a special election to abolish a Commission of Public Works - require such a vote to occur only in general elections. Pending in Senate Judiciary. Would amend SC Code 5-31-235. Would also apply to (1) special purpose districts referendums to propose tax millage modifications (SC Code 6-11-271, 273) and dissolution (SC Code 6-11-2070); (2) rural community water district dissolution (SC Code 6-13-120); and (3) the creation, leadership, and bond requirements of watershed conservation districts (SC Code 48-11-70, -100, -120).
- c. **Other Utilities – H 5474.** Would prohibit rate increases for electric and natural gas utilities for one year. In House Labor, Commerce, and Industry. A Joint Resolution. Would allow for decreased rates within that year, which takes effect upon Governor approval.

HEARINGS

- d. **Acquisitions – H 4747.** Would authorize counties with countywide water/sewer systems to acquire municipal water systems within the county and would establish a related acquisition process (Pedalino – R) In H Judiciary w/ Domestic Relations, Business & Probate Subcommittee meeting on 3/31 at 9:30 a.m. Would be effective July 1, 2026. Requires a petition to the governing body of the county requesting the acquisition of a specified municipal water system. The petition must be signed by at least 40% of the qualified electors residing within the service area of the municipal water and sewer system proposed to be acquired. At least one public

meeting must be held. The county governing body may enact an authorization ordinance within 30 days unless it finds (1) the acquisition would create an undue financial burden on the county's water and sewer system; (2) the terms of acquisition would violate state or federal law; and (3) the petition was not validly certified. SCWQA Assessment: The legislation should require an affirmative vote of the municipal system before acquisition. There is concern that the bill contains no provision for what, if any, payment will be made to the municipality for the hostile acquisition of its utilities.

- e. **Data Centers – S 867.** Would create a permitting scheme under new Data Center Development Office within DES. In Senate Ag and Natural Resources w/ subcommittee of Data Center Development Office & Advisory Committee.
- f. **Data Centers – S 902.** Would create permitting scheme for data center siting utilizing the Public Service Commission, Office of Regulatory Staff, and DES. In Senate Judiciary. This bill is similar to S 867 but gives the PSC authority over data center applications (a data center cannot begin operations unless it receives a certificate issued by the PSC); there is no Data Center Development office created within DES. Thus, the PSC's jurisdiction is expanded by this bill to include data centers. Application components include a description of the location and data center to be built; an environmental impact study summary; a plan for compliance with operational efficiency standards and water efficiency standards; a plan for compliance with site location/infrastructure adequacy requirements and electric service requirements; decommission plans; and other information (similar to S 867). A public hearing will be scheduled between 60 to 90 days after application receipt, with the hearing and order occurring within 180 days of receipt. The bill also includes the 3-tier system, with Tier 3 subject to more rigorous requirements. Other agencies with obligations in the bill include the Office of Regulatory Staff, which establishes performance-based operational efficiency standards for all data centers, and DES, which establishes water efficiency standards (in SB 867, these tasks were assigned to the Data Center Development Office). The Office of Regulatory Staff and DES would work together to assess the adequacy of infrastructure. DES is to establish reasonable buffer requirements for a particular proposed location, including for environmentally sensitive areas (this is also in S 867). The bill also contains the annual report that would address (a) total water consumption, (b) water use effectiveness (WUE) metrics, and (c) any significant operational changes affecting resource use (same as S 867). The bill includes the same local government control over zoning, land use, and building codes.
- g. **Data Centers – S 724.** Would require commercial data centers to annually report past (and anticipated) water usage if more than 3 MGD used per month (Blackmon – R) In S Judiciary w/ subcommittee meeting on 3/31, 15 mins upon Senate adjournment. Commercial data centers must report the volume of surface water, groundwater, or any other water source they utilized during the prior calendar year; the reports are due to DES annually by January 31. The commercial data center must also report the anticipated volume of water that the commercial data center will utilize during the calendar year in which the report is filed. SCWQA Assessment: No position.
- h. **Special Purpose Districts – And Potentially CPWs – State Retirement Benefits – H 4576 / S 980.** Would add special purpose districts to the definition of employer in the state optional retirement program (Bannister – R – Chair of H Ways and Means / Turner – R) H 4576: In H Ways and Means w/ General Government Subcommittee meeting on 3/31 at 10:30 am / S 980: In S Finance. While this bill includes only SPDs that participate in the SCRS, CPWs interested in being included in the bill are reportedly welcome to seek coverage as well. SCWQA Assessment:

While not an option for all SCWQA members, this effort will benefit most of members and, accordingly, members are encouraged to either support it or abstain from objections.

BILL MOVEMENT

Senate Passed:

- i. **Joint Authority Water and Sewer Systems – S 829.** Would amend how joint water and sewer systems appoint commissioners and approve Bonds/Projects. Senate Judiciary passed with amendment (no change to bill summary); Senate passed (40-0); Pending in House Judiciary. Commissioners: The bill details how to add an additional commissioner when there is an even number of commissioners (the additional commissioner must be recommended by the legislative delegation from each county in which the joint system is located, and upon receipt of the recommendation, the additional commissioner shall be appointed by the Governor). That term would last for four years, and the person must reside within a household receiving services from the joint system or be a member of the joint system. Additional appointment details are laid out in the bill for regular commissioner appointments. The bill addresses how to add commissioners when new members join the joint system. Reconstitution: The bill details how a going system would be reconstituted for the proper and efficient operation (in the discretion of the members). Bonds/Projects. The bill adds language stating that no separate approval by the governing bodies of each member is required for the issuance of any bonds, and that such bonds shall be authorized and approved by a simple majority of the commissioners. Any project may be preauthorized, preapproved, or otherwise permitted under the terms of the project contract for the joint system, and such authority, approval, or permission will constitute all necessary approval of the respective governing bodies of each member. The bill also states that “The contract may further provide that bonds or other indebtedness of the joint system may exceed the term of an initial or existing contract between or among the joint system and the respective members of the joint system.” SCWQA Assessment: One SCWQA member drafted this bill to streamline, update, and clean up the current statute. No particular concerns with this legislation.
- j. **Crime – H 5058 / S 808.** Would make it a crime to willfully and knowingly harass/threaten or assault/endorse a worker restoring critical services during a state of emergency. H 5058: In House Judiciary / SB 808: Senate Judiciary passed with amendment (no change to bill summary); Senate passed amended version (37-6) (changes the specific assault/endorsement charge for electric utilities from a felony to a misdemeanor); Pending in House Judiciary. Critical services are defined to include water and sewer services. A guilty conviction for harassment or threats would result in a misdemeanor with no more than 30 days imprisonment or a fine of not more than \$500. A guilty conviction for assault or endorsement would result in a felony, and the person must be fined, imprisoned, or both, at the court's discretion.

OTHER BILL MOVEMENT:

- k. **Connections – H 5111.** Would prohibit counties and municipalities from prohibiting or unreasonably restricting private water wells located on and serving either agricultural or single-family residential property of one-half acre or more. In House Ag, NR, and Environmental Affairs; Environmental Subcommittee amended; now with full Committee. The former bill text focused more on prohibited mandatory connections, while the Subcommittee amendments focus more predominantly on the well restrictions. The Subcommittee Amendments now require the following:
Applicability – Now applies to “political subdivisions” (includes but is not limited to a municipality, county, special purpose district, or public service district). Previously, the bill

applied to a county, municipality, or other political subdivision and did not directly mention PSDs or public service districts.

Backflow Prevention – Property owners using wells while connected to a water system must install backflow prevention devices, to be inspected and approved by the water provider/third party designee. The property owner pays inspection costs.

Registry of Well Users – The political subdivision must create a registry for all property owners using a well where water service is available. Property owners are required to register their wells.

Charges/Fees – Where water service is available at the time of well installation, a property owner is subject to any base charges, fees, or assessments notwithstanding the installation/use of a private well and regardless of the amount of water consumed from the water system.

Water Quality Impairment – If there is a determination of impaired water quality, a political subdivision cannot adopt, enforce, or maintain an ordinance/resolution/regulation/rule to prohibit or unreasonably restrict the drilling, servicing, repair, installation, operation, or maintenance of a private water well on agricultural or residential property of ½ acre or more. A determination of impaired water quality means a written determination by DES or the Department of Public Health that a PWS serving the jurisdiction is not in compliance with applicable state or federal drinking water standards. Previously the bill allowed mandatory connection if there was a documented public health threat.

Service Provision / Connections – The bill used to read that a municipal PWS could not require connection if the property owner demonstrated the ability to provide potable water meeting several conditions (correctly permitted/constructed and operated/maintained; in compliance with water protection and quality laws; in compliance with permits; and not subject to a documented imminent public health threat). Now the bill states that a political subdivision cannot require connection to a water system if the system is unable to provide service to that property. If unable to provide services, the providing entity must notify the property owner within 30 days of a request for service.

Disconnection – The bill states that nothing may be construed to authorize a property owner to disconnect from a water system.

I. SCWQA Assessment: Strongly oppose.

m. **Special Purpose Districts – H 4703.** Would create the SC Special Purpose District Accountability Office within Office of State Auditor. In House Ways and Means; Subcommittee amendment ongoing. The new office would provide oversight of the 250 special purpose districts in the state. The office would need to maintain a statewide public directory; collect and publish budgets, financial reports, audits, millage rates, fees, revenues, expenditures, and debt disclosures; maintain a public transparency portal; and enforce compliance. The Subcommittee is working on an amendment that would remove the establishing the accountability office in the State Auditor's Office and possibly give more authority to the County Auditor. Those provisions would (1) Require each SPD to submit its annual audit and required financial reports to the county governing body and designated county official; (2) Require the county governing body to serve as the initial level of checks and balances (checking submission for completeness and compliance; maintaining public access to audits; identifying noncompliant districts); (3) Require county action for noncompliance (written notice of deficiency, 30-day cure period, enforcement action upon continued noncompliance); (4) Provide the county with tiered enforcement authority based on the districts revenue structure (property tax funded v. state-funded or grant dependent v. fee-based or ratepayer-funded. For ratepayer-funded districts, the county must prohibit issuance of new debt or financial obligations and may require

enhanced reporting); (5) Enable the county to initiate review of the governing board and recommended removal or restructure; and (6) Require the county to ensure that through all enforcement actions there is continuity of essential services.



GM Monthly Report



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

April 21, 2026

Dear Commissioners, please see below the following updates:

- We are experiencing current demand of approximately 8 million gallons a day (mgd). The lack of rainfall is impacting increased demand.
- S.C. Infrastructure Investment Program (SCIIP) Projects Update:
 - **RO Plant Expansion:**
 - New filter skids Nos. 5 and 6 are in use.



Loading membranes into the new RO filter skids



RO Plant Emergency Generator

- Instrumentation/controls work on all RO filter skids is ongoing.
- The “E-House” (controls + power distribution) has been installed.
- Current RO Plant Expansion Project Finish Date: Nov. 2, 2026.
- **RO Well #4:**

- 24-hour pump test of the new well was successful at 1,600 gallons per minute, equating to more than 2-mgd from the well. Water sent to independent labs for analysis. Preliminary tests showed chlorides in 600-650 mg/l range, consistent with the other RO production wells.
 - Hydrogeologist review of 24-hour test indicates the well will be successful.
 - Current RO Well #4 Finish Date: October 16, 2026.
 - **ASR Well #2:**
 - Production well borehole drilling and casing construction is continuing.
 - Middle Floridan Aquifer monitoring well is complete.
 - Current ASR #2 Finish Date: Dec. 9, 2027.
- **Utility Relocation Extension:**
 - The Utility Relocation Provision (H.3768) appears on track for approval. See Quarterly Management Report for more info.
- **Interim Purchased Water Agreement Executive Session Attendance:**
 - Commissioners and staff from Hilton Head and Broad Creek PSDs were guests at the BJWSA board's executive session on April 23 to discuss the Interim Purchased Water Agreement. The boards and staff of all three utilities expressed our desire to enter into the Interim Agreement prior to the start of FY '27 in July. The agreement is once again an Executive Session item at this month's Commission meeting and the Commission can authorize its adoption this month or next.
- **U.S. 278 Bridge Project**
 - Geotechnical Borings:
 - The SCDOT's geotechnical borings in Mackey Creek in the vicinity of the drinking water transmission pipeline are complete. Borings in Skull Creek are pending. We have been in constant contact with the barge/drill operator throughout.
 - Project Schedule:
 - SCDOT is holding a coordination meeting on April 29. At this time, they are at the right-of-way planning stage. They anticipate final plans "before spring 2027" and they anticipate putting the project out to bid in fall 2027. They are circulating plans and utility interference matrix.
- **PSD earns 16th straight ACFR award from GFOA:**
 - The PSD's FY '25 Annual Comprehensive Financial Report, written by Amy Graybill, earned the Government Finance Officers Association's Excellence in Financial Reporting Award. This is our 16th straight award. A news release was sent. A big congrats to Amy!
- **GM assisting U. of Tennessee NSF Research and U. of Pennsylvania Water Policy Class:**
 - I was interviewed this month by a graduate research fellow at the U. of Tennessee's National Science Foundation (NSF) Innovation Corps about the PSD's RO treatment program. The Innovation Corps (I-Corps) was created in 2011 by the NSF to support technology researchers as they move innovation beyond the lab and into the marketplace. These programs equip researchers and entrepreneurs with tools to validate their value proposition through a data-driven approach that "transforms technical ideas into impactful solutions."
 - I was interviewed this month by Professor Allison Lassiter's Water Policy class at the University of Pennsylvania regarding our water supply development and aquifer management work, disaster operations, and overall utility challenges. I had previously assisted Professor Lassiter with research for her work at UPenn's City and Regional Planning program. This interview involved her entire spring semester class.

- **Notice of Violation for Zinc Exceedance in WWTP Due to Well Drilling Discharge:**
 - S.C. DES issued a Notice of Violation (NOV) for the PSD exceeding the Total Zinc limit once during January and during February. The exceedance was the result of our well driller for the RO and ASR wells discharging well drilling materials (bentonite mineral) into the sanitary sewer system when only brackish water should have been discharged. DES is aware of the cause and has accepted it, requiring no further action on our part. Our contractor(s) have been informed and agreed that if DES issues a civil penalty for the NOV, they will be reimbursing the PSD this expense.
- **Earth Day: Demonstration Garden Planting + Junior Leadership Visit**
 - In conjunction with Clemson Master Gardeners, the HHI Audubon Society, and the HHI Chamber's Environmental Affairs Committee, the PSD planted a water-efficient/wildlife-friendly demonstration garden between our Recycled Water Plant fence and front parking lot on Earth Day, April 22. The HHI-Bluffton Junior Leadership Class participated as well. The students also toured the Recycled Water Plant as part of their civic enrichment activities requirement. A big thanks to Sarah Hickman for organizing the garden planting! A ribbon cutting for the garden will be planned for **Saturday, May 30**, with the public invited.

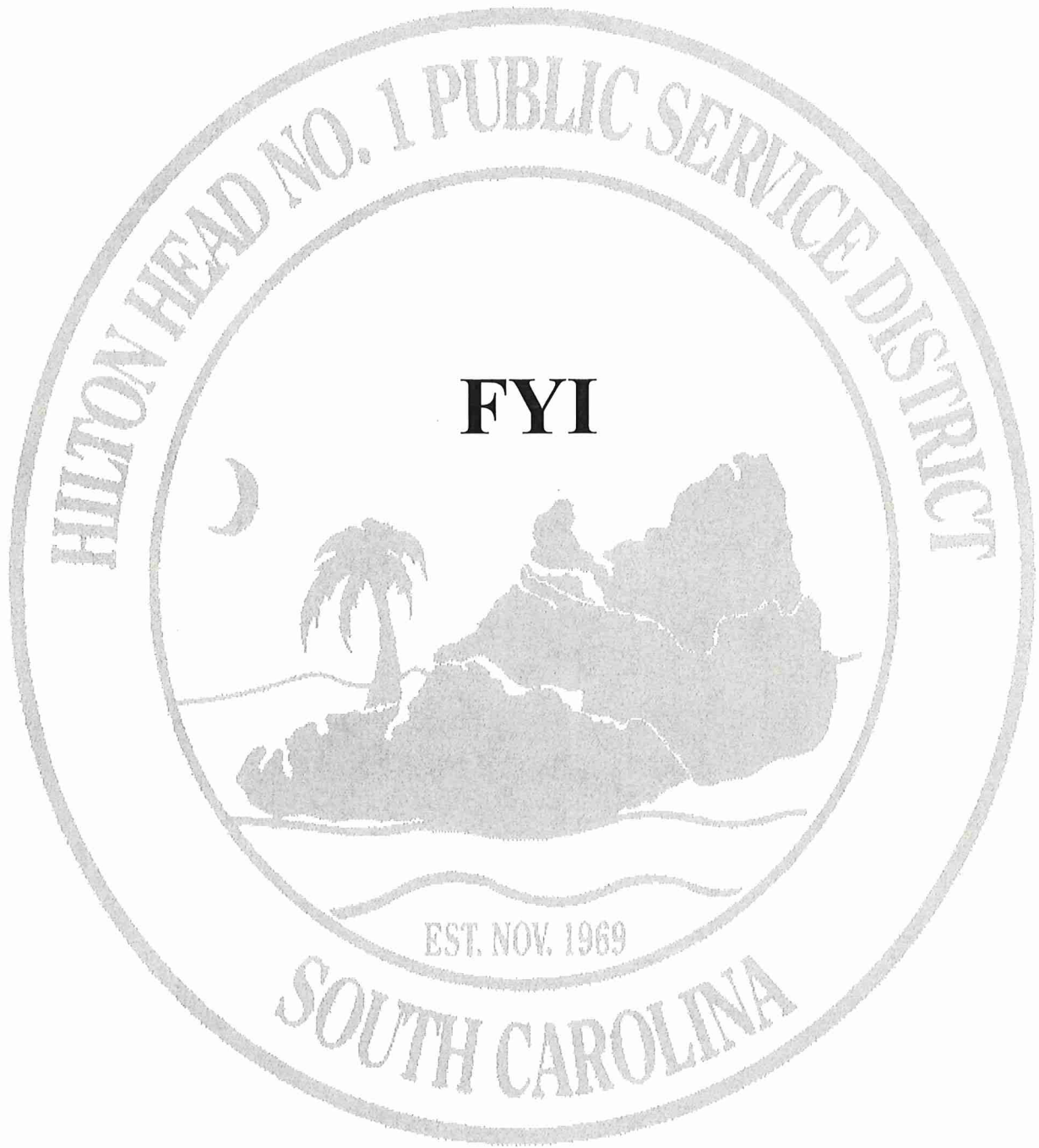


As always, please do not hesitate to contact me if you have any questions.

All my best,

J. P. Na'

Pete Nardi
General Manager
Hilton Head PSD





**HILTON HEAD ISLAND & BLUFFTON
CHAMBER OF COMMERCE**

William G. Miles, IOM, CCE
President & CEO

COPY

March 30, 2026

Angie Hughes
Assistant Finance Manager
Hilton Head PSD
21 Oak Park Drive
Hilton Head Island, SC 29926

Dear Angie,

Congratulations on earning your Certified Government Finance Officer designation. This is an impressive accomplishment and a reflection of your dedication and commitment to excellence in finance. Your achievement strengthens the important work of the Hilton Head PSD and sets a great example for professional growth.

Wishing you continued success in all that you do.

All the best,

William G. Miles, IOM, CCE
President & CEO

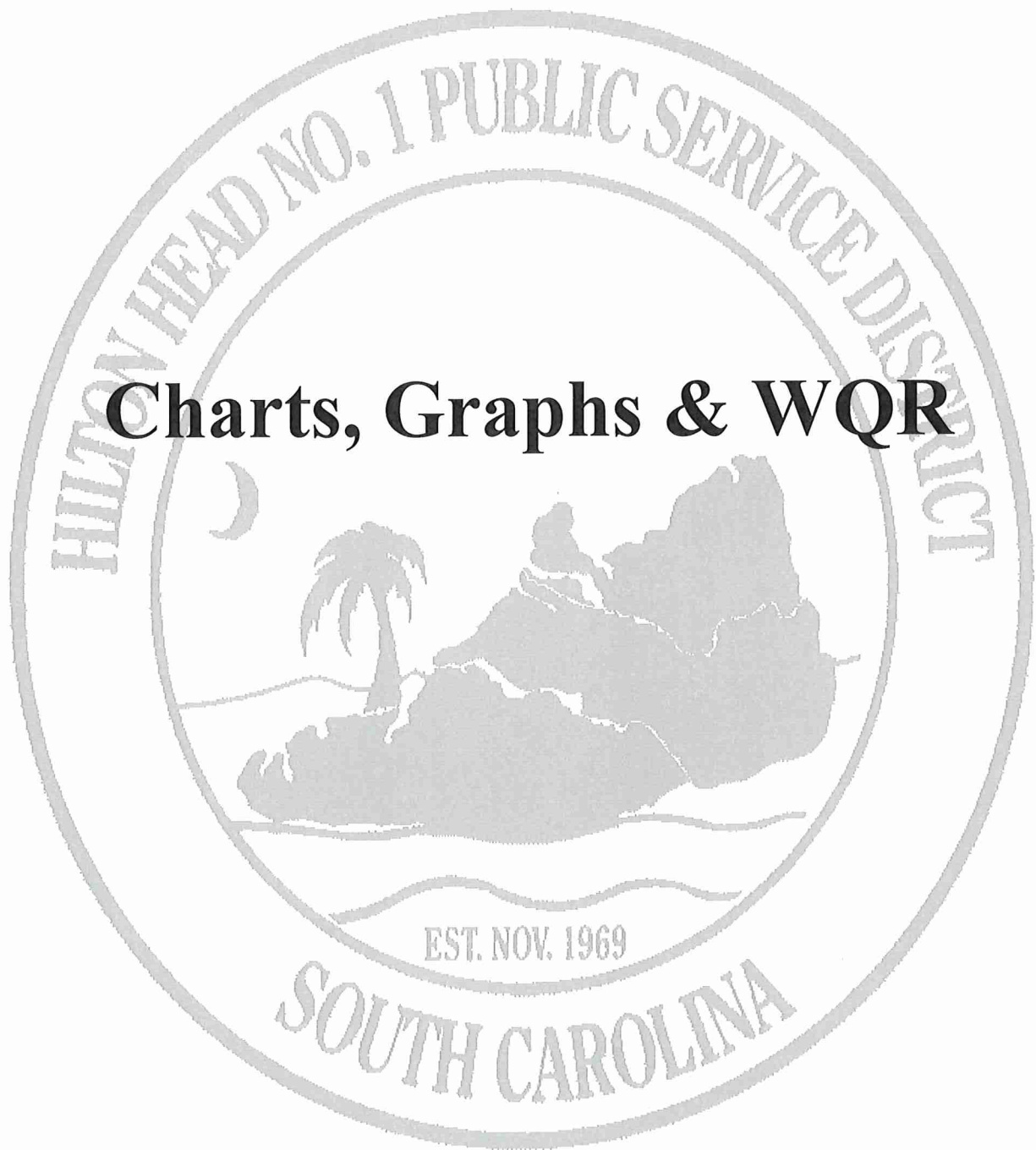
WGM/ck

cc: Pete Nardi

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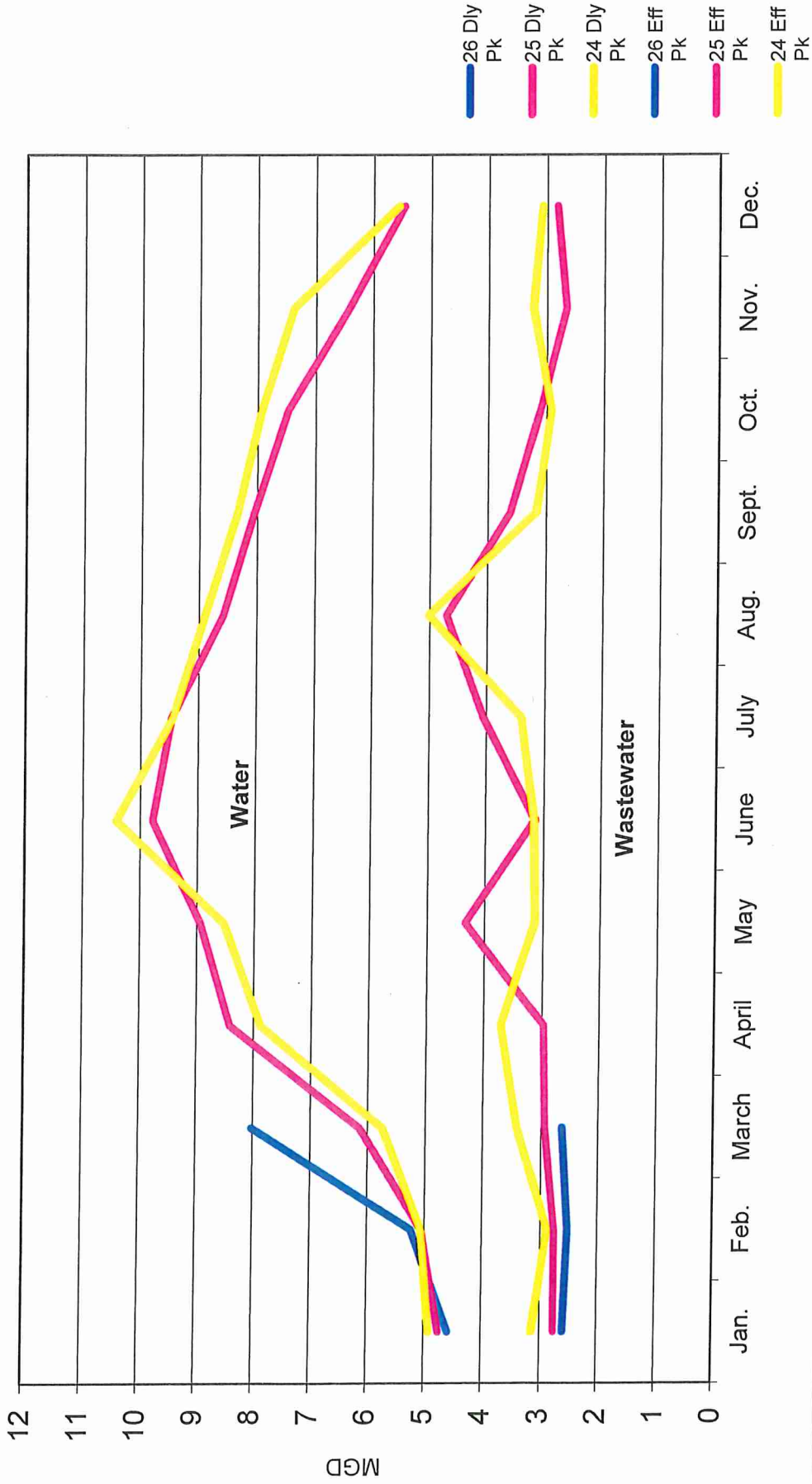


Charts, Graphs & WQR

Water and Wastewater Average Flows



Water and Wastewater Peak Flow





Mar-26
Monthly Water Quality Report

Water Supply Source	MG Per Month												YTD	% of Supply YTD	
	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.			
Purchased	0.00	2.42	40.80											53.22	12.0%
RO Plant	110.92	104.11	97.90											312.93	75.0%
UFA Wells	14.05	14.18	26.93											55.16	13.0%
ASR Recovery	0.00	0.00	5.60											5.60	0.0%
Total	124.97	120.71	171.23											416.91	100.0%

System-wide Water Quality Testing Type of Test	Results by Month											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Bacteriological	PASS	PASS	PASS									
Chlorine (avg)	2.1	2.26	2.35									
Ph (avg)	N/A	N/A	N/A									
Disinfection By-products (DBPs) (qtrly.)	In Compliance			In Compliance			In Compliance			In Compliance		
Hardness (range)	11 - 121 (WINTER - NO WELLS)			14 - 260 (SUMMER - WELLS/ASR ON)			(WINTER)					

Supply-specific Water Quality Ranges for This Month					
Supply	Average Chlorine Residual	Within Acceptable Range? (Y/N)	Average Chloride Level (ppm)	Average Hardness (ppm)	
BJWSA (supply)	2.02	Y			
RO Raw Water MFA Wells (range)	n/a	Y	146 - 436	103 - 202	
Finished RO Water	3.06	Y			
Fire Station UFA	2.15	Y	62	140	
Leg O' Mutton UFA	2.66	Y	62	179	
Wild Horse UFA	2.25	Y	79	194	
Seabrook UFA	2.10	Y	133	260	
Union Cemetery UFA	2.04	Y			
ASR (recharged)	2.40	Y	33	33	

Customer Inquiries

Type of Inquiry	Number of Inquiries	Resolved?	Comments
Low Pressure	5	y	
Customer break/leak	10	y	
PSD break/leak	16	y	
Water Outage	1	y	
Odor/Taste/Color	3	y	
Miscellaneous	76	y	
Sewer issues & Inspections	67	y	
Total	178		

Other Water Quality Notes for This Month
 3/12/2026 - Changed cartridge filters