



FY'24 Budget



Prepared by the Finance Department

April 2023

A RESOLUTION OF THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT COMMISSION ADOPTING AN OPERATING BUDGET FOR THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA, FOR THE FISCAL YEAR BEGINNING JULY 1, 2023 AND ENDING JUNE 30, 2024; AND OTHER MATTERS RELATING THERETO.

WHEREAS, the Hilton Head No. 1 Public Service District, South Carolina (the “*District*”) was created and established as a body politic and corporate pursuant to Act No. 596 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1969, as amended. The District is located wholly within Beaufort County, South Carolina and was established for the purpose of providing waterworks and sewerage services within the boundaries of the District;

WHEREAS, Article X, Section 7(b) of the South Carolina Constitution (1895, as amended), requires each political subdivision of the State of South Carolina, including the District, to “prepare and maintain annual budgets which provide for sufficient income to meet its estimated expenses for the year.”

WHEREAS, the Finance Manager of the District has prepared an estimate of revenues and expenditures for the fiscal year beginning July 1, 2023 and ending June 30, 2024; and

WHEREAS, Section 6-1-80 of the Code of Laws of South Carolina, 1976, as amended, requires that the District provide notice and hold a public hearing prior to the adoption of their annual budget.

WHEREAS, the Commission has reviewed the proposed operating budget and in accordance with Section 6-1-80 held a public hearing, after due notice and publication, on the District’s proposed budget on June 28, 2023.

NOW, THEREFORE, BE IT RESOLVED by the members of the Hilton Head No. 1 Public Service District Commission in a meeting duly assembled, as follows,

1. That the District’s budget, a copy of which is attached hereto as Exhibit A, and which details the revenues and expenditures of the District for the fiscal year beginning July 1, 2023 and ending June 30, 2024, is hereby adopted as the official operating budget for the District for said fiscal year.
2. The Commission hereby directs the Finance Manager to notify the County Auditor of Beaufort County of the millage rate provided for by in the budget and to undertake any such additional actions as necessary to timely ensure the proper levy and collection of the District’s taxing millage.
3. As necessary, the District Manager or his designee shall administer the budget and may authorize the transfer of appropriated funds within and between departments as necessary to achieve the goals of the budget.

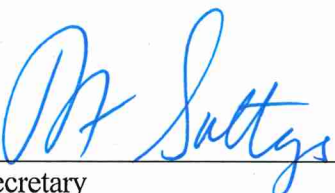
DONE AND ADOPTED, this 28th day of June 2023,

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

By: 
Chair ~~VICECHAIR~~
Hilton Head No. 1 Public Service District Commission

(SEAL)

Attest:


Secretary
Hilton Head No. 1 Public Service District Commission



FY'24 Budget

Exhibit A

Prepared by the Finance Department

April 2023

Table of Contents

Executive Summary	1
FY'24 Operations and Maintenance Budget.....	14
FY'24 Capital Improvement Plan.....	37
Cash Flow and Future Projections	44
FY'24 Schedule of Rates, Fees, and Deposits	46

Executive Summary

A. Letter of Transmittal

The Hilton Head PSD staff is pleased to present to the PSD Commissioners the fiscal year 2024 (FY'24) Operating & Maintenance (O&M) Budget and the FY'24 Capital Improvement Plan (CIP). Staff believes the budgets are consistent with the Commission's budget directives and strategic planning efforts.

While the health crisis surrounding the COVID pandemic subsided during fiscal year 2023 (FY'23), the economic impacts and uncertainty that stemmed from the pandemic remain major factors. Inflation and supply chain issues continued to significantly impact the District's operations at greater levels than budgetarily anticipated. The PSD experienced large cost increases in many areas, particularly biosolids and chemicals, during FY'22. Given that, staff had anticipated that increases during FY'23 would remain minimal. However, FY'23 brought further increases much higher than the anticipated 2-3% range. As of the date of this budget, it is still uncertain whether inflation will continue at heightened levels, return to pre-pandemic levels, or ultimately result in some type of recessionary period. This FY'24 budget provides for current, known inflationary increases as well as anticipating additional inflationary increases at a lower level during the next year, generally in the 2-3% range. Supply chain issues are also expected to continue to remain a challenge. In some cases, inventory and parts can take upwards of a year to arrive after an initial order is placed. This scarcity has continued to fuel upward price momentum and bring a level of uncertainty to our ability to execute our capital projects.

The real estate market boom significantly drove up home prices in the District's service area and the District continues to see new growth and redevelopment projects at a steady pace. However, this has put even more of a strain on workforce housing which was already limited. These factors, along with the growth in the neighboring Bluffton area, continue to put increasing stress on Hilton Head Island businesses to attract and retain a workforce. This budget includes the addition of new billets, a merit increase pool, and a one-time inflationary payment to enable the PSD to remain competitive in attracting and retaining employees to serve our growing customer base with exceptional customer service.

In line with the District's policy of fiscal conservatism, revenues are projected at levels that do not rely on significant additional customer growth. Weather is one major factor that the District cannot predict or plan for. Cool and rainy weather will generally negatively affect the District's revenues while warm and dry weather will often have the opposite effect. Cool, rainy weather in FY'23 to date has negatively affected our water consumption revenues. Consumption levels for the FY'24 budget are based on calendar year 2022 consumption with a moderate allowance for customer growth. Expenditures are projected at levels that aim to ensure effective operation of our crucial water and sewer operations while maintaining our current service levels.

During FY'23, the District continued to work on the major initiatives of asset management and future water supply planning. The results of these initiatives can be seen in the maintenance section of the O&M budget and in the CIP budget which continues to make use of cash flow freed up from the November 2020 refinance to allow for a rate funded CIP budget of just over

\$3 million. As with all asset intensive operations, asset management is an ongoing endeavor for the District which becomes more essential and challenging each year as our infrastructure, property, plant, and equipment totaling over \$160,000,000 ages.

The District is continuing to carefully monitor the recent influx of infrastructure funding. In addition to the rate funded CIP budget, several other, larger preventative maintenance and CIP projects have been identified that staff believes should be completed in the next five to ten years. During FY'23, the District successfully petitioned Beaufort County for an allocation of its American Rescue Plan Act (ARPA) infrastructure funding to replace one of its most crucial water distribution system assets which had reached the end of its 40 year life. The District also applied for a \$10 million South Carolina Infrastructure Investment Program (SCIIP) grant to expand its Reverse Osmosis (RO) treatment plant and build a second Aquifer Storage and Recovery (ASR) well which the District believes would significantly meet its future water supply for the near term while providing additional resiliency and improving water quality. The expected local matching funds for both projects is estimated at \$7 million. Additionally, the District still has the option to exercise existing purchased water capacity options with our wholesale provider. The District's general obligation (GO) debt repayment schedule will allow for a new GO debt issuance in late FY'24 to early FY'25 without the need to significantly increase the currently levied GO debt millage rate. The District's staff anticipates recommending this GO debt funding source for some of the aforementioned projects. Staff anticipates Commission review of GO funding options at a later date after SCIIP grant awards have been announced and further project estimates have been obtained.

The FY'24 operating and capital budgets seek to conservatively project our revenue and expenditure needs for the upcoming year in light of the continued volatile and inflationary environment while minimizing rate increases to our customers. All of these unknowns have led to a need for greater flexibility as the District analyzes and adapts to changing environments and opportunities. Longer lead times, price volatility, and a difficult labor market have made it necessary to ensure the District is financially positioned to meet these challenges in the upcoming year and beyond.

B. Organization Information

Hilton Head PSD is a special purpose district created by the South Carolina General Assembly in 1969 to provide water and sewer services to Hilton Head Island. The PSD serves more than 19,500 customer accounts in the north- and mid-island areas of Hilton Head Island where many of the Island's full-time residents reside. The PSD can provide a maximum water demand of 13 million gallons a day (mgd) and experiences an average demand of 7 mgd which is provided through its Reverse Osmosis (RO) water treatment plant, Upper Floridan wells, Aquifer Storage and Recovery (ASR) well, and wholesale water which is purchased from Beaufort Jasper Water & Sewer Authority (BJWSA). In addition to its RO plant, ASR, and Upper Floridan wells, the PSD maintains over 240 miles of water distribution mains, 220 miles of sewer collection mains, 5 elevated storage tanks, 3 ground-level storage tanks, 1,500 hydrants, 126 sewer lift stations, 13,400 customer water meters, 500 customer Low Pressure Sewer (LPS) systems, and a 6.4 mgd tertiary-treatment, return activated sludge (RAS) recycled water wastewater treatment plant.

C. Commission Directives

The Hilton Head Public Service District Commission has directed staff to create O&M budgets and a CIP for FY'24 with the following assumptions:

1. General Rate Review – Rates, charges and fees underwent a comprehensive Cost of Service Analysis (COSA) as part of the FY'24 budgeting process to ensure rates are sufficient to provide revenues to meet the District's FY'24 operating expenses and debt coverage ratios.
2. Operating and Maintenance Budget – As defined in the District's Finance Policies, operating expenses excluding depreciation will not exceed operating revenues.
3. Efficiency – Continued efforts to improve District efficiency and employee productivity.
4. Staff Compensation – Is to be adequate compensation for responsibilities, recognize individual productivity and be competitive with the labor market.
5. Customer Service - Maintain or improve current Operations and Customer Service levels;
6. Adequate Cash Flow – Maintain a positive cash flow and resources to meet anticipated events and increase overall cash reserves.

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

	<u>FY'24 Budget</u>	<u>FY'23 Projected</u>	<u>Increase (Decrease)</u>	<u>% Change</u>	<u>FY'23 Budget</u>
Total Operating Revenue	\$ 15,166,100	\$ 14,766,600	\$ 399,500	2.7%	\$ 14,638,100
Total Operating Expenses with Depreciation	17,967,100	17,129,500	837,600	4.9%	17,081,800
Change in Net Position from Operations	(2,801,000)	(2,362,900)	(438,100)	18.5%	(2,443,700)
Total Non-Operating Revenue	3,941,600	3,951,100	(9,500)	-0.2%	3,361,700
Total Non-Operating Expenses	602,700	680,300	(77,600)	-11.4%	693,100
Non-Operating Income/Expenses - Net	3,338,900	3,270,800	68,100	2.1%	2,668,600
Increase / Decrease in Net Position before Capital Contributions	537,900	907,900	(370,000)	-40.8%	224,900
Total Capital Contributions	320,000	563,800	(243,800)	-43.2%	320,000
Change in Net Position	\$ 857,900	\$ 1,471,700	\$ (613,800)	-41.7%	\$ 544,900
Total CIP Budget Cash Flow	(3,050,000)	(4,194,000)	1,144,000	-27.3%	(3,048,000)
Add: Non Cash Depreciation Expense	5,190,000	5,151,000	39,000	0.8%	5,190,000
Less: Debt Service Payments	(4,014,500)	(3,961,800)	(52,700)	1.3%	(4,008,200)
Other Debt Related Adjustments	602,700	637,800	(35,100)	-5.5%	648,100
FFA Assessments, net	205,000	429,200	(224,200)	-52.2%	455,000
Total Non-CIP Other Cash Flow Adjustments	1,983,200	2,256,200	(273,000)	-12.1%	2,284,900
Projected Change in Cash Flow	\$ (208,900)	\$ (466,100)	\$ 257,200	-55.2%	\$ (218,200)

D. Budget Highlights

The FY'24 Budget highlights are:

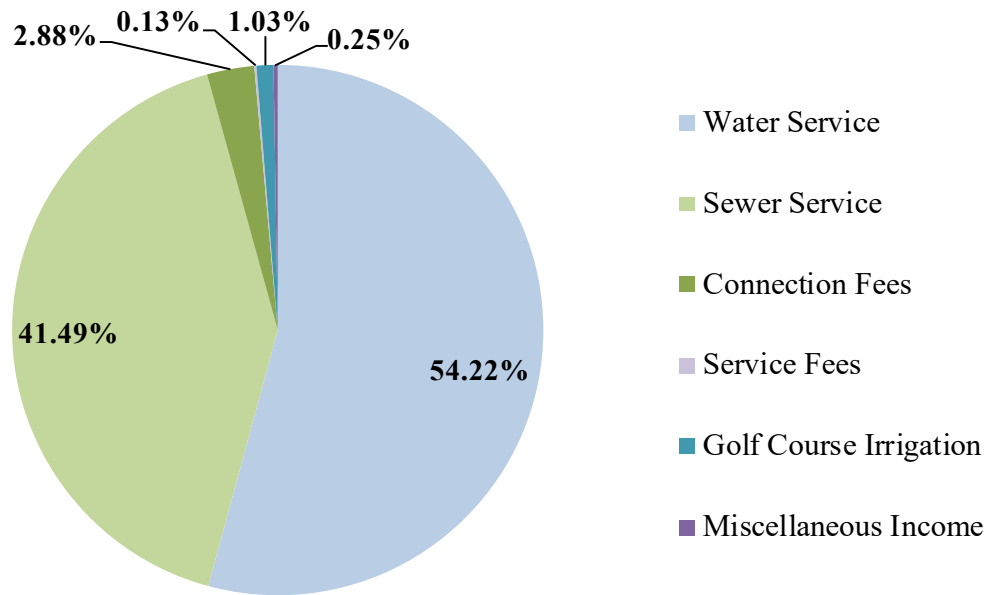
1. Operating Revenues are budgeted at \$15,166,100 which is a \$399,500 or 2.7% increase from FY'23 projections. This increase is the result of proposed volumetric water and sewer tier increases.
2. Operating Expenses are budgeted at \$17,967,100 which is a \$837,600 or 4.9% increase from FY'23 projections. Some key highlights include:
 - The staff level is budgeted at 41 which is an increase from the FY 23 budgeted level of 39. To address the challenging job market which has been intensified by the lack of workforce housing in our area, the budget includes a 4% merit pool as well as a one-time inflationary payment of \$2,000. Additionally, the State Health Plan anticipates a 3.7% employer rate increase and the State Retirement System employer contributions will increase 1% from 17.41% to 18.41%.
 - Inflationary increases are anticipated in most areas but particularly in biosolids disposal which experienced another 6% increase in January 2023 despite a 40% increase in January 2022, chemicals which increased 15-25% in some areas despite increases of 25%-33% in FY'22, and purchased water which is projected to increase 3-5% for FY'24.
3. Non-Operating Revenues are budgeted at \$3,941,600 which is a \$9,500 or 0.2% decrease from FY'23 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. In another example of the unpredictability of the current economic climate, FY'23 projections far exceeded the FY'23 budget as the District was able to earn substantial interest income when interest rates significantly increased during FY'23. While the FY'24 budget conservatively estimates a small reduction in interest rates during FY'24, if rates plummet to pandemic levels during FY'24 then the District will most likely miss achieving the budgeted number in this area.
4. Non-Operating Expenses are budgeted at \$602,700 which is a \$77,600 or 11.4% decrease from FY'23 projections. This category relates to debt service and is based on current debt schedules.
5. Capital Contributions are budgeted conservatively. FY'23 projections anticipate the receipt of two larger capacity payments in the last quarter of FY'24. 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 actually occur as planned.

6. Change in Net Position – The overall change in net position for FY'24 is budgeted at \$857,900 versus a projection of \$1,471,700 and a prior year budget of \$544,900.
7. CIP Budget Cash Flow – The CIP budgeted cash flow for FY'24 is \$3,050,000 which is a \$1,144,000 or 27.3% decrease from the projected CIP cash flow of \$4,194,000. The projected cash flow is higher than the FY'23 budgeted cash flow due to carryover of FY'22 CIP projects and Commission approval of cash funding vehicle purchases and preliminary engineering work on the RO expansion and ASR-2 projects related to the SCIIP grant after the completion of the FY'23 budget. Certain projects that the District does not anticipate completing from the FY'23 budget have also been removed to provide the current projection of actual FY'23 projects that will be completed or carried over to FY'24.
8. System Debt – Total FY'24 debt payments of \$4,014,500 consist of \$3,729,700 of principal and \$284,800 of interest (Interest expense is calculated on an accrual basis). While staff expects recommending a debt issuance during FY'24, there was not enough information available at the time of budget preparation to recommend a final proposed project list or financing methods. Staff will bring a separate recommendation at a later date when more information is available. In accordance with this, this budget document does not reflect any debt issuance costs or new debt service even though it is expected that a new issuance may be approved during FY'24.
9. Cash Flow is projected to decrease approximately \$208,900 as a result of this budget. The District is anticipating that the current year will result in a decrease in cash of approximately \$466,100. While this decrease is higher than the \$218,200 decrease budgeted in FY'23, it should be noted that the District ended FY'22 with unrestricted cash of \$12,616,900 versus a projected ending unrestricted cash balance of \$10,423,700 which was a \$2,193,200 increase versus the projected \$814,700 increase in the FY'23 budget. This was the result of carrying over \$685,000 worth of FY'22 CIP project into FY'23 for completion as well as the receipt of large-scale capacity fees after FY'23 budget preparation. The receipt of these capacity fees allowed the Commission to approve \$800,000 worth of application assistance and preliminary engineering work on the RO expansion and ASR-2 projects that were submitted for SCIIP grant consideration.

E. Operating Revenues

The FY'24 budgeted operating revenues are listed below:

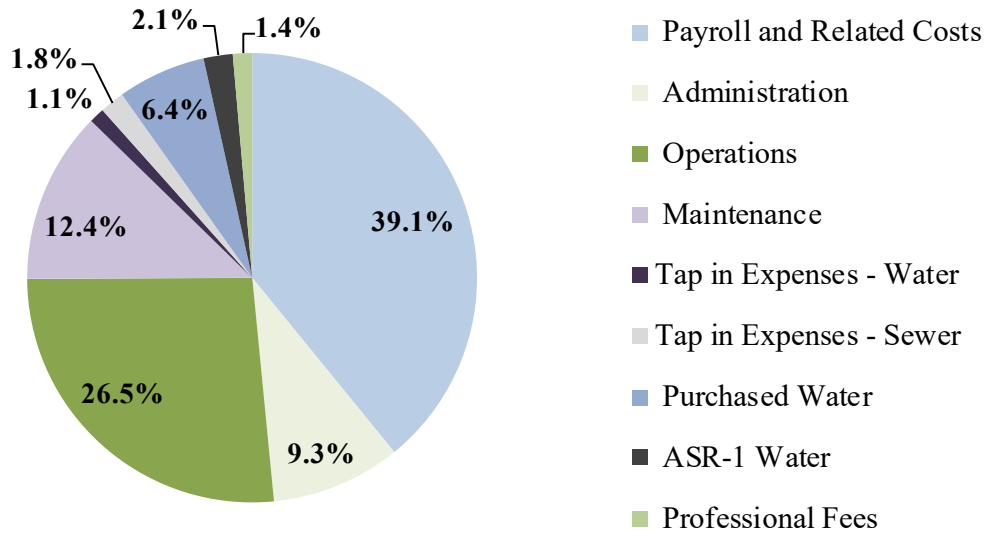
Operating Revenues	FY 2024	% Total
Water Service	\$ 8,222,600	54.22%
Sewer Service	6,292,700	41.49%
Connection Fees	436,200	2.88%
Service Fees	20,100	0.13%
Golf Course Irrigation	156,000	1.03%
Miscellaneous Income	38,500	0.25%
Total Operating Revenues	\$ 15,166,100	100%



F. Operating Expenses

The FY'24 operating expenses excluding depreciation are listed below:

Operating Expenses	<u>FY 2024</u>	<u>% Total</u>
Payroll and Related Costs	\$ 4,998,200	39.1%
Administration	1,193,500	9.3%
Operations	3,381,100	26.5%
Maintenance	1,581,600	12.4%
Tap in Expenses - Water	141,000	1.1%
Tap in Expenses - Sewer	225,600	1.8%
Purchased Water	812,000	6.4%
ASR-1 Water	267,100	2.1%
Professional Fees	177,000	1.4%
Total Operating Expenses before Depreciaton	\$ 12,777,100	100%



G. Debt Service Coverage

Bond covenants require that the District maintain and collect rates and charges that together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding. As shown in the following table, the District's FY'24 budget is in compliance with the necessary requirement and estimated at 215%.

	FY'23 Projected	FY'24 Budget
Net Income (loss) before capital contributions per Financial Statements	\$ 907,900	\$ 537,900
Capacity Fees	513,800	270,000
Add: Depreciation	5,151,000	5,190,000
Amortization	325,500	325,500
Bond Issuance Cost	42,500	-
Interest Expense (Bonds)	308,700	273,600
Assessments - Debt Service	205,000	205,000
Less: Property Taxes – GO Debt Service	<u>(1,521,700)</u>	<u>(1,515,000)</u>
Net Earnings Available for Debt Service	5,932,700	5,287,000
 Debt Service on Revenue Bonds	 2,437,980	 2,461,000
 Coverage of Debt Service by Net Earnings	 243%	 215%
 Debt Coverage without Capacity Fees	 222%	 204%

H. Bond Debt Service

As of June 30, 2023, the District's total future debt service requirement will be \$23,837,766. For FY'24, the principal payments will total \$3,729,765 while the interest payments will be \$284,773.

Fiscal Year 2024 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	18,758	142,589	161,347	User Fees
Series 2017A	8,911	33,022	41,933	FFA
Series 2020 B	151,310	1,225,000	1,376,310	User Fees/ FFA
Series 2020 C	15,886	840,000	855,886	User Fees
Series 2023 FFA	12,380	13,149	25,529	FFA
Revenue Sub Total	207,245	2,253,760	2,461,005	
Finance Purchase Vehicles	3,653	36,005	39,658	User Fees
Series 2020 GO Bonds	73,875	1,440,000	1,513,875	GO Funded
Total Principal & Interest	\$ 284,773	\$ 3,729,765	\$ 4,014,538	

Future Debt Service as of June 30, 2023				
<u>Revenue Debt</u>	<u>Interest</u>	<u>Principal</u>	<u>Total P&I</u>	<u>Interest Rates</u>
Series SRF 2014 B	128,005	1,929,171	2,057,176	1.00%
Series 2017 A	46,130	331,264	377,395	2.69%
Series 2020 B	643,176	12,505,000	13,148,176	1.21%
Series 2020 C	23,876	1,690,000	1,713,876	0.94%
Series 2023 FFA	71,352	235,000	306,352	4.15%
Revenue Sub Total	912,540	16,690,435	17,602,975	
Finance Purchase Vehicles	6,615	116,926	123,541	Various
Series 2020 GO Bonds	201,250	5,910,000	6,111,250	1.25%
Total Debt	\$ 1,120,405	\$ 22,717,361	\$ 23,837,766	

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

Future Annual Debt Service Payments:

<u>Fiscal Year</u>	<u>Revenue</u>	<u>GO</u>	<u>FP - Vehicles</u>	<u>Total</u>
2024	2,461,005	1,513,875	39,658	4,014,538
2025	2,468,287	1,300,875	83,883	3,853,045
2026	2,435,233	1,340,312	-	3,775,545
2027	2,430,004	1,379,063	-	3,809,067
2028	2,434,534	577,125	-	3,011,659
2029	2,153,700	-	-	2,153,700
2030	2,080,952	-	-	2,080,952
2031	228,809	-	-	228,809
2032	228,809	-	-	228,809
2033	186,876	-	-	186,876
2034	186,877	-	-	186,877
2035	186,876	-	-	186,876
2036	121,011	-	-	121,011
2037	-	-	-	-
2038	-	-	-	-
	\$ 17,602,975	\$ 6,111,250	\$ 123,541	\$ 23,837,766

Revenue Debt:

Series 2014 SRF – On July 24, 2014, the District executed a loan with the South Carolina State Revolving Loan Fund (SRF) in the amount of \$2,923,430 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 23, 2017, the District issued \$515,000 of Series 2017A revenue bonds for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds are an obligation of the District, bear interest at the rate of 2.69% per annum and are payable in annual principal and semi-annual interest payments of \$41,932.75 starting June 2018 through June 2032. This bond may be redeemed in whole after June 1, 2025. The bonds are payable from revenues derived from operations of the District’s systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer.

Series 2020B Revenue Bonds - On November 2, 2020, the District issued \$14,925,000 of Series 2020B revenue bonds for purposes of refunding the District’s 2014 FFA, 2015A, 2015B, 2017B SRF, and 2020 FFA revenue bonds. The bonds are an obligation of the District and bear interest at the rate of 1.23% per annum. These bonds are due in semi-annual interest payments due beginning June 2021 and annual principal payments starting June 2022 through June 2030. The bonds are payable from revenues derived

from operations of the District's systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer. The original purpose of the refunded bonds are as follows:

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

Series 2020C Revenue Bonds - On November 2, 2020, the District issued \$4,170,000 of Series 2020C revenue bonds for purposes of refunding the District's 2012A and 2012B revenue bonds. The bonds are an obligation of the District and bear interest at the rate of 0.94% per annum. These bonds are due in semi-annual interest payments due beginning June 2021 and annual principal payments starting June 2021 through June 2025. The bonds are payable from revenues derived from operations of the District's systems and are secured by a lien upon these revenues. The original purpose of the refunded bonds are as follows:

- 2012A: Refunded previous bond issues used for acquisition of utility systems, water system upgrades, and Port Royal sewer expansions.
- 2012B: Construction of new sewer lift stations.

Series 2023A Revenue Bond - On February 24, 2023, the District issued \$235,000 of Series 2023A revenue bonds for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds are an obligation of the District, bear interest at the rate of 4.15% per annum and are payable in annual principal and interest payments of \$25,529.36 starting June 2024 through June 2035. This bond may be redeemed in whole at any time. The bonds are payable from revenues derived from operations of the District's systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer.

General Obligation Debt:

Series 2020 - On November 2, 2020, the District issued \$9,910,000 of Series 2020 general obligation bonds for purposes of refunding the District's 2007, 2007 SRF, 2007 SIRF, 2009, 2010, and 2014 SRF general obligation bonds. The bonds bear interest at a rate of 1.25% per annum. These bonds are due in semi-annual interest payments due beginning May 2021 and annual principal payments starting May 2021 through May 2028. The original purpose of the refunded bonds are as follows:

- 2007: Constructing new water wells and the reverse osmosis plant.
- 2007 SRF: Constructing the new reverse osmosis plant.
- 2007 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.

Proposed Debt:

Series 2024 Bonds – In fiscal year 2025, the District's annual GO debt service drops from roughly \$1.5 million per year to \$1.3 million per year. The District has levied GO millage ranging between 4.0 and 4.6 over the last ten years to meet the current debt service requirements. The District staff anticipates proposing seeking approval from Beaufort County Council during FY'24 to issue a new GO debt issuance whereby the District would continue to levy millage in that 4.0 to 4.6 range. Depending on market conditions, the length of the debt, and the financing type, the District could potentially fund capital projects totaling between \$5 million and \$20 million while remaining in this range. The District is still awaiting a decision on its SCIP grant application. Given that and the current market price volatility, there was not enough information at the time of budget preparation to make final recommendations on what projects to fund. The District also has ample debt coverage to consider a revenue bond if necessary.

I. Capital Improvement Plan (CIP)

The CIP for FY'24 is divided into separate categories for ease of explanation. These 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'24 column have been identified which staff believes should be completed within the next 12 months. The Commission is only approving the projects for FY'24 as a part of this budget. Years 2025 through 2028 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.

I. Capital Improvement Plan (CIP) (continued)

Rate funded FY'24 projects total \$3,050,000 as follows:

<u>FY'24 CIP Rate Funded Projects</u>	
Wastewater Treatment Plant	\$ 985,000
Collection System	820,000
Distribution System	875,000
Facility & Equipment	<u>370,000</u>
Total Rate Funded CIP Projects	<u>\$ 3,050,000</u>

The FY'24 CIP plan also shows potential projects for which the District might seek debt financing during FY'24. There is too much uncertainty at this time to recommend which of these projects the District should prioritize and what type or terms of financing staff would recommend. These projects are being shown as items that might potentially be proposed to be funded via a debt issuance in the upcoming year. Staff expects to bring a separate analysis to the Commission for consideration during FY'24 with recommendations on what debt funded projects to pursue.

J. Cash Flow and Five-Year Projections

Projected FY'23 cash flow is anticipated to decrease by \$466,100 which will bring unrestricted cash from \$12,616,900 to \$12,150,800. The FY'24 budget projects a cash decrease of \$208,900. A five-year projection based on FY'24 rates with no consideration of future rate increases and moderate growth projections shows the PSD remaining well over its 120 days cash on hand minimum and its 120% debt coverage requirement. The Commission is only approving the FY'24 budget at this time. Projections for years 2025 through 2028 are only provided to show a high-level review of the District's current expected long term financial position at currently proposed rates.

Statement of Revenues, Expenses, and Changes in Net Position
FY'24 Operating & Maintenance Budget

	FY'24 Budget	FY'23 Projected	Variance (FY'23 Project. to FY'24 Budget)		FY'23 Budget
			Increase (Decrease)	% Change	
TOTAL OPERATING REVENUES					
Water Service	\$ 8,222,600	\$ 7,894,900	327,700	4.2%	\$ 8,020,000
Sewer Service	6,292,700	6,060,200	232,500	3.8%	6,052,000
Water Tap In Fees	187,800	202,500	(14,700)	-7.3%	186,000
Sewer Connection Fees	248,400	334,400	(86,000)	-25.7%	180,000
Golf Course Irrigation	156,000	161,700	(5,700)	-3.5%	135,000
Service Fees	20,100	20,100	-	0.0%	20,100
Miscellaneous Income	38,500	92,800	(54,300)	-58.5%	45,000
Total Operating Revenue	15,166,100	14,766,600	399,500	2.7%	14,638,100
OPERATING EXPENSES					
Payroll and Related Expenses					
Salaries	3,315,600	2,954,900	360,700	12.2%	3,007,500
Commission Honorarium	81,000	80,400	600	0.7%	81,000
FICA	257,300	226,500	30,800	13.6%	233,700
Group Insurance	610,500	515,000	95,500	18.5%	544,500
Retirement	575,100	489,100	86,000	17.6%	504,500
Workman's Comp	56,100	47,800	8,300	17.4%	60,000
Contract Labor	7,200	-	7,200	0.0%	15,000
Training/Continuing Education	65,400	61,900	3,500	5.7%	60,000
Uniforms	30,000	29,100	900	3.1%	25,200
Total Payroll and Related Expenses	4,998,200	4,404,700	593,500	13.5%	4,531,400
Administration					
Bad Debts	22,200	17,300	4,900	28.3%	30,000
Bank/Bond Administration Fees	130,500	142,400	(11,900)	-8.4%	127,800
Billing and Accounting	48,900	48,500	400	0.8%	48,000
Communications	158,400	141,000	17,400	12.3%	126,600
Dues and Subscriptions	18,600	18,200	400	2.2%	16,600
Commission Support	7,800	8,600	(800)	-9.3%	12,000
Insurance Other than Group or Vehicle	345,000	326,600	18,400	5.6%	345,000
License and Permits	71,300	70,900	400	0.6%	69,900
Office Supplies	25,800	25,300	500	2.0%	26,400
Computer Software and Supplies	142,700	140,900	1,800	1.3%	141,900
Personnel Support	24,000	23,100	900	3.9%	24,900
Postage	77,400	74,900	2,500	3.3%	77,400
Public Education	34,800	33,800	1,000	3.0%	36,000
Recruitment and Advertising	5,700	5,400	300	5.6%	5,400
Special Functions	20,100	28,100	(8,000)	-28.5%	30,000
Travel and Meals	5,400	4,900	500	10.2%	6,000
Utilities	54,900	53,200	1,700	3.2%	48,600
Total Administration	1,193,500	1,163,100	30,400	2.6%	1,172,500

HiltonHeadPSD
FY'24 Budget

	FY'24 Budget	FY'23 Projected	Variance (FY'23 Project. to FY'24 Budget)		FY'23 Budget
			Increase (Decrease)	% Change	
Operations					
Biosolids Disposal	492,000	443,900	48,100	10.8%	444,000
Operations Chemicals	1,140,100	1,105,600	34,500	3.1%	897,700
Lab Chemicals and Supplies	24,300	23,500	800	3.4%	18,600
Fuel, Power and Utility	1,402,800	1,391,700	11,100	0.8%	1,322,400
Other Supplies and Materials	29,400	29,000	400	1.4%	19,500
Quality Analysis	15,000	11,400	3,600	31.6%	5,100
Safety	39,600	36,200	3,400	9.4%	45,000
SCADA Communications (Alarms)	37,200	36,300	900	2.5%	33,000
Tools and Small Equipment	41,700	40,500	1,200	3.0%	33,300
Vehicle Fuel	102,900	98,500	4,400	4.5%	90,600
Vehicles Insurance	24,600	22,600	2,000	8.8%	25,800
Vehicle Lease Management	6,600	3,800	2,800	73.7%	5,400
Vehicle Maintenance	24,900	24,600	300	1.2%	22,400
Total Operations	3,381,100	3,267,600	113,500	3.5%	2,962,800
Maintenance					
ASR Maintenance	9,600	4,500	5,100	113.3%	10,200
Biosolids Maintenance	9,600	9,100	500	5.5%	5,100
Meter Device Maintenance	40,200	38,900	1,300	3.3%	30,600
Effluent System Maintenance	37,800	37,700	100	0.3%	31,500
Equipment Maintenance	37,200	36,600	600	1.6%	31,500
Facilities Maintenance	94,500	92,000	2,500	2.7%	96,900
Generator Maintenance	23,700	22,800	900	3.9%	24,000
Operations Grounds Maintenance	69,900	68,500	1,400	2.0%	69,900
Hydrant Maintenance	63,000	58,700	4,300	7.3%	66,000
Lift Station Maintenance	333,300	326,500	6,800	2.1%	318,000
Plant Maintenance - WWTP	75,000	62,100	12,900	20.8%	122,400
RO Maintenance	106,800	97,300	9,500	9.8%	126,000
SCADA Maintenance	43,200	42,600	600	1.4%	21,600
Water System Maintenance	210,000	165,000	45,000	27.3%	219,000
Sewer System Maintenance	225,000	218,000	7,000	3.2%	231,000
Tower & Tank Maintenance	160,800	33,700	127,100	377.2%	133,500
Well Maintenance	42,000	31,400	10,600	33.8%	48,000
Total Maintenance	1,581,600	1,345,400	236,200	17.6%	1,585,200
Tap in and Connection Expenses					
Water Tap In Expenses	141,000	144,500	(3,500)	-2.4%	139,500
Sewer Connection Expenses	225,600	314,000	(88,400)	-28.2%	168,000
Total Connection Expenses	366,600	458,500	(91,900)	-20.0%	307,500
Water Expenses					
Purchased Water	812,000	766,200	45,800	6.0%	818,700
ASR Water	267,100	250,800	16,300	6.5%	254,800
Total Water Expenses	1,079,100	1,017,000	62,100	6.1%	1,073,500

HiltonHeadPSD
FY'24 Budget

	FY'24 Budget	FY'23 Projected	Variance (FY'23 Project. to FY'24 Budget)		FY'23 Budget
			Increase (Decrease)	% Change	
Professional Fees					
Professional Fees - Accounting	30,600	27,900	2,700	9.7%	30,000
Professional Fees - Engineering	75,000	240,000	(165,000)	-68.8%	170,100
Professional Fees - Legal	46,200	43,000	3,200	7.4%	33,600
Professional Fees - Other	25,200	11,300	13,900	123.0%	25,200
Total Professional Fees	177,000	322,200	(145,200)	-45.1%	258,900
Total Operating Expenses before Depreciation	12,777,100	11,978,500	798,600	6.7%	11,891,800
Operating Income before Depreciation	2,389,000	2,788,100	(399,100)	-14.3%	2,746,300
Depreciation	5,190,000	5,151,000	39,000	0.8%	5,190,000
Total Operating Expenses with Depreciation	17,967,100	17,129,500	837,600	4.9%	17,081,800
Change in Net Position from Operations	(2,801,000)	(2,362,900)	(438,100)	18.5%	(2,443,700)
Non-Operating Revenue					
Property Taxes - GO Bond Levy	1,515,000	1,521,700	(6,700)	-0.4%	1,475,000
Property Taxes - Operations Levy	1,160,000	1,110,700	49,300	4.4%	1,060,000
Gain on Disposition of Assets	126,000	49,100	76,900	156.6%	30,000
Interest Income	390,000	517,400	(127,400)	-24.6%	60,000
Interest Income - Assessments	60,000	59,200	800	1.4%	56,200
Rental Income	87,600	86,100	1,500	1.7%	85,000
Tower Lease Income	570,900	573,800	(2,900)	-0.5%	595,500
Tower Lease Interest Income	32,100	33,100	(1,000)	-3.0%	-
Total Non-Operating Revenue	3,941,600	3,951,100	(9,500)	-0.2%	3,361,700
Non-Operating Expenses					
Interest Expense - Vehicles	3,600	3,600	-	0.0%	12,000
Interest Expense - Bonds	273,600	308,700	(35,100)	-11.4%	310,600
Bond Defeasance Amortization	325,500	325,500	-	0.0%	325,500
Bond Issuance Cost	-	42,500	(42,500)	0.0%	45,000
Total Non-Operating Expenses	602,700	680,300	(77,600)	-11.4%	693,100
Non-Operating Income/Expenses - Net	3,338,900	3,270,800	68,100	2.1%	2,668,600
Increase / Decrease in Net Position before Capital Contributions	537,900	907,900	(370,000)	-40.8%	224,900
Capital Contributions					
Sewer Capacity Fees	156,000	330,700	(174,700)	-52.8%	156,000
Water Capacity Fees	114,000	183,100	(69,100)	-37.7%	114,000
Developer Contributions of Systems	50,000	50,000	-	0.0%	50,000
Total Capital Contributions	320,000	563,800	(243,800)	-43.2%	320,000
Change in Net Position	\$ 857,900	\$ 1,471,700	\$ (613,800)	-41.7%	\$ 544,900

Operating Revenues

TOTAL OPERATING REVENUES	FY'24 Budget	FY'23 Projected 8+4	Variance		FY'23 Budget
			Increase (Decrease)	% Change	
Water Service	\$ 8,222,600	\$ 7,894,900	327,700	4.2%	\$ 8,020,000
Sewer Service	6,292,700	6,060,200	232,500	3.8%	6,052,000
Water Tap In Fees	187,800	202,500	(14,700)	-7.3%	186,000
Sewer Connection Fees	248,400	334,400	(86,000)	-25.7%	180,000
Service Fees	20,100	20,100	-	0.0%	20,100
Golf Course Irrigation	156,000	161,700	(5,700)	-3.5%	135,000
Miscellaneous Income	38,500	92,800	(54,300)	-58.5%	45,000
Total Operating Revenue	15,166,100	14,766,600	399,500	2.7%	14,638,100

Operating revenues consist of water services, sewer services, connection fees, service fees, golf course irrigation, and miscellaneous income. The total operating revenues are budgeted at \$15,166,100. This budget includes the following volumetric rate and fee increases:

Residential Water	FY 2023	FY 2024	Commerical Water & Irrigation	FY 2023	FY 2024
Rates per 1,000 Gallons:	Current	Revised Rate	Rates per 1,000 Gallons:	Current	Revised Rate
Block 1 - 0 to 10,000 Gal	1.47	1.52	Block 1 - 0 to 10,000 Gal	1.69	1.69
Block 2 - 10,001 to 20,000 Gal	1.91	2.11	Block 2 - 10,001 to 20,000 Gal	2.06	2.11
Block 3 - 20,001 to 30,000 Gal	2.36	2.54	Block 3 - 20,001 to 30,000 Gal	2.53	2.54
Block 4 - All Over 30,000 Gal	2.98	3.38	Block 4 - All Over 30,000 Gal	3.18	3.38
Residential Irrigation	FY 2023	FY 2024	Residential & Commercial Sewer	FY 2023	FY 2024
Rates per 1,000 Gallons:	Current	Revised Rate	Rates per 1,000 Gallons:	Current	Revised Rate
Block 1 - 0 to 10,000 Gal	1.91	2.11	Residential sewer usage is capped at	2.00	2.16
Block 2 - 10,001 to 20,000 Gal	1.91	2.11	10,000 gallons per month. There is		
Block 3 - 20,001 to 30,000 Gal	2.36	2.54	no cap on commercial sewer usage.		
Block 4 - All Over 30,000 Gal	2.98	3.38			
Fees	FY 2023	FY 2024			
	Current	Revised Rate			
Sewer Connection Fee	100.00	150.00			
Backflow Inspection Fee	100.00	175.00			

Major/selected variances are as follows:

1. Water Service revenues are based on the above rate changes, current customer counts, and calendar year 2022 billed consumption of approximately 2.041 billion gallons. This consumption estimate is one of the most variable estimates in this budget document. Weather patterns can greatly affect consumption due to irrigation demand so a particularly rainy year could lead to the PSD missing budgeted numbers while a very dry year could lead to us exceeding the numbers. The current fiscal year has been rainy and dry so consumption may improve if weather conditions improve in FY'24.
2. Sewer Service revenues are based on the above rate changes, current customer counts and calendar year 2022 billed consumption of approximately 1.091 billion gallons. While this number is also subject to fluctuation, it is not as negatively impacted by usage since irrigation only customers are not charged sewer and residential customer usage is capped at 10,000 gallons a month.

Operating Revenues (continued)

3. Water Tap In Fees are budgeted at 125 connections at an estimated average tap in fee. Water tap in fees are partially offset by Water Tap In Expenses; the residual is estimated District employee labor cost recovery.
4. Sewer Connection Fees are budgeted at 160 connections at an estimated average connection cost and are offset by Sewer Connection Expenses less the \$150 connection fee.
5. Service Fees are budgeted at \$20,100 which is the same level as the FY'23 projection. Increased efforts on communications with non-payors has led to a decrease in penalties. This line item also contains miscellaneous fees such as reconnection fees, hydrant meter set fees, backflow inspection fees, and returned payment fees.
6. Golf Course Irrigation is budgeted conservatively between current year projections and the prior year budget. Increased, heavy rainfall as was experienced the last two autumns generally negatively affects this line item.
7. Miscellaneous Income is budgeted at \$38,500 and consists mostly of capital credits from the District's electricity provider. The current year projection includes a one-time settlement payment from the District's electricity provider.

Payroll and Related Expenses

	FY'24 Budget	FY'23 Projected 8+4	Variance		FY'23 Budget
			Increase (Decrease)	% Change	
Payroll					
1 Salaries	3,315,600	2,954,900	360,700	12.2%	3,007,500
2 Commission Honorarium	81,000	80,400	600	0.7%	81,000
3 FICA	257,300	226,500	30,800	13.6%	233,700
4 Group Insurance	610,500	515,000	95,500	18.5%	544,500
5 Retirement	575,100	489,100	86,000	17.6%	504,500
6 Workman's Comp	56,100	47,800	8,300	17.4%	60,000
7 Contract Labor	7,200	-	7,200	0.0%	15,000
8 Training/Continuing Education	65,400	61,900	3,500	5.7%	60,000
9 Uniforms	30,000	29,100	900	3.1%	25,200
Total Payroll	4,998,200	4,404,700	593,500	13.5%	4,531,400

Line Item Definitions – Payroll and Related Expenses

Payroll and Related Expenses

- | | |
|----------------------------------|--|
| 1. Salaries | Salaries, on-call, overtime, and goal payments for district employees. |
| 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 3.7% employer rate increase effective January 2024. |
| 5. Retirement | Retirement is calculated at 18.41% of total projected salaries which includes a 1.0% increase from the 17.41% FY '23 rate. |
| 6. Workman's Comp | Based on expected premiums calculated by the state based on the prior calendar year's salary and claims. |
| 7. Contract Labor | Fees associated with temporary employees. |
| 8. Training/Continuing Education | Continuing education for entire staff (Seminars, Operator/ Technician Exams, GIS, AWWA, etc.) including travel, meals, lodging and associated costs. |
| 9. Uniforms | Shirts, pants, shorts, jackets, and caps. |

FY'24 Budget Variance Summary

Payroll and Related Costs:

The budgeted FY'24 staffing level is 41 full time employees (FTEs) which is an increase of 2 FTEs from the FY'23 budget staffing level of 39 FTEs. At the time of budget preparation, the current staff level is 37 FTEs. The District is planning to add staff in the areas of accounting administration, IT support, SCADA support, and field services. 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. There may be savings to budget in this area should recruitment take time. The District staff always endeavors to take the appropriate time to select candidates that fit with the District's needs when hiring employees as opposed to simply filling a position within a given time frame. Board compensation is also included in this category. The total budget for payroll and related costs is \$4,998,200 reflecting a \$593,500 increase compared to the FY'23 projections. Selected/major variances are as follows:

1. Salaries for the FY'24 budget are \$3,315,600. This is a \$360,700 increase compared to the FY'23 projection of \$2,954,900. For FY'24, 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. Inflation continued to be strong during FY'23 and area housing market conditions continued to worsen. In consideration of this, this budget contains a one-time inflationary payment to all District employees of \$2,000. One-time payments are not subject to the SC retirement system contributions, thereby allowing employees to take home a greater percentage of this type of payment. Additionally, the salaries line item includes anticipated overtime and on call compensation which can vary based on customer after hour calls and disaster related events.
4. Group insurance for the FY'24 budget is \$610,500. This is a \$95,500 increase compared to the FY'23 projection of \$489,100. There was a 18.1% employer rate increase starting January 2023 and an additional 3.7% employer rate increase is expected beginning January 2024.
5. Retirement for the FY'24 budget is \$575,100 which is a \$86,000 increase compared to the FY'23 projection of \$489,100. This line item is based on budgeted salaries at the required employer contribution rate. This rate will increase 1% from 17.41% in FY'23 to 18.41% in FY'24.

Administration Expenses

	FY'24 Budget	FY'23 Projected 8+4	Variance		FY'23 Budget
			Increase (Decrease)	% Change	
Administration					
10 Bad Debts	22,200	17,300	4,900	28.3%	30,000
11 Bank/Bond Administration Fees	130,500	142,400	(11,900)	-8.4%	127,800
12 Billing and Accounting	48,900	48,500	400	0.8%	48,000
13 Communications	158,400	141,000	17,400	12.3%	126,600
14 Dues and Subscriptions	18,600	18,200	400	2.2%	16,600
15 Commission Support	7,800	8,600	(800)	-9.3%	12,000
16 Insurance Other than Group or Vehicle	345,000	326,600	18,400	5.6%	345,000
17 License and Permits	71,300	70,900	400	0.6%	69,900
18 Office Supplies	25,800	25,300	500	2.0%	26,400
19 Computer Software and Supplies	142,700	140,900	1,800	1.3%	141,900
20 Personnel Support	24,000	23,100	900	3.9%	24,900
21 Postage	77,400	74,900	2,500	3.3%	77,400
22 Public Education	34,800	33,800	1,000	3.0%	36,000
23 Recruitment and Advertising	5,700	5,400	300	5.6%	5,400
24 Special Functions	20,100	28,100	(8,000)	-28.5%	30,000
25 Travel and Meals	5,400	4,900	500	10.2%	6,000
26 Utilities	54,900	53,200	1,700	3.2%	48,600
Total Administration	1,193,500	1,163,100	30,400	2.6%	1,172,500

Line Item Definitions – Administration Expenses

- | | |
|---|---|
| 10. Bad Debts | Write off of un-collectible receivables. |
| 11. Bank/Bond Administration Fees | Monthly fees for credit card processing and maintaining operating and trust accounts. |
| 12. Billing and Accounting | Monthly fees associated with producing customer statements, lockbox processing fees, e-box processing fees, and printing forms. |
| 13. Communications | Telephone lines, answering service, cell phones, tablets, radios, cable, internet, etc. |
| 14. Dues and Subscriptions | Yearly dues for professional industry organizations (i.e. AWWA, GFOA, SCRWA, WEASC, WEF, etc.). |
| 15. Commission Support | Costs of Commissioner elections as required by state law, shirts, meeting refreshments, etc. |
| 16. Insurance Other than Group or Vehicle | General Tort Liability, Building and Property, Surety Bond, Data Processing, Cyber Insurance, Inland Marine, Business Interruption. |
| 17. Licenses and Permits | SC DHEC Fees, Lab License, Property Tax Fees, Staff License renewals. |

Line Item Definitions – Administration Expenses (continued)

18. Office Supplies	Includes all office supplies needed for administrative operations such as pens, paper, ink, and minor furniture such as chair replacements.
19. Computer Software and Supplies	Software and hardware upgrades, annual accounting/AMI/GIS software maintenance fees, computer supplies, computer repairs, etc.
20. Personnel Support	Annual health screening, flu shots, DOT physicals, kitchen supplies, community room supplies, etc.
21. Postage	Postage for mailing monthly statements and customer communications, shipping charges, postage meter lease and supplies.
22. Public Education	Customer newsletters and outreach, public notices, emergency notices, annual report, etc.
23. Recruitment and Advertising	Costs such as newspaper and online advertising, travel and per diems for replacement of vacant positions and legal noticing.
24. Special Functions	Special events, staff meetings, and community support.
25. Travel and meals	Meals, lodging, personal vehicle mileage reimbursement using Federal guidance, and miscellaneous expenses to attend meetings other than training and continuing education; i.e. meetings with DHEC, etc.
26. Utilities	Electricity, water, sewer, for the Administration building.

**FY'24 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 \$1,193,500 reflecting a \$30,400 increase compared to the FY'23 projections. Major/selected variances are as follows:

**FY'24 Budget
Variance Summary (Continued)**

Administration Expense (continued):

11. Bank/Bond Administration Fees are budgeted at \$130,500 for FY'24 which is a \$11,900 decrease from the FY'23 projections. The projections contain a one-time fee related to obtaining an issuer credit rating from Standard & Poor's which is not anticipated to be repeated.
13. Communications is budgeted at \$158,400 for FY'24. This is a \$17,400 increase from the FY'23 projection of \$141,000 due to conversion from DSL to fiber connections for our SCADA and metering systems which will enhance reliability and reduce down time on these crucial systems.
16. Insurance other than group or vehicle is budgeted at \$345,000 for FY'24. This is a \$18,400 increase from the FY'23 projections. While the insurance reserve fund (IRF) is not anticipating a rate increase for FY'24, they have applied an inflationary factor of 13% to our appraised values. The PSD is also expecting an increase in its cyber insurance policy. However, the IRF has also notified the PSD that it will no longer be carrying the policy on our underground assets which includes our fire hydrants, water transmission/distribution mains including the 24" wholesale water main, gravity sewer mains, and reclaimed water system lines. This policy carries an annual premium of around \$74,000. District staff is trying to find an outside carrier to quote this policy at a comparable to lower rate. As of yet, this policy has been too specific for all carriers contacted and they have declined to quote. If the District ends up self-funding this policy, there will be savings in this line item.
24. Special Functions is budgeted at \$20,100 which is a \$8,000 decrease from the FY'23 projection of \$28,100. This includes \$5,000 for community support and \$15,100 for PSD meetings and functions. The projection and FY'23 budget include \$10,000 worth of community support for the Barnwell Tabby Project. As of the date of budget preparation, this had not yet been spent. If it is not spent by the end of the fiscal year, it may be expended in FY'24.

Operations Expenses

	FY'24 Budget	FY'23 Projected 8+4	Variance		FY'23 Budget
			Increase (Decrease)	% Change	
Operations					
27 Biosolids Disposal	492,000	443,900	48,100	10.8%	444,000
28 Operations Chemicals	1,140,100	1,105,600	34,500	3.1%	897,700
29 Lab Chemicals and Supplies	24,300	23,500	800	3.4%	18,600
30 Fuel, Power and Utility	1,402,800	1,391,700	11,100	0.8%	1,322,400
31 Other Supplies and Materials	29,400	29,000	400	1.4%	19,500
32 Quality Analysis	15,000	11,400	3,600	31.6%	5,100
33 Safety	39,600	36,200	3,400	9.4%	45,000
34 SCADA Communications (Alarms)	37,200	36,300	900	2.5%	33,000
35 Tools and Small Equipment	41,700	40,500	1,200	3.0%	33,300
36 Vehicle Fuel	102,900	98,500	4,400	4.5%	90,600
37 Vehicles Insurance	24,600	22,600	2,000	8.8%	25,800
38 Vehicle Lease Management	6,600	3,800	2,800	73.7%	5,400
39 Vehicle Maintenance	24,900	24,600	300	1.2%	22,400
Total Operations	3,381,100	3,267,600	113,500	3.5%	2,962,800

Line Item Definitions – Operations Expenses

- | | | |
|-----|-------------------------------|--|
| 27. | Biosolids Disposal | Hauling and disposal of sludge. |
| 28. | Operations Chemicals | Sodium hypochlorite, granular chlorine, ammonia, re-agent pillows, lime, sulfur dioxide, polymers, degreasers. |
| 29. | 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. |
| 30. | Fuel, Power and Utility | Electricity, diesel, propane for treatment plants, wells, lift stations, RO Plant, ASR, etc. |
| 31. | Other Supplies and Materials | Miscellaneous operating expense items such as batteries, marking paint, tape, cleaner, etc. |
| 32. | Quality Analysis | Quality analysis testing. |
| 33. | 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. |
| 34. | SCADA Communications (Alarms) | Monthly cost of network service for SCADA (Supervisory Control and Data Acquisitions System) communications equipment. |

Line Item Definitions – Operations Expenses (continued)

- | | |
|-------------------------------|---|
| 35. 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. |
| 36. Fuel – Vehicles | Gasoline and diesel fuel for PSD’s fleet of vehicles. |
| 37. Insurance – Vehicles | Liability, collision and comprehensive insurance for fleet vehicles. |
| 38. Vehicle Lease Management | Management fees on vehicle leases. |
| 39. 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. |

**FY'24 Budget
Variance Summary**

Operations Expense:

This category covers the direct costs of operating the water distribution system, sewage collection system, wastewater treatment plant, and vehicle fleet. Such items as bio-solids disposal, chemicals, power, and lab support are included. The total budget for operations is \$3,381,100 reflecting a \$113,500 increase compared to the FY'23 projections. Major/selected variances include:

- 28. Biosolids disposal is budgeted at \$492,000 for FY'24 which is a \$48,100 increase from the FY'23 projection of \$443,900 due to a January 2023 landfill rate increase of 6%.
- 29. Operations chemicals are budgeted at \$1,140,100 for FY'24. This is a \$34,500 increase from the FY'23 projection of \$1,105,600. Chemical costs have continued to see significant inflationary increases during the fiscal year.

Maintenance Expenses

	FY'24 Budget	FY'23 Projected 8+4	Variance		FY'23 Budget
			Increase (Decrease)	% Change	
Maintenance					
40 ASR Maintenance	9,600	4,500	5,100	113.3%	10,200
41 Biosolids Maintenance	9,600	9,100	500	5.5%	5,100
42 Meter Device Maintenance	40,200	38,900	1,300	3.3%	30,600
43 Effluent System Maintenance	37,800	37,700	100	0.3%	31,500
44 Equipment Maintenance	37,200	36,600	600	1.6%	31,500
45 Facilities Maintenance	94,500	92,000	2,500	2.7%	96,900
46 Generator Maintenance	23,700	22,800	900	3.9%	24,000
47 Hydrant Maintenance	63,000	58,700	4,300	7.3%	66,000
48 Operations Grounds Maintenance	69,900	68,500	1,400	2.0%	69,900
49 Lift Station Maintenance	333,300	326,500	6,800	2.1%	318,000
50 Plant Maintenance - WWTP	75,000	62,100	12,900	20.8%	122,400
51 RO Maintenance	106,800	97,300	9,500	9.8%	126,000
52 SCADA Maintenance	43,200	42,600	600	1.4%	21,600
53 Water System Maintenance	210,000	165,000	45,000	27.3%	219,000
54 Sewer System Maintenance	225,000	218,000	7,000	3.2%	231,000
55 Tower & Tank Maintenance	160,800	33,700	127,100	377.2%	133,500
56 Well Maintenance	42,000	31,400	10,600	33.8%	48,000
Total Maintenance	1,581,600	1,345,400	236,200	17.6%	1,585,200

Line Item Definitions –Maintenance Expenses

- | | |
|--------------------------------------|---|
| 40. ASR Maintenance | Repairs and preventative maintenance for the ASR wells. |
| 41. Biosolids Maintenance | Repairs and preventative maintenance for the centrifuge, conveyor system, polymer system, and motor control system. |
| 42. Meter Device Maintenance | Repair and/or replacement of meter boxes/lids, touch readers, smartpoints, damaged meters, base stations and antennas. |
| 43. Effluent System Maintenance | Repairs and preventative maintenance to the effluent system. |
| 44. Equipment Maintenance | Repairs and preventative maintenance for operation equipment such as forklifts, bush hogs, sewer cleaning machines, leak detection equipment, lateral and main cameras, etc. |
| 45. Facilities Maintenance | Administrative building landscaping services, pest control, air conditioner service, dumpster disposal, janitorial supplies and services, and building repairs and maintenance. |
| 46. Generator Maintenance | Repairs and preventative maintenance to the administration building, WWTP, wells, and lift station emergency generators. |
| 47. Hydrant Maintenance | Repairs, testing, and preventative maintenance for hydrants. |
| 48. Operations - Grounds Maintenance | Contracted landscaping services at lift stations, wells, RO plant, WWTP, etc. |

Line Item Definitions – Maintenance Expenses (continued)

49. Lift Station Maintenance	Trouble shooting, repairs, and preventative maintenance at lift stations (pumps, electrical, float switches, etc.) and customer LPS systems.
50. Plant Maintenance - WWTP	Repairs and preventative maintenance on filter blowers, digester blowers, aeration blowers, equalization basin blowers, screw pumps, WWTP buildings, etc.
51. RO Maintenance	Repairs and preventative maintenance at the RO facility and wells.
52. SCADA Maintenance	Repairs, replacements, and maintenance of SCADA system including level indicators, radios, & antennas.
53. 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.
54. 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.
55. 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.
56. Well Maintenance	Materials and services to repair chlorinators, thermal valves, pumps, motors, and meters. Also includes infrared and vibration analysis.

**FY'24 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'24 budget is \$1,581,600 reflecting a \$236,200 increase compared to the FY'23 projections.

**FY'24 Budget
Variance Summary (continued)**

Maintenance (continued):

Note: Many of the following maintenance expense items can fluctuate significantly from year to year making them difficult to estimate. Depending on line item specific factors, the following budgeted amounts have been estimated utilizing future expectations and/or incremental budgeting (Using a previous period's budget or actual performance as a basis with incremental amounts adjusted for the new budget period).

Major/selected variances include:

50. Plant Maintenance – WWTP is budgeted at \$75,000 for FY'24 which is an increase of \$12,900 from FY'23 projections. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.
53. Water System Maintenance is budgeted at \$210,000 for FY'24 which is a \$45,000 increase from the FY'23 projection of \$165,000. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.
49. Tower & Tank Maintenance is budgeted at \$160,800 for FY'24 which is a \$127,100 increase from the FY'23 projection of \$33,700. Staff was able to achieve savings in this area for FY'23 by engaging a new vendor for FY'24. The prior vendor did not continue their contract past the first quarter of FY'23. The new vendor will also cover ground storage tank maintenance in FY'24 which was not covered under the prior contract.
51. Well maintenance is budgeted at \$42,000 for FY'24. This is a \$10,600 increase from the FY'23 projection of \$31,400. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.

Tap in and Water Expenses

	FY'24 Budget	FY'23 Projected 8+4	Variance		FY'23 Budget
			Increase (Decrease)	% Change	
Tap in and Connection Expenses					
57 Water Tap In Expenses	141,000	144,500	(3,500)	-2.4%	139,500
58 Sewer Connection Expenses	225,600	314,000	(88,400)	-28.2%	168,000
Total Connection Expenses	366,600	458,500	(91,900)	-20.0%	307,500
Water Expenses					
59 Purchased Water	812,000	766,200	45,800	6.0%	818,700
60 ASR Water	267,100	250,800	16,300	6.5%	254,800
Total Water Expenses	1,079,100	1,017,000	62,100	6.1%	1,073,500

Line Item Definitions – Tap in and Water Expenses

- | | | |
|-----|-----------------------------|---|
| 57. | Tap-in Expenses - Water | Water meters, meter boxes, tapping saddles, brass ball valves, curb stop and corporation stop, brass and cut-off valves. These materials expenses are off-set by Water Tap In Fees. |
| 58. | Connection Expenses – Sewer | Expenses associated with sewer connections which are offset by Sewer Connection Fees. |
| 59. | Purchased Water | Water that is purchased from BJWSA. |
| 60. | ASR Water | Water withdrawn from the ASR well. |

FY'24 Budget Variance Summary

Tap in and Water Expenses:

- 57/58. 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.
- 59/60. Purchased Water / ASR Water – BJWSA purchased water has been budgeted at \$812,000, a \$45,800 increase from FY'23 projections. ASR water has been budgeted at \$267,100, a \$16,300 increase from FY'23 projections.

**FY'24 Budget
Variance Summary**

Tap in and Water Expenses: (continued)

59/60. Water Expenses for FY'24 consist of two line items: Purchased Water Expense and ASR Water Expense. Purchased water expense consists of water that is purchased from BJWSA and not used to fill the ASR. ASR water expense is for water that has been drawn out of the ASR well for sale to customers. Purchased water can also be affected by periods of down time at the RO Plant or Wells.

The current wholesale rate charged by BJWSA is \$2.07 per thousand gallons of water purchased during peak periods. BJWSA has provided an estimated 3.0% - 5.0% increase to this rate which would put the wholesale rate between \$2.13 to \$2.18. The FY'24 budget allows for a 6.0% increase to incorporate this rate increase as well as a small allowance for downtime at the RO plant for maintenance. There was no significant downtime at the RO plant during FY'23 to date.

The off-peak rate for FY'24 (generally October through March) is \$1.04 cents per 1,000 gallons of water purchased in excess of contracted requirements. The off-peak rate is adjusted annually based on the July Consumer Price Index and BJWSA will provide 60 days' notice of their intent to adjust the rates. A 6.5% increase has been anticipated as a part of this budget which estimates the new off-peak rate at \$1.11.

Professional Fees and Depreciation Expense

	<u>FY'24 Budget</u>	<u>FY'23 Projected 8+4</u>	<u>Variance Increase (Decrease)</u>	<u>% Change</u>	<u>FY'23 Budget</u>
Professional Fees					
61 Professional Fees - Accounting	30,600	27,900	2,700	9.7%	30,000
62 Professional Fees - Engineering	75,000	240,000	(165,000)	-68.8%	170,100
63 Professional Fees - Legal	46,200	43,000	3,200	7.4%	33,600
64 Professional Fees - Other	25,200	11,300	13,900	123.0%	25,200
Total Professional Fees	<u>177,000</u>	<u>322,200</u>	<u>(145,200)</u>	-45.1%	<u>258,900</u>
Total Operating Expenses	<u>12,777,100</u>	<u>11,978,500</u>	<u>798,600</u>	6.7%	<u>11,891,800</u>
Operating Income before Depreciation	<u>2,389,000</u>	<u>2,788,100</u>	<u>(399,100)</u>	-14.3%	<u>2,746,300</u>
65 Depreciation	5,190,000	5,151,000	39,000	0.8%	5,190,000
Total Operating Expenses with Depreciation	<u>17,967,100</u>	<u>17,129,500</u>	<u>837,600</u>	4.9%	<u>17,081,800</u>
Change in Net Assets from Operations	<u>(2,801,000)</u>	<u>(2,362,900)</u>	<u>(438,100)</u>	18.5%	<u>(2,443,700)</u>

Line Item Definitions – Professional Fees and Depreciation

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

**FY'24 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'24 budget of \$177,000 reflects a \$145,200 decrease compared to the FY'23 projections. Major/selected variances include:

61. Professional fees accounting is budgeted at expected annual audit and financial consulting needs. It is expected that in future years, the District will incur additional expense in this area related to obtaining a single audit which is required when a governmental entity expends more than \$750,000 of federal funds in a fiscal year.
62. Professional fees engineering is budgeted at \$75,000 for FY'24 in anticipation of continued lead and copper work, condition studies, and other miscellaneous consulting needs. FY'23 contained continued work on the future water supply modeling and SCIIP grant application assistance. As the District heads into potential execution of SCIIP grant projects, engineering related those projects is expected to be capitalized into the ultimate cost of these projects.
63. Professional fees legal is budgeted at \$46,200 in consideration of potential redistricting, ARPA, or other infrastructure funding, and/or future water supply legal needs.
64. Professional fees other is budgeted at \$25,200 in consideration of prior five-year history and potential rate study, ARPA, or other infrastructure funding 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'24 is \$5,190,000, an increase of \$39,000 from the FY'23 projections.

Non-Operating Revenue

Non-Operating Revenue	FY'24 Budget	FY'23 Projected 8+4	Variance		FY'23 Budget
			Increase (Decrease)	% Change	
66 Property Taxes - GO Bond Levy	1,515,000	1,521,700	(6,700)	-0.4%	1,475,000
67 Property Taxes - Operations Levy	1,160,000	1,110,700	49,300	4.4%	1,060,000
68 Gain on Disposition of Assets	126,000	49,100	76,900	156.6%	30,000
69 Interest Income	390,000	517,400	(127,400)	-24.6%	60,000
70 Interest Income - Assessments	60,000	59,200	800	1.4%	56,200
71 Rental Income	87,600	86,100	1,500	1.7%	85,000
72 Tower Lease Income	570,900	573,800	(2,900)	-0.5%	595,500
73 Tower Lease Interest Income	32,100	33,100	(1,000)	-3.0%	-
Total Non-Operating Revenue	3,941,600	3,951,100	(9,500)	-0.2%	3,361,700

FY'24 Budget Variance Summary

Non-Operating Revenue:

- The FY'22 assessed values of the District were estimated by the County at \$369.3 million. The County had not provided an update of the estimated value at the time of budget preparation. Budgeted amounts were based on the prior year amount and a modest growth component based on prior year history.
- The General Obligation (GO) Debt Levy is estimated at \$1,515,000 for FY'24 to meet our general obligation debt payment requirements. The GO Debt millage rate is estimated at 4.1 mills, which is the same as the FY'23. The Operations Levy is set at 3.0 mills, the same level as FY'23, and is estimated at \$1,160,000 for FY'24. 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.
- Gain on Disposition of Assets is related to the replacement of vehicles. The CIP budget includes an allowance for additional vehicles. Vehicle prices have increased dramatically during the last fiscal year and many governmental incentive programs have been reduced. Staff intends to monitor the vehicle market and may delay purchasing new vehicles until a future year. If the CIP purchase is delayed, this line item will also be reduced. The District also plans to sell a sewer vacuum truck that has been taken out of service during FY'24.
- Interest Income is based on balances of our operating and trusts accounts invested in interest bearing investments. Interest is estimated 3.25%. The District is currently earning in excess of 4.5% on its reserve funds. This is a particularly variable estimate. If rates

continue at current levels, the District may earn significantly more revenue. If rates collapse, the District may earn significantly less income than budgeted.

- **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.
- **Rental Income** is collected from the Town of Hilton Head 911 Center located on the second floor of the District Administration Building and the Hilton Head Plantation POA Property Lease for the boat and RV storage lot (POA Property Lease is due an annual 3% increase each September).
- **Tower Lease Income** is generated from the cellular companies that have leased space on the District's water towers. Projections for FY'24 are based on 3 cellular customers (AT&T, T-Mobile, Verizon) for a total of 14 leases which contain annual escalators ranging from 3.0% to 5.0%. During FY'23, Sprint cancelled one of their two leases due to the merger with T-Mobile. For the other Sprint site, T-Mobile has opted to cancel their lease with us which runs through 2026 and maintain the other Sprint lease.

Non-Operating Expenses

	FY'24 Budget	FY'23 Projected 8+4	Variance		FY'23 Budget
			Increase (Decrease)	% Change	
Non-Operating Expenses					
74 Interest Expense - Vehicles	3,600	3,600	-	0.0%	12,000
75 Interest Expense - Bonds	273,600	308,700	(35,100)	-11.4%	310,600
76 Bond Defeasance Amortization	325,500	325,500	-	0.0%	325,500
77 Bond Issuance Cost	-	42,500	(42,500)	-100.0%	45,000
Total Non-Operating Expenses	602,700	680,300	(77,600)	-11.4%	693,100
Non-Operating Income/Expenses - Net	3,338,900	3,270,800	68,100	2.1%	2,668,600
Increase / Decrease in Net Assets before capital Contributions	537,900	907,900	(370,000)	-40.8%	224,900

FY'24 Budget Variance Summary

Non-Operating Expenses:

Interest Expense and Bond Defeasance Amortization – The FY'24 budget is based on the District's annual debt service schedules for all outstanding debt. As noted previously, no new debt is included in this budget. If an issuance is done, the issuance cost will most likely be funded through the issuance proceeds.

Summary of Capital Contributions

	FY'24 Budget	FY'23 Projected 8+4	Variance		FY'23 Budget
			Increase (Decrease)	% Change	
Capital Contributions					
78 Sewer Capacity Fees	156,000	330,700	(174,700)	-52.8%	156,000
79 Water Capacity Fees	114,000	183,100	(69,100)	-37.7%	114,000
80 Developer Contributions of Systems	50,000	50,000	-	0.0%	50,000
Total Developer Contributions of Systems	320,000	563,800	(243,800)	-43.2%	320,000
Change in Net Assets	\$ 857,900	\$ 1,471,700	\$ (613,800)	-41.7%	\$ 544,900

FY'24 Budget Variance Summary

Developer Contribution of Systems:

Water Capacity Fees: These payments are received from new taps to the system.

Sewer Capacity Fees: These payments are received from new sewer connections.

Sewer capacity fees are budgeted at \$156,000 and water capacity fees are budgeted at \$114,000 using a conservative estimate of new connections.

Developer Contribution of Systems anticipates the continuance of the joint hydrant program with the Town of Hilton Head.

Acronyms	
AMI	Automated Metering Infrastructure
ARPA	American Rescue Plan Act
ASR	Aquifer Storage and Recovery
CCR	Consumer Confidence Report
CIP	Capital Improvement Plan
COSA	Cost of Service Analysis
DHEC	Department of Health and Environmental Control
FTE	Full-time Employee
FY	Fiscal Year
GO	General Obligation Debt Funded
GFOA	Government Finance Officers Association
IJA	Infrastructure Investment and Jobs Act
IRF	Insurance Reserve Fund
IVR	Integrated Voice Response System
IT	Information Technology
LGIP	Local Government Investment Pool
LOM	Leg O Mutton road
LPS	Low Pressure Sewer
O&M	Operation and Maintenance
RAS	Return Activated Sludge
RD	Revenue Debt
RF	Rate Funded
RO	Reverse Osmosis
SCADA	Supervisory Control and Data Acquisition System
SCIIP	South Carolina Infrastructure Investment Program
SRF	State Revolving Fund
SIRF	State Infrastructure Revolving Fund
TF	Town Funded
VFD	Variable Frequency Drive
WWTP	Wastewater Treatment Plant

FY'24 Rate Funded Capital Improvement Plan Budget

CIP Projects			2024	2025	2026	2027	2028
CIP Rate Funded Projects (Amounts in 000's)		Priority Ranking					
WWTP							
WWTP switch Gear for Generator	Replace generator switch gear	2	250.0				
Reuse Water System	Upgrades, improvements, etc. to the reuse water system including pumps, motors, meters, valves, etc.	3	125.0	125.0	125.0	125.0	125.0
Filter Building Blowers	Replace 1 of 2 filter blowers. Blowers run during backwash.	4	40.0				
Return Activated Sludge (RAS) Pump Actuators	Replace actuators (4 actuators total/ replace 2 per year)	5	50.0	50.0			
RAS Pump	Rebuild valves & cartridges (4 pumps/1 per year)	6	60.0	60.0	60.0		
Transfer Pump Seal Water System	Repair/replace seal water system that keeps the transfer pumps cool	7	75.0				
Sludge Building	Replace metal shed sludge handling building	8	50.0				750.0
Clarifier Rims	Sandblast and coat clarifier rims and table	12	40.0				
Filter Building	Roof repairs at the filter building	13	30.0				
Paint Buildings and Tank	Paint buildings and tanks	16	90.0	50.0			
System Rehab	Replace valves, actuators, motors, parts, etc.	*	175.0	200.0	225.0	250.0	250.0
WWTP	Sensor Equipment					75.0	
Clarifier	Wier cleaning system				50.0	50.0	50.0
Grit Chamber	Bridge #1					50.0	
Influent Screen	Back up to band screen.			75.0			
Warehouse	Build new warehouse building				1,000.0		
TOTAL WWTP			\$ 985.0	\$ 1,235.0	\$ 1,460.0	\$ 550.0	\$ 1,175.0
Wastewater Collection System							
Gravity Main Line Refurbishment	Gravity sewer main line repairs and relining	1	350.0	350.0	350.0	350.0	350.0
SCADA Improvements	Improve communications between stations and towers	11	20.0	20.0	20.0	20.0	20.0
Lift Stations - Rehab	Rehab and pumps	*	275.0	300.0	300.0	300.0	350.0
District Funded MSP Projects	District Funded MSP Projects	*	25.0	25.0	25.0	25.0	25.0
Royal James L/S	Replace screen.			145.0			
System Rehab	Replace pipes, manholes, laterals, equipment as dictated by inspections	*	150.0	200.0	250.0	250.0	250.0
TOTAL COLLECTION SYSTEM			\$ 820.0	\$ 1,040.0	\$ 945.0	\$ 945.0	\$ 995.0
Water Production/Distribution System							
SCADA Improvements	SCADA upgrades to water system	9	75.0	75.0	75.0	75.0	75.0
RO Plant	Replace actuators	14	40.0	40.0	40.0		
Fire Hydrants	New and replacement hydrants	*	115.0	115.0	115.0	115.0	115.0
Metering System	Changing out meters and base stations	*	400.0	400.0	400.0	400.0	400.0
Leg O Mutton Booster Pump Station	Matching funds for County ARPA	*	100.0				
Ground Storage Tank and Well Pumps	VFD's, PLC's	*	50.0	50.0	50.0	50.0	50.0
System Rehab	Replace valves, equipment, RO membranes etc.	*	95.0	100.0	105.0	110.0	110.0
TOTAL DISTRIBUTION SYSTEM			\$ 875.0	\$ 780.0	\$ 785.0	\$ 750.0	\$ 750.0
Facilities and Equipment							
4" Bypass Pump	Pumps to bypass lift stations	10	45.0				
Operations Equipment - Lab	Micro Early Detection for lab	15	15.0				
Operations Equipment - Water	Line locator equipment			30.0			
Admin Building - AC	AC Replacements					300.0	
Admin Building	Paint, carpet, etc.	*	30.0	30.0	30.0	30.0	30.0
Technology	General computer equipment	*	30.0	30.0	30.0	30.0	30.0
Excavator	Mini Excavator					75.0	
Vehicles	Fleet replacements	17	250.0	250.0	250.0	250.0	250.0
TOTAL FACILITIES AND EQUIPMENT			\$ 370.0	\$ 340.0	\$ 310.0	\$ 685.0	\$ 310.0
TOTAL RATE FUNDED CIP PROJECTS			\$ 3,050.0	\$ 3,395.0	\$ 3,500.0	\$ 2,930.0	\$ 3,230.0

* These are ongoing projects to be performed and completed on an as needed basis. As such, they have not been given a ranking.

**FY'24 Rate Related CIP Projects
 Funded from User Fees**

Wastewater Treatment Plant

Generator.....	\$250,000
• Replace generator switch gear.	
Reuse Water System.....	\$125,000
• Replace 25-year-old valves at Cypress, Golden Bear, and Palmetto Hall	
Filter Building Blowers	\$40,000
• Replace 1 of 2 filter blowers.	
RAS Pump Actuators.....	\$50,000
• Replace actuators (4 actuators total/2 per year)	
RAS Pumps.....	\$60,000
• Rebuild valves & cartridges (4 pumps/1per year).	
Transfer Pump Seal Water System.....	\$75,000
• Repair/replace seal water system that keeps the transfer pumps cool.	
Sludge Building.....	\$50,000
• Repairs to stabilize the metal shed sludge handling building until complete replacement can be budgeted.	
Clarifier Rims.....	\$40,000
• Sandblast and coat clarifier rims and table.	
Filter Building.....	\$30,000
• Roof repairs at the filter building.	
Paint Buildings and Tanks.....	\$90,000
• Paint WWTP buildings and tanks.	
System Rehab.....	\$175,000
• Replace valves, actuators, motors, parts, etc.	
Total Wastewater Treatment Plant.....	\$985,000

Wastewater Treatment Plant (continued)

WWTP (Amounts in 000's)	2024	2025	2026	2027	2028
WWTP switch Gear for Generator	250.0	-	-	-	-
Reuse Water System	125.0	125.0	125.0	125.0	125.0
Filter Building Blowers	40.0	-	-	-	-
Return Activated Sludge (RAS) Pump Actuators	50.0	50.0	-	-	-
RAS Pump	60.0	60.0	60.0	-	-
Transfer Pump Seal Water System	75.0	-	-	-	-
Sludge Building	50.0	-	-	-	750.0
Clarifier Rims	40.0	-	-	-	-
Filter Building Roof	30.0	-	-	-	-
Paint Buildings and Tank	90.0	50.0	-	-	-
System Rehab	175.0	200.0	225.0	250.0	250.0
Senor Equipment	-	-	-	75.0	-
Clarifier	-	-	50.0	50.0	50.0
Grit Chamber	-	-	-	50.0	-
Influent Screen	-	750.0	-	-	-
Warehouse	-	-	1,000.0	-	-
	\$ 985.0	\$ 1,235.0	\$ 1,460.0	\$ 550.0	\$ 1,175.0

Wastewater Collection System

- Gravity Main Line Refurbishment.....\$350,000**
- Reline 24” and 30” metal pipe in Indigo Run.
- SCADA Improvements.....\$20,000**
- Improve communications between stations and towers.
- Lift Station Rehab\$275,000**
- Major repairs and replacements to PSD lift stations.
- District Funded MSP Projects.....\$25,000**
- Continued District funding of remaining unserved MSP Projects.
- System Rehab.....\$150,000**
- Replace equipment, pipes, manholes, laterals as dictated by inspections.
- Total Collection System\$820,000***

Collection System (Amounts in 000's)	2024	2025	2026	2027	2028
Gravity Main Line Refurbishment	350.0	350.0	350.0	350.0	350.0
SCADA Improvements	20.0	20.0	20.0	20.0	20.0
Lift Stations - Rehab	275.0	300.0	300.0	300.0	350.0
District Funded MSP Projects	25.0	25.0	25.0	25.0	25.0
Royal James L/S	-	145.0	-	-	-
System Rehab	150.0	200.0	250.0	250.0	250.0
	\$ 820.0	\$ 1,040.0	\$ 945.0	\$ 945.0	\$ 995.0

Water Distribution System

- SCADA Improvements.....\$75,000**
- Improve communications between stations and towers.
- Reverse Osmosis Plant.....\$40,000**
- Replace actuators, valves, etc.
- Fire Hydrants\$115,000**
- New hydrants and hydrant repairs/replacements. The PSD anticipates the continuation of the partnership with the Town of Hilton Head whereby they will reimburse 50% of the cost of new hydrants in selected areas up to \$50,000.
- Metering System.....\$400,000**
- Change out meters and base stations.
- Leg O Mutton Booster Pump Station.....\$100,000**
- Preliminary estimates indicate an additional match of \$100,000 may be necessary to complete this project being funded primarily by Beaufort County ARPA funds.
- Ground storage tank, well pumps & controls\$50,000**
- VFD's, PLC's, etc.
- System Rehab\$95,000**
- Replace valves, equipment, RO membranes, etc.
- Total Distribution System\$875,000**

Distribution System (Amounts in 000's)	2024	2025	2026	2027	2028
SCADA Improvements	75.0	75.0	75.0	75.0	75.0
RO Plant	40.0	40.0	40.0	-	-
Fire Hydrants	115.0	115.0	115.0	115.0	115.0
Metering System	400.0	400.0	400.0	400.0	400.0
Leg O Mutton Booster Pump Station	100.0	-	-	-	-
Ground Storage Tank and Well Pumps	50.0	50.0	50.0	50.0	50.0
System Rehab	95.0	100.0	105.0	110.0	110.0
	\$ 875.0	\$ 780.0	\$ 785.0	\$ 750.0	\$ 750.0

NOTE: Any remaining unused portion of the FY'23 \$100,000 U.S. 278 Bridge Transportation Project budget will be carried over into FY'24 should any expenses need to be incurred related to this project. The District believes that it will be reimbursed for the majority of the costs associated with this project but the timeline of the project and anticipated reimbursements is unknown. Reimbursement may not be received in the same fiscal year expenses are incurred.

Facilities and Equipment

- 4" Bypass Pumps.....\$45,000**
- This will be added to the \$60,000 funded by the FY'23 budget which will be carried forward to allow for a total of \$105,000 in FY'24 for a large 10" or 12" pump to bypass the WWTP screw pumps.
- Operations Equipment - Lab.....\$15,000**
- Micro Early Detection Equipment for the lab.
- Admin Building.....\$30,000**
- General major repairs, furniture, and fixtures for the administrative building.
- Technology.....\$30,000**
- General computer equipment.
- Vehicles.....\$250,000**
- Funding for up to six new fleet vehicles. Vehicle prices have risen dramatically during the past fiscal year and many governmental incentive programs have been reduced. Staff intends to monitor the market and may delay purchases dependent upon needs and market conditions.
- Total Facilities and Equipment.....\$370,000**

Facilities and Equipment (Amounts in 000's)	2024	2025	2026	2027	2028
4" Bypass Pump	45.0	-	-	-	-
Operations Equipment - Lab	15.0	-	-	-	-
Operations Equipment - Water	-	30.0	-	-	-
Admin Building - AC	-	-	-	300.0	-
Admin Building	30.0	30.0	30.0	30.0	30.0
Technology	30.0	30.0	30.0	30.0	30.0
Excavator	-	-	-	75.0	-
Vehicles	250.0	250.0	250.0	250.0	250.0
	\$ 370.0	\$ 340.0	\$ 310.0	\$ 685.0	\$ 310.0

Total FY'24 Rate Funded CIP Projects..... \$3,050,000

NOTE: The District will also carry over any unfinished FY'23 CIP projects into to FY'24 for completion.

FY'24 Potential Debt Funded Projects

Staff has compiled the following list of larger projects for which it may recommend debt financing during FY'24. As previously noted, the District may be able to issue between \$5,000,000 and \$20,000,000 of GO Debt without significantly altering the current GO millage rate. The District also has a high enough debt coverage ratio to consider additional revenue debt. At the time of budget preparation, staff was still awaiting a decision on its SCIIP grant application. This application estimated a \$7,000,000 local match. Once the District receives the final decision on this award, staff will begin the process of determining a recommended slate of debt funded projects.

In addition to the matching funds for the SCIIP Grant, there are several larger wastewater treatment plant projects staff would consider recommending for debt funding. Some of these items are included in future years of the five-year CIP plan which would free up additional rate funded revenue in future years if they could be funded via a debt issuance. The District is also evaluating the cost versus benefit of on-site chlorine generation for the wastewater treatment plant and/or RO plant to combat the inflationary increases the District has seen in bulk purchase of this chemical. A list of these potential projects can be found below.

CIP Projects - Potential WWTP Debt Projects (Amounts in 000's)		Est. Project Total
WWTP Screw Pumps	Replacement of 3 Screw Pumps	\$ 3,500.0
WWTP	On-site chemical generation equipment	3,800.0
Collections - Royal James Lift Station	Tank, Pump, and Site Upgrade	3,150.0
WWTP Influent Screen	Back-up to Band Screen	750.0
WWTP Sludge Building	Replace Sludge Building	750.0
WWTP Warehouse	Replace Warehouse Building	1,000.0
TOTAL		\$ 12,950.0

CIP Projects - Potential Water Debt Projects (Amounts in 000's)		Est. Project Total
SCIIP Grant Matching Funds	ASR-2, RO Expansion	\$ 7,000.0
RO Plant	On-site chemical generation equipment	2,500.0
RO Plant	Generator for RO Plant	1,000.0
TOTAL		\$ 10,500.0

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

These projects are not included in any of the cash flow projections and are provided for planning purposes only at this time. Staff will bring a financing plan for any of the projects it recommends pursuing to the Commission at a later date.

Cash Flow and Five-Year Projections

Cash Flow

The table below shows a summary of FY'22 actual cash flow, FY'23 projected cash flow, and FY'24 budgeted cash flow. Cash is currently projected to decrease by approximately \$466,100 for FY'23 and decrease by approximately \$208,900 for FY'24 based on budgeted numbers.

Preliminary Cash Flow Projections	Actual FY 2022	Projected FY 2023	Budgeted FY 2024
Beginning Cash on Hand	\$ 10,289,400	\$ 13,504,600	\$ 13,038,500
(Projected) Change in Net Position	3,016,300	1,471,700	857,900
Less Financed Assessments Capacity and Tap Fees	(33,800)	(10,800)	-
Accrual Changes	173,500	-	-
Add Depreciation	5,142,800	5,151,000	5,190,000
Add Amortization / Bond Defeasance	325,500	325,500	325,500
Add Interest Expense	350,600	312,300	277,200
Add Assessment Collections	209,200	205,000	205,000
Add Debt Proceeds	-	235,000	-
- Debt Payments	(3,940,800)	(3,961,800)	(4,014,500)
- Capital Improvement Projects (transfer & additions)	(2,028,100)	(4,194,000)	(3,050,000)
(Projected) Cash on Hand	<u>\$ 13,504,600</u>	<u>\$ 13,038,500</u>	<u>\$ 12,829,600</u>

Composition of Cash	Actual FY 2022	Projected FY 2023	Budgeted FY 2024
Restricted Cash on hand for Debt Service	\$ 681,100	\$ 681,100	\$ 681,100
Restricted Cash on hand for Debt Service - GO Debt Levy	206,600	206,600	206,600
Unrestricted Cash	<u>12,616,900</u>	<u>12,150,800</u>	<u>11,941,900</u>
Total Cash on Hand	<u>\$ 13,504,600</u>	<u>\$ 13,038,500</u>	<u>\$ 12,829,600</u>
(Projected) Change related to Cash on Hand	<u>\$ 3,215,200</u>	<u>\$ (466,100)</u>	<u>\$ (208,900)</u>

You will notice that the actual FY'22 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'23 projection, FY'24 budget, and future year projections do not attempt to project these timing-related accrual differences. In particular, FY'23 CIP projects that are not completed by the fiscal year end, may be carried over into FY'24 for completion. As previously noted, the table above also does not attempt to project any cash flow related to debt financing of the infrastructure or future water supply projects shown on the previous page.

Cash Flow and 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'23 and FY'24 are based on the current year projections and budget. Water and Sewer revenues for FY'25 – FY'28 are projected based on a 1.0% water customer growth rate and a 1.2% sewer customer growth rate; no additional rate increases are shown as a part of this projection. Other revenues and expenses are projected based on any known expectations and growth rates from 0-3% with most expense growth rates set at 2%. This projection is meant to be a high-level snapshot of the District's five-year financial position at current rates with current expectations only. Future year budgets and rates will be prepared and proposed based on the updated needs of the District at that time. This projection does not include any impacts related to the potential debt funded infrastructure or future water supply projects shown on page 43.

	Projected FY'23	Budget FY'24	Projection FY'25	Projection FY'26	Projection FY'27	Projection FY'28
Total Operating Revenue	\$ 14,766,600	\$ 15,166,100	\$ 15,289,300	\$ 15,414,000	\$ 15,540,200	\$ 15,667,700
Total Operating Expenses with Depreciation	17,129,500	17,967,100	18,239,600	18,518,700	18,804,500	19,097,300
Change in Net Position from Operations	(2,362,900)	(2,801,000)	(2,950,300)	(3,104,700)	(3,264,300)	(3,429,600)
Total Non-Operating Revenue	3,951,100	3,941,600	3,779,700	3,857,000	3,934,400	3,171,800
Total Non-Operating Expenses	680,300	602,700	563,400	518,800	474,200	428,600
Non-Operating Income/Expenses - Net	3,270,800	3,338,900	3,216,300	3,338,200	3,460,200	2,743,200
Increase in Net Position before Capital Contributions	907,900	537,900	266,000	233,500	195,900	(686,400)
Total Capital Contributions	563,800	320,000	320,000	320,000	320,000	320,000
Change in Net Position	\$ 1,471,700	\$ 857,900	\$ 586,000	\$ 553,500	\$ 515,900	\$ (366,400)
Total CIP Budget Cash Flow	(4,194,000)	(3,050,000)	(3,395,000)	(3,500,000)	(2,930,000)	(3,230,000)
Add: Non Cash Depreciation Expense	5,151,000	5,190,000	5,190,000	5,190,000	5,190,000	5,190,000
Less: Debt Service Payments	(3,961,800)	(4,014,500)	(3,853,000)	(3,775,500)	(3,809,100)	(3,011,700)
Other Debt Related Adjustments	637,800	602,700	563,400	518,800	474,200	428,600
FFA Assessment, net	429,200	205,000	205,000	205,000	205,000	205,000
Total Non-CIP Other Cash Flow Adjustments	2,256,200	1,983,200	2,105,400	2,138,300	2,060,100	2,811,900
Projected Change in Cash Flow	\$ (466,100)	\$ (208,900)	\$ (703,600)	\$ (808,200)	\$ (354,000)	\$ (784,500)
Projected Beginning Unrestricted Cash	12,616,900	12,150,800	11,941,900	11,238,300	10,430,100	10,076,100
Projected Ending Unrestricted Cash	\$ 12,150,800	\$ 11,941,900	\$ 11,238,300	\$ 10,430,100	\$ 10,076,100	\$ 9,291,600
Projected Days Cash on Hand	370	341	314	286	270	244
Projected Net Earnings Available for Debt Service	5,932,700	5,287,000	5,189,900	5,073,400	4,955,900	4,830,100
Parity Revenue Debt Service	2,438,000	2,461,000	2,468,300	2,435,200	2,430,000	2,434,500
Projected Debt Coverage with Capacity Fees	243%	215%	210%	208%	204%	198%
Projected Debt Coverage without Capacity Fees	222%	204%	199%	197%	193%	187%

FY' 24 Schedule of Rates, Fees, and Deposits

Water & Irrigation Monthly Base Rate per Unit:		Sewer Base Monthly Rate per Unit:	
Residential Customers	16.50	Residential Customers	18.50
Commercial Customers	21.50	Commercial Customers	18.50
Residential Water		Residential & Commercial Sewer	
Monthly Usage Rates per 1,000 Gallons:		Monthly Usage Rates per 1,000 Gallons:	
Block 1 - 0 to 10,000 Gal	1.52	Residential sewer usage is capped at 10,000 gallons per month. There is no cap on commercial sewer usage.	
Block 2 - 10,001 to 20,000 Gal	2.11		
Block 3 - 20,001 to 30,000 Gal	2.54		
Block 4 - All Over 30,000 Gal	3.38		
Commercial Water & Irrigation		Meter Install Fees	
Monthly Usage Rates per 1,000 Gallons:		(Existing Service Line)	
Block 1 - 0 to 10,000 Gal	1.69	3/4" Meter	1,180.00
Block 2 - 10,001 to 20,000 Gal	2.11	1" Meter	1,500.00
Block 3 - 20,001 to 30,000 Gal	2.54	2" Meter and Backflow	3,440.00
Block 4 - All Over 30,000 Gal	3.38	Any other size	Time & Materials
Residential Irrigation		Meter Install Fees	
Monthly Usage Rates per 1,000 Gallons:		(No Existing Service Line)	
Block 1 - 0 to 10,000 Gal	2.11	3/4" Meter	1,390.00
Block 2 - 10,001 to 20,000 Gal	2.11	1" Meter	1,710.00
Block 3 - 20,001 to 30,000 Gal	2.54	Any other size	Time & Materials
Block 4 - All Over 30,000 Gal	3.38	Sewer Lateral Installation Fees	
		Greater of \$1,200 or Time & Materials	
Other Fees & Charges		Capactiv Fees (per unit):	
Grease Trap Inspection Fee	100.00	Water Capacity (House)	2,400.00
Backflow Inspection Fee	175.00	Water Capacity (Mobile Home)	1,800.00
Sewer Connection Fee	150.00	Sewer Capacity	3,040.00
Hydrant Meter Set Fee	200.00	Deposits:	
Late Fees	Greater of \$5 or 2%	Residential Deposit	100.00
Returned Payment Fees	15.00	Contractor Deposit	100.00
Reconnection Fee	35.00	Commercial Deposit	200.00
Meter Tampering	50.00	Hourly Labor Rate for time and materials and for	
System/Meter Damage	Time & Materials	work performed for outside agencies	
		65.00	