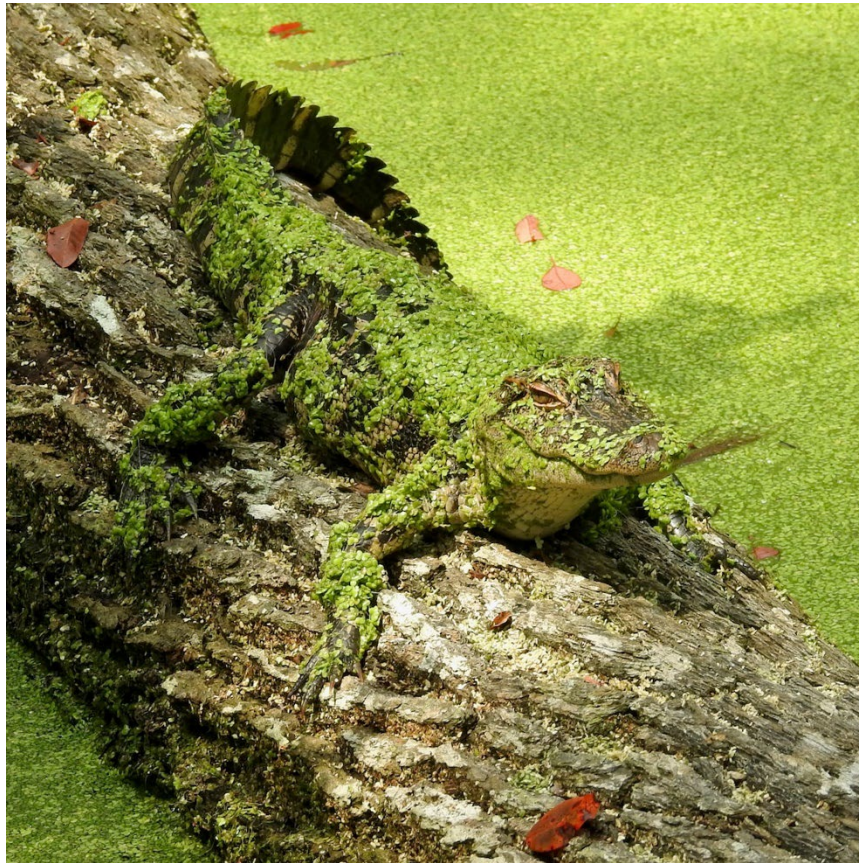




# FY'25 Budget



Prepared by the Finance Department

April 2024

**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, 2024 AND ENDING JUNE 30, 2025; 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, 2024 and ending June 30, 2025; 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 26, 2024.

**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, 2024 and ending June 30, 2025, 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 unused appropriated funds within and between departments and capital projects as necessary to achieve the goals of the budget and may carry forward unused appropriated capital and other project funds from the prior year into following years for completion.

2. Upon the due adoption of this Resolution by the Commission and the filing of a certified copy of this Resolution with the Clerk of Court of Beaufort County, the new rates shall take effect on July 1, 2024.

3. As required by the Enabling Legislation and Section 6-1-330 of the Code of Laws of South Carolina 1976, as amended, a public hearing on the proposed amendments to the District's water and sewer rates, fees, and charges was held by the Commission on the date hereof prior to the adoption of this Resolution. Notice of the public hearing was duly published in advance of the public hearing in the Island Packet, a newspaper of general circulation on Hilton Head Island. The notice appeared at least once during each of three successive weeks in advance of the public hearing.

4. In addition to the notice of public hearing, in accordance with the Enabling Legislation, a copy of the above rate schedule was posted in at least 2 conspicuous places in the District.

5. The Commission hereby authorizes the General Manager of the District to undertake and do all things necessary to implement and carry-out the provisions of this Resolution.

DONE IN A MEETING DULY ASSEMBLED, this 26<sup>th</sup> day of June, 2024,

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT,  
SOUTH CAROLINA

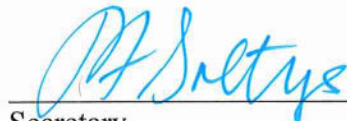


Chair

Hilton Head No.1 Public Service District Commission

(SEAL)

Attest:



Secretary

Hilton Head No.1 Public Service District Commission



# FY'25 Budget

## Exhibit A

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Prepared by the Finance Department

April 2024

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On the cover: Photo by Jack Alderman of an alligator in the Whooping Crane Pond Conservancy. Hilton Head PSD recycles approximately 1 billion gallons of highly treated wastewater into reclaimed water for wetland habitat renourishment and golf course irrigation.

## **Executive Summary**

### *A. Letter of Transmittal*

The Hilton Head PSD staff is pleased to present to the PSD Commissioners the fiscal year 2025 (FY'25) Operating & Maintenance (O&M) Budget and the FY'25 Capital Improvement Plan (CIP). Staff believes the budgets are consistent with the Commission's budget directives and strategic planning efforts.

The upcoming FY'25 is projected to be a busy year devoted to tackling large capital projects. These projects are fueled by a combination of infrastructure funding grants, projects of other agencies which will impact the District, and routine aging infrastructure needs. In anticipation of these projects, and in line with a declining General Obligation (GO) debt schedule, the District sought and received authorization from Beaufort County Council during FY'24 to issue up to \$23 million in GO debt over the next five years to support funding these projects.

The District successfully applied for a \$10 million South Carolina Infrastructure Investment Program (SCIIP) grant to expand its Reserve Osmosis (RO) treatment plant capacity and build a second Aquifer Storage and Recovery (ASR) well. The District believes these projects will significantly meet its future water supply for the near term while providing additional resiliency and improving water quality. The initial expected local matching funds for both projects was estimated at \$7 million by the District's engineers at the time of grant application. However, while the District has seen a cool down on inflation in some of its larger operating expense areas, such as biosolids and chemicals, it is now experiencing significant inflationary pressures in its capital projects. Based on recent experience with other capital projects, the District may need to spend significantly more than this estimate to complete these projects. During FY'24, the District was tentatively approved for a low-interest loan of up to \$2.59 million from the State Revolving Fund (SRF) for the engineering portion of the local matching funds. The District expects to finalize this loan during FY'25. The District anticipates receiving construction bids for the SCIIP projects in June 2024. After receipt of the final bid amounts, the District staff plans to propose a second GO debt issuance for these projects as well as other larger projects.

During FY'23, the District successfully petitioned Beaufort County (BC) for a \$1,000,000 allocation of its American Rescue Plan Act (ARPA) infrastructure funding to replace and upgrade the Leg O Mutton (LOM) booster pump station and to contribute towards an emergency generator at the RO plant. The RO plant generator will be included as a part of the RO Plant Expansion SCIIP project discussed above. The existing LOM booster pump station has reached the end of its 40-year life and is one of the PSD's most crucial water distribution system assets. The LOM Booster Pump Station project was a prime example of significant inflation in construction bidding. The engineering construction estimate was \$1.5 million, and the low bid came in at \$2.0 million. The preliminary engineering costs on this project are included in the approved SRF loan discussed above. The District expects to fund the remaining matching funds necessary through the second proposed GO debt issuance.

The District has also been informed that the South Carolina Department of Transportation (SCDOT) US 278 Hilton Head Island bridge replacement project may commence during the upcoming fiscal year. This project is expected to require the relocation of the District's 24''

purchased water transmission pipeline that is buried in the vicinity of the bridges to Hilton Head Island. This may also impact other smaller water and sewer mains in the area. Under the current SC Utility Relocation Act, the District expects that up to 4.5% of the overall bridge replacement project budget will be reimbursable to the District and Broad Creek PSD who are joint owners of the pipeline. However, the final project budget is unknown at this time as well as the overall cost of the relocation. The District expects that it will have to incur engineering costs up front during FY'25 and then request reimbursement from the SCDOT for those costs. An estimate of those engineering costs and related reimbursements have been included in this budget. Even if all costs related to this project are ultimately fully reimbursed by the SCDOT, this project will require a significant amount of District staff time to administer.

As with all asset intensive operations, asset management is an ongoing endeavor for the District which becomes more essential and challenging each year as our infrastructure, property, plant, and equipment totaling over \$160,000,000 ages. This budget proposes a cash funded CIP of approximately \$11.3 million. When the grant funded and reimbursable projects discussed above are removed, the proposed ongoing CIP budget comes to \$3.8 million. Additionally, District staff has identified a number of larger projects it would like to consider using the remaining \$23 million GO bond authorization to fund in upcoming years

Inflation and supply chain issues continued to significantly impact the District's operations. As noted above, inflationary pressures shifted from the areas of biosolids and chemicals to capital and maintenance expenses during FY'24. In FY'25, the District also expects to see significant, inflationary increases in health insurance and its wholesale purchased water expense. This FY'25 budget provides for current, known inflationary increases as well as anticipating additional inflationary increases at a lower level during the next year, generally in the 2-3% range. Supply chain issues are also expected to continue to remain a challenge. In some cases, inventory and parts can take upwards of a year to arrive after an initial order is placed. This scarcity continues to fuel upward price momentum and bring a level of uncertainty to our ability to execute our capital projects.

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

In line with the District's policy of fiscal conservatism, revenues are projected at levels that do not rely on significant additional customer growth. Weather is one major factor that the District cannot predict nor plan for. Cool, rainy weather will generally negatively affect the District's revenues while warm, dry weather will often have the opposite effect. Cool, rainy weather in FY'24 to date has negatively affected our water consumption revenues. Consumption levels for the FY'25 budget are based on the previous 12 months consumption with a moderate allowance for customer growth. Expenditures are projected at levels that aim to ensure effective operation of our crucial water and sewer operations while maintaining our current service levels.

The FY'25 operating and capital budgets seek to conservatively project our revenue and expenditure needs for the upcoming year in light of the continued volatile and inflationary environment while minimizing rate increases to our customers. All of these unknowns have led to a need for greater flexibility as the District analyzes and adapts to changing environments and opportunities. Longer lead times, price volatility, and a difficult labor market have made it necessary to ensure the District is financially positioned to meet these challenges in the upcoming year and beyond.

### ***B. Organization Information***

Hilton Head PSD is a special purpose district created by the South Carolina General Assembly in 1969 to provide water and sewer services to Hilton Head Island. The PSD serves more than 19,700 customer accounts in the north- and mid-island areas of Hilton Head Island where many of the Island's full-time residents reside. The PSD can provide a maximum water demand of 13 million gallons a day (mgd) and experiences an average demand of 7 mgd which is provided through its Reverse Osmosis (RO) water treatment plant, Upper Floridan wells, Aquifer Storage and Recovery (ASR) well, and wholesale water which is purchased from Beaufort Jasper Water & Sewer Authority (BJWSA). In addition to its RO plant, ASR, and Upper Floridan wells, the PSD maintains over 250 miles of water distribution mains, 220 miles of sewer collection mains, 5 elevated storage tanks, 3 ground-level storage tanks, 1,500 hydrants, 126 sewer lift stations, 13,500 customer water meters, 500 customer Low Pressure Sewer (LPS) systems, and a 6.4 mgd tertiary-treatment, return activated sludge (RAS) recycled water wastewater treatment plant.

### ***C. Commission Directives***

The Hilton Head Public Service District Commission has directed staff to create O&M budgets and a CIP for FY'25. The following general standards are used in budget preparation:

1. General Rate Review – Rates, charges and fees underwent a comprehensive Cost of Service Analysis (COSA) as part of the FY'25 budgeting process to ensure rates are sufficient to provide revenues to meet the District's FY'25 operating expenses and debt coverage ratios.
2. Operating and Maintenance Budget – As defined in the District's Finance Policies, operating expenses excluding depreciation will not exceed operating revenues.
3. Efficiency – Continued efforts to improve District efficiency and employee productivity.
4. Staff Compensation – Is to be adequate compensation for responsibilities, recognize individual productivity and be competitive with the labor market.
5. Customer Service - Maintain or improve current Operations and Customer Service levels.
6. Adequate Cash Flow – Maintain a positive cash flow and resources to meet anticipated events and increase overall cash reserves.

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

	FY'25 Budget	FY'24 Projected	Variance (FY'24 Proj. to FY'25 Budget)		FY'24 Budget
			Increase (Decrease)	% Change	
Total Operating Revenue	\$ 16,055,400	\$ 15,036,100	\$ 1,019,300	6.8%	\$ 15,166,100
Total Operating Expenses with Depreciation	18,627,900	17,477,700	1,150,200	6.6%	17,967,100
<b>Change in Net Position from Operations</b>	<b>(2,572,500)</b>	<b>(2,441,600)</b>	<b>(130,900)</b>	<b>5.4%</b>	<b>(2,801,000)</b>
Total Non-Operating Revenue	4,233,200	4,591,400	(358,200)	-7.8%	3,941,600
Total Non-Operating Expenses	515,400	602,600	(87,200)	-14.5%	602,700
<b>Non-Operating Income/Expenses - Net</b>	<b>3,717,800</b>	<b>3,988,800</b>	<b>(271,000)</b>	<b>-6.8%</b>	<b>3,338,900</b>
Increase / Decrease in Net Position before Capital Contributions	1,145,300	1,547,200	(401,900)	-26.0%	537,900
Total Capital Contributions	7,820,000	1,263,100	6,556,900	519.1%	320,000
<b>Change in Net Position</b>	<b>\$ 8,965,300</b>	<b>\$ 2,810,300</b>	<b>\$ 6,155,000</b>	<b>219.0%</b>	<b>\$ 857,900</b>
<b>Total CIP Budget Cash Flow</b>	<b>(11,295,000)</b>	<b>(3,374,000)</b>	<b>(7,921,000)</b>	<b>234.8%</b>	<b>(3,050,000)</b>
Add: Non Cash Depreciation Expense	5,250,000	5,187,600	62,400	1.2%	5,190,000
Less: Existing Debt Service Payments	(3,853,000)	(4,014,500)	161,500	-4.0%	(4,014,500)
Other Debt Related Adjustments	515,400	602,600	(87,200)	-14.5%	602,700
FFA Assessments, net	132,000	95,000	37,000	38.9%	205,000
Total Non-CIP Other Cash Flow Adjustments	2,044,400	1,870,700	173,700	9.3%	1,983,200
<b>Project. Change in Cash Flow before Project. SRF Debt</b>	<b>\$ (285,300)</b>	<b>\$ 1,307,000</b>	<b>\$(1,592,300)</b>	<b>-121.8%</b>	<b>\$ (208,900)</b>
Add: Projected SRF Loan Issuance Less Bond Issuance Cost	2,547,500	-			
Less: SCIIP/ARPA SRF Engineering Funded by SRF Loan	(110,000)	(1,630,000)			
Less: Projected SRF Loan Debt Service	(79,500)	-			
Less: Remaining GO Available for 2nd GO Issuance	(382,800)	(217,700)			
<b>Project. Change in Unrestricted Cash Flow w/ Project. SRF</b>	<b>\$ 1,689,900</b>	<b>\$ (540,700)</b>			<b>\$ (208,900)</b>

**D. Budget Highlights**

The FY'25 Budget highlights are:

1. Operating Revenues are budgeted at \$16,055,400 which is a \$1,019,300 or 6.8% increase from FY'24 projections. This increase is the result of proposed water and sewer rate increases and a small growth projection.
2. Operating Expenses are budgeted at \$18,627,900 which is a \$1,150,200 or 6.6% increase from FY'24 projections. Some key highlights include:
  - The staff level is budgeted at 43.5 which is an increase from the FY 24 budgeted level of 41. To address the challenging job market which has been intensified by the lack of workforce housing in our area, the budget includes a 4% merit pool. Additionally, the State Health Plan anticipates a 12.3% employer rate increase.

- Inflationary increases are anticipated in most areas but particularly in purchased water expenses. The District has been notified by its wholesale water provider to expect a rate increase between 17% and 38%; this budget anticipates a 25% wholesale rate increase.
3. Non-Operating Revenues are budgeted at \$4,233,200 which is a \$358,200 or 7.8% decrease from FY'24 projections. This category primarily includes the District's GO Debt and Operations property tax levies as well as gains on asset sales, rental income, and tower lease income. The decrease to projections is primarily related to conservatively estimating interest income at 3.25% which is lower than the 5.5% the District is currently receiving. This ensures that the District does not overly rely on an unpredictable revenue source to fund its operations should market conditions deteriorate in the upcoming year.
  4. Non-Operating Expenses are budgeted at \$515,400 which is a \$87,200 or 14.5% decrease from FY'24 projections. This category relates to debt service and is based on current debt schedules and the anticipated FY'25 SRF GO Loan for the engineering portion of the SCIIP and ARPA allocations. This budget does not include any anticipated debt service or bond issuance costs on the additional second FY'25 GO debt issuance that is anticipated to be issued during the upcoming year to fund the remaining matching portion of SCIIP and ARPA allocation match. This will be presented to the Commission separately at a later date when a better estimate of the amount and structure of the debt can be determined.
  5. Capital Contributions include capacity fee payments, grant allocations, and other capital contributions. The capacity fees are budgeted conservatively. FY'24 projections include the receipt of three larger developer payments. The District does not budget in anticipation of any large development projects as the timing on these is often tenuous and unpredictable; until the fees are paid, there is no guarantee any anticipated project will occur as planned. The \$1,000,000 BC ARPA allocation is anticipated to be used in the upcoming year on the Leg O Mutton Booster Pump and RO Generator projects in accordance with the terms of the allocation. The SCIIP Grant revenue is estimated at \$5,000,000 or 50% completion in the upcoming year. Other capital contributions anticipates that the SCDOT US 278 bridge project will begin in the upcoming year and the District will incur engineering fees related to the project. The project is anticipated to be recorded as a capital project with the offsetting reimbursements from the SCDOT reported in this line item.
  6. Change in Net Position – The overall change in net position for FY'25 is budgeted at \$8,965,300 versus a projection of \$2,810,300 and a prior year budget of \$857,900. This large increase is mostly related to the \$7,550,000 budgeted for grant revenue and capital contributions which will offset related capital projects.
  7. CIP Budget Cash Flow – The CIP budgeted cash flow for FY'25 is \$11,295,000 which is a \$7,921,000 or 235% increase from the projected CIP cash flow of \$3,374,000. The increase in FY'25 project is mainly related to the inclusion of the SCIIP, ARPA, and SC

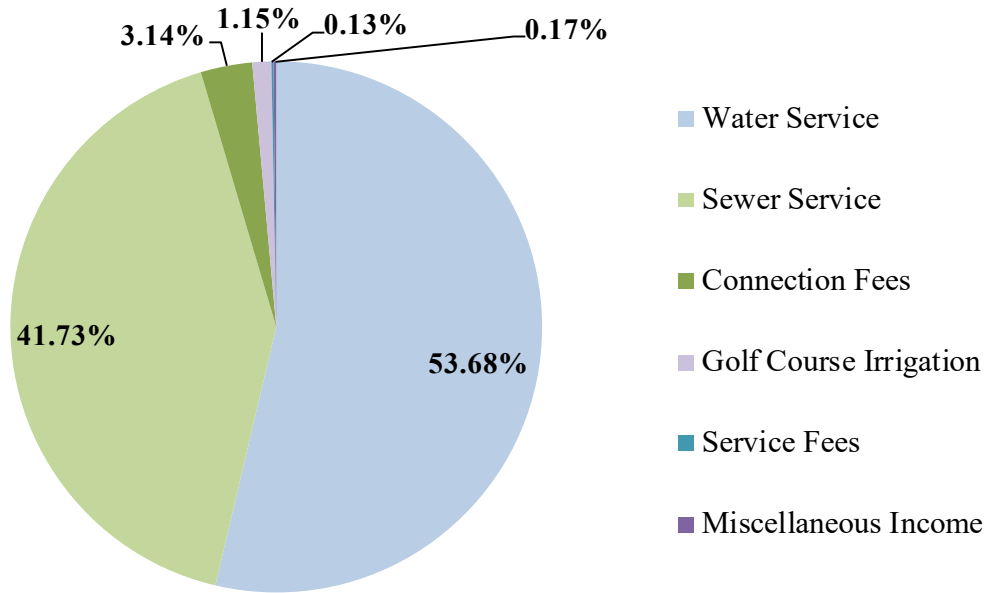
DOT projects that will be offset by the budgeted capital contribution revenue discussed above. The FY'24 projected CIP cash flow is higher than the FY'24 budgeted CIP cash flow due to the carryover of FY'23 CIP projects. This budget anticipates that any budgeted CIP projects that are not completed at FY'24 year-end will be carried over into FY'25 for completion. The District will also spend approximately \$1,630,000 in FY'24 and \$110,000 in FY'25 in engineering costs related to the SCIIP/ARPA projects which were approved by way of special Commission authorization actions in August 2022 and June 2023. These engineering costs are anticipated to be reimbursed by the FY'25 SRF GO Loan in FY'25.

8. System Debt – Total existing FY'25 debt payments of \$3,853,000 consist of \$3,615,100 of principal and \$237,900 of interest (Interest expense is calculated on an accrual basis). Anticipated debt service on the projected SRF Loan is estimated at \$79,500 consisting of \$52,400 of principal and \$27,100 of interest. While staff expects to recommend an additional debt issuance during FY'25, there was not enough information available at the time of budget preparation to recommend a final proposed project list or financing methods. Staff will bring a separate recommendation at a later date when more information is available. In accordance with this, this budget document does not reflect any debt issuance costs or new debt service on this additional, second GO debt issuance even though it is expected that this issuance will occur during FY'25. The remaining GO available for 2<sup>nd</sup> GO issuance shows the amount of GO revenue not used by the existing and proposed SRF debt that will be used for debt service on this second issuance.
  
9. Cash Flow is projected to decrease approximately \$285,300 as a result of this budget before considering the expected FY'25 SRF loan issuance. The anticipated FY'25 SRF loan issuance would fund the engineering expenses incurred on the SCIIP and BC ARPA projects. Most of these engineering expenses are expected to be incurred by FY'24 year-end so their reimbursement through the loan is expected to increase cash flow during the upcoming fiscal year. Additionally, when the District spends the \$1,000,000 BC ARPA allocation, these funds will be released from restricted cash. Overall cash will not change, but the unrestricted cash will increase as the restricted cash decreases. With these adjustments, unrestricted cash flow is anticipated to increase approximately \$1.69 million as a result of this budget while leaving around \$382,800 of GO revenue available for the expected secondary FY'25 GO debt issuance. The District is anticipating that the current FY'24 will result in a decrease in unrestricted cash of approximately \$540,700 versus a budgeted decrease of \$208,900. Large capacity fee payments and high interest income rates during FY'24 allowed the district to fund around \$1.6 million of SCIIP and BC ARPA engineering costs without experiencing a similarly significant decline in cash flow.

**E. Operating Revenues**

The FY'25 budgeted operating revenues are listed below:

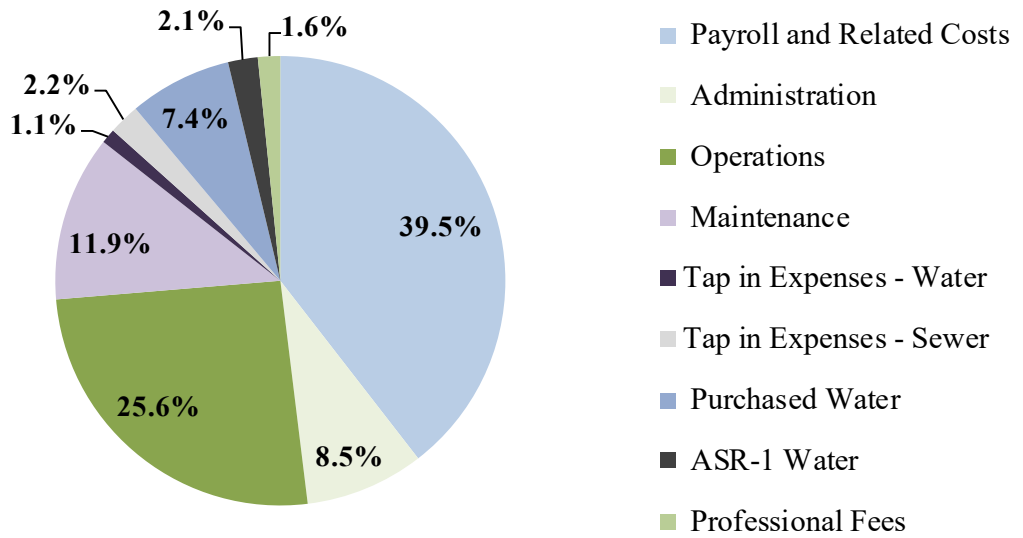
Operating Revenues	<u>FY 2025</u>	<u>% Total</u>
Water Service	\$ 8,618,900	53.68%
Sewer Service	6,700,700	41.73%
Connection Fees	503,400	3.14%
Golf Course Irrigation	185,000	1.15%
Service Fees	20,100	0.13%
Miscellaneous Income	27,300	0.17%
<b>Total Operating Revenues</b>	<b>\$ 16,055,400</b>	<b>100%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



**F. Operating Expenses**

The FY'25 operating expenses excluding depreciation are listed below:

<b>Total Operating Expenses before Depreciation</b>	<b>FY 2025</b>	<b>% Total</b>
Payroll and Related Costs	\$ 5,285,400	39.5%
Administration	1,143,600	8.5%
Operations	3,426,900	25.6%
Maintenance	1,595,700	11.9%
Tap in Expenses - Water	141,000	1.1%
Tap in Expenses - Sewer	297,600	2.2%
Purchased Water	987,900	7.4%
ASR-1 Water	285,300	2.1%
Professional Fees	214,500	1.6%
<b>Total Operating Expenses before Depreciation</b>	<b>\$ 13,377,900</b>	<b>100%</b>



**G. Debt Service Coverage**

Bond covenants require that the District maintain and collect rates and charges that together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding. As shown in the following table, the District's FY'25 budget is in compliance with the necessary requirement and estimated at 228%.

	<b>FY'24 Projected</b>	<b>FY'25 Budget</b>
Net Income (loss) before capital contributions per Financial Statements	\$ 1,547,200	\$ 1,145,300
Capacity Fees	1,213,100	270,000
Add: Depreciation	5,187,600	5,250,000
Amortization	325,500	209,200
Bond Issuance Cost	-	42,500
Interest Expense (Bonds)	273,500	260,100
Assessments - Debt Service	205,000	212,000
Less: Property Taxes – GO Debt Service	<u>(1,731,600)</u>	<u>(1,763,100)</u>
Net Earnings Available for Debt Service	7,020,300	5,626,000
Debt Service on Revenue Bonds	2,461,000	2,468,300
<b>Coverage of Debt Service by Net Earnings</b>	<b>285%</b>	<b>228%</b>
<b>Debt Coverage without Capacity Fees</b>	<b>236%</b>	<b>217%</b>

**H. Bond Debt Service**

As of June 30, 2024, the District's total future debt service requirement will be \$19,823,228. This District is anticipating adding \$3,178,468 of additional debt during FY'25 with a general obligation SRF note for the engineering only portion of the ARPA and SCIIP Grant projects which has been tentatively approved by the SRF at \$2,589,929. For FY'25, the projected principal payments total \$3,667,578 while the projected interest payments are \$264,929 including the anticipated new SRF loan. The District anticipates issuing a second GO debt issuance to cover the remaining local matching expenses for the SCIIP/ARPA projects. The amount and structure of the second issuance could not be estimated as of the date of this report so it is not reflected below or anticipated in the budgeted debt service numbers. The proposed secondary issuance will be brought to the Commission for review and approval at a later date.

<b>Fiscal Year 2025 Debt Service</b>				
<b>Revenue Debt</b>	<b>Interest</b>	<b>Principal</b>	<b>Total P&amp;I</b>	<b>Revenue Source</b>
Series SRF 2014 B	17,327	144,020	161,347	User Fees
Series 2017A	8,023	33,910	41,933	FFA
Series 2020 B	136,488	1,245,000	1,381,488	User Fees/ FFA
Series 2020 C	7,990	850,000	857,990	User Fees
Series 2023 FFA	9,207	16,323	25,529	FFA
<b>Revenue Sub Total</b>	<b>179,035</b>	<b>2,289,253</b>	<b>2,468,287</b>	
Finance Purchase Vehicles	2,962	80,921	83,883	User Fees
<b>General Obligation Debt</b>				
Series 2020 GO Bonds	55,875	1,245,000	1,300,875	GO Funded
<i>New Debt - Series SRF 2025 A</i>	<i>27,057</i>	<i>52,405</i>	<i>79,462</i>	<i>GO Funded</i>
<b>General Obligation Sub Total</b>	<b>82,932</b>	<b>1,297,405</b>	<b>1,380,337</b>	
<b>Total Principal &amp; Interest</b>	<b>\$ 264,929</b>	<b>\$ 3,667,578</b>	<b>\$ 3,932,507</b>	

<b>Future Debt Service as of June 30, 2024</b>				
<b>Revenue Debt</b>	<b>Interest</b>	<b>Principal</b>	<b>Total P&amp;I</b>	<b>Interest Rates</b>
Series SRF 2014 B	109,247	1,786,582	1,895,829	1.00%
Series 2017 A	37,219	298,243	335,462	2.69%
Series 2020 B	491,866	11,280,000	11,771,866	1.21%
Series 2020 C	7,990	850,000	857,990	0.94%
Series 2023 FFA	58,972	221,851	280,823	4.15%
<b>Revenue Sub Total</b>	<b>705,294</b>	<b>14,436,676</b>	<b>15,141,970</b>	
Finance Purchase Vehicles	2,962	80,921	83,883	Various
<b>General Obligation Debt</b>				
Series 2020 GO Bonds	127,375	4,470,000	4,597,375	1.25%
<i>New Debt - Series SRF 2025 A</i>	<i>588,539</i>	<i>2,589,929</i>	<i>3,178,468</i>	<i>2.10%</i>
<b>General Obligation Sub Total</b>	<b>715,914</b>	<b>7,059,929</b>	<b>7,775,843</b>	
<b>Total Debt</b>	<b>\$ 1,424,170</b>	<b>\$ 21,577,526</b>	<b>\$23,001,696</b>	

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

**Future Annual Debt Service Payments:**

<b>Fiscal Year</b>	<b>Annual Debt Service Requirements</b>			<b>Total</b>
	<b>Revenue</b>	<b>GO</b>	<b>FP - Vehicles</b>	
2025	2,468,287	1,380,337	83,883	3,932,507
2026	2,435,233	1,499,235	-	3,934,469
2027	2,430,004	1,537,986	-	3,967,991
2028	2,434,534	736,048	-	3,170,583
2029	2,153,700	158,923	-	2,312,624
2030	2,080,952	158,923	-	2,239,876
2031	228,809	158,923	-	387,733
2032	228,809	158,923	-	387,733
2033	186,876	158,923	-	345,800
2034	186,877	158,923	-	345,801
2035	186,876	158,923	-	345,800
2036	121,011	158,923	-	279,934
2037	-	158,923	-	158,923
2038	-	158,923	-	158,923
2039	-	158,923	-	158,923
2040	-	158,923	-	158,923
2041	-	158,923	-	158,923
2042	-	158,923	-	158,923
2043	-	158,923	-	158,923
2044	-	158,923	-	158,923
2045	-	79,461	-	79,461
	<b><u>\$15,141,970</u></b>	<b><u>\$ 7,775,843</u></b>	<b><u>\$ 83,883</u></b>	<b><u>\$ 23,001,696</u></b>

**Revenue Debt:**

**Series 2014 SRF** – On July 25, 2014, the District executed a loan with the South Carolina State Revolving Loan Fund (SRF) in the amount of \$2,924,430 at an interest rate of 1% per annum. The proceeds of this loan were used to pay the costs of constructing the Automated Metering Infrastructure project. Principal and interest of \$40,336.78 are payable quarterly beginning April 1, 2015 through January 1, 2036.

**Series 2017A Revenue Bond** - On August 24, 2017, the District issued \$515,000 of Series 2017A revenue bonds for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds are an obligation of the District, bear interest at the rate of 2.69% per annum and are payable in annual principal and semi-annual interest payments of \$41,932.75 starting June 2018 through June 2032. This bond may be redeemed in whole after June 1, 2025. The bonds are payable from revenues derived from operations of the District’s systems and are secured by a lien upon these revenues and the collection of annual assessments by the Beaufort County Treasurer to the owners in the areas that were connected over a 20-year period.

**Series 2020B Revenue Bonds** - On November 2, 2020, the District issued \$14,925,000 of Series 2020B revenue bonds for purposes of refunding the District's 2014 FFA, 2015A, 2015B, 2017B SRF, and 2020 FFA revenue bonds. The bonds are an obligation of the District and bear interest at the rate of 1.24% per annum. These bonds are due in semi-annual interest payments due beginning June 2021 and annual principal payments starting June 2022 through June 2030. The bonds are payable from revenues derived from operations of the District's systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer. The original purpose of the refunded bonds are as follows:

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

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

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

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

**General Obligation Debt:**

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

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

**Proposed Debt:**

**Series 2025A SRF GO** - In fiscal year 2025, the District's annual GO debt service drops from roughly \$1.5 million per year to \$1.3 million per year. The District has levied GO millage ranging between 4.0 and 4.6 over the last ten years to meet the current debt service requirements. The District received approval from Beaufort County Council during FY'24 to issue up to \$23 million in GO debt over the next five years. During FY'24, the District applied to the State Revolving Fund for a loan to cover the local matching portion of the SCIIP Grant and ARPA allocation which would be funded from this \$23 million GO authorization. The District has been tentatively approved for a loan up to \$2,589,929 for the engineering only portion of the match. At the time of budget preparation, the District had submitted a completed loan application to the SRF and was awaiting a loan agreement. Under the assumption that this loan agreement goes through, this budget estimates reaching the full loan amount during the first half of FY'25 and beginning quarterly repayments on this loan during the second half of FY'25 at the current SRF rate of 2.1%. If the loan agreement does not go through, these costs will need to be considered in the second proposed issuance below.

**Series 2025B GO Debt** – Depending on market conditions, the length of the debt, and the financing type, the District could potentially fund capital projects totaling between \$5 million and \$20 million while remaining in the 4.0 to 4.6 GO millage range it has levied over the last ten years. The District has received bids on the BC ARPA LOM project which indicated it would need to fund an additional \$1.3 million in local match. The District expects to receive bids on the SCIIP Grant Projects in June 2024. Once those bids are received, staff will prepare a proposed project list and work with its financial advisors to present debt structure options for Commission approval. Given the

uncertainty surrounding the final SCIIP bid amounts and the current market price volatility, there was not enough information at the time of budget preparation to make final recommendations on what projects to fund or make estimates of the debt repayment structure. The District also has enough debt coverage to consider a revenue bond, if necessary.

**I. Capital Improvement Plan (CIP)**

The CIP for FY'25 is divided into separate categories for ease of explanation. The categories are not ranked according to importance. Non-recurring, non-routine projects have been ranked in priority order. As a part of asset management planning, the projects in the FY'25 column have been identified which staff believes should be completed within the next 12 months. The Commission is only approving the FY'25 projects as a part of this budget. Years 2026 through 2029 are provided as a high-level guide of expected projects in upcoming years to aid in evaluation of the District's long-term financial position.

Cash funded FY'25 projects total \$11,295,000 as follows:

<b><u>FY'25 CIP Rate/Cash Funded Projects</u></b>	
Wastewater Treatment Plant	\$ 1,465,000
Collection System	975,000
Distribution System	8,330,000
Facility & Equipment	<u>525,000</u>
<b>Total Rate Funded CIP Projects</b>	<b><u><u>\$ 11,295,000</u></u></b>

The FY'25 CIP plan also shows potential projects for which the District might seek debt financing during FY'25. There is too much uncertainty at this time to recommend which of these projects the District should prioritize and what type or terms of financing staff would recommend. These projects are being shown as items that might potentially be proposed to be funded via a debt issuance in upcoming years. Staff expects to bring a separate analysis to the Commission for consideration during FY'25 with recommendations on what debt funded projects to pursue in FY'25.

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

Projected FY'24 overall cash flow is anticipated to decrease by \$323,000; unrestricted cash flow is projected to decrease \$540,700 from \$12,392,700 to \$11,852,000 when factoring in changes in the GO debt restricted cash. The FY'25 budget projects an overall cash increase of \$1,072,700 to \$15,339,000; unrestricted cash is projected to increase by \$1,689,900 to \$13,541,900 due to the release of the cash restricted by the BC ARPA allocation offset by the anticipated change in GO debt restricted cash. This restricted GO cash balance will be used when structuring the second proposed GO bond issuance.

This budget also includes an analysis of the unrestricted cash balance projected by this budget in relation to the District's Financial Policy regarding Unreserved and Reserved Funds. The projected unrestricted cash balance represents 369 days cash on hand which approximates the upper emergency reserve target of 12 months cash on hand. Further funding this unrestricted reserve in future years would represent progress towards the capital reserve target which would allow the District to fund larger capital projects on a cash basis instead of necessitating debt issuances.

A five-year projection based on FY'25 rates with no consideration of future rate increases and moderate growth projections shows the PSD remaining well over its 120 days cash on hand minimum and its 120% debt coverage requirement. The Commission is only approving the FY'25 budget at this time. Projections for years 2026 through 2029 are only provided to show a high-level review of the District's current expected long term financial position at currently proposed rates. Additionally, several larger CIP projects are listed in the cash CIP projections for years 2026 through 2029 which may be included as a part of a future debt issuance instead of funded through cash.

**Statement of Revenues, Expenses, and Changes in Net Position**  
**FY'25 Operating & Maintenance Budget**

	FY'25	FY'24	Variance (FY'24 Project. to FY'25 Budget)		FY'24
			Increase (Decrease)	% Change	
	Budget	Projected			Budget
<b>TOTAL OPERATING REVENUES</b>					
Water Service	\$ 8,618,900	\$ 8,032,300	586,600	7.3%	\$ 8,222,600
Sewer Service	6,700,700	6,275,900	424,800	6.8%	6,292,700
Water Tap In Fees	187,800	161,000	26,800	16.6%	187,800
Sewer Connection Fees	315,600	316,400	(800)	-0.3%	248,400
Golf Course Irrigation	185,000	203,400	(18,400)	-9.0%	156,000
Service Fees	20,100	20,000	100	0.5%	20,100
Miscellaneous Income	27,300	27,100	200	0.7%	38,500
<b>Total Operating Revenue</b>	<b>16,055,400</b>	<b>15,036,100</b>	<b>1,019,300</b>	<b>6.8%</b>	<b>15,166,100</b>
<b>OPERATING EXPENSES</b>					
<b>Payroll and Related Expenses</b>					
Salaries	3,501,600	3,168,200	333,400	10.5%	3,322,800
Commission Honorarium	81,000	80,500	500	0.6%	81,000
FICA	271,000	243,800	27,200	11.2%	257,300
Group Insurance	652,800	557,500	95,300	17.1%	610,500
Retirement	615,500	534,400	81,100	15.2%	575,100
Workman's Comp	47,400	44,100	3,300	7.5%	56,100
Training/Continuing Education	78,000	75,400	2,600	3.4%	65,400
Uniforms	38,100	37,400	700	1.9%	30,000
<b>Total Payroll and Related Expenses</b>	<b>5,285,400</b>	<b>4,741,300</b>	<b>544,100</b>	<b>11.5%</b>	<b>4,998,200</b>
<b>Administration</b>					
Bad Debts	15,000	14,500	500	3.4%	22,200
Bank/Bond Administration Fees	138,000	134,100	3,900	2.9%	130,500
Billing and Accounting	53,700	52,300	1,400	2.7%	48,900
Communications	152,400	145,700	6,700	4.6%	158,400
Dues and Subscriptions	21,800	20,900	900	4.3%	18,600
Insurance Other than Group or Vehicle	284,700	270,600	14,100	5.2%	345,000
License and Permits	70,500	68,400	2,100	3.1%	71,300
Office Supplies	28,200	27,700	500	1.8%	25,800
Computer Software and Supplies	148,200	121,300	26,900	22.2%	142,700
Personnel Support	28,800	27,900	900	3.2%	29,400
Postage	78,000	75,600	2,400	3.2%	77,400
Public Education	35,700	34,600	1,100	3.2%	34,800
Recruitment and Advertising	12,000	11,600	400	3.4%	5,700
Special Functions	25,000	17,400	7,600	43.7%	27,900
Utilities	51,600	50,100	1,500	3.0%	54,900
<b>Total Administration</b>	<b>1,143,600</b>	<b>1,072,700</b>	<b>70,900</b>	<b>6.6%</b>	<b>1,193,500</b>

**HiltonHeadPSD**  
**FY'25 Budget**

	FY'25 Budget	FY'24 Projected	Variance (FY'24 Project. to FY'25 Budget)		FY'24 Budget
			Increase (Decrease)	% Change	
<b>Operations</b>					
Biosolids Disposal	504,000	471,600	32,400	6.9%	492,000
Operations Chemicals	1,168,300	1,131,200	37,100	3.3%	1,140,100
Lab Chemicals and Supplies	31,100	30,100	1,000	3.3%	24,300
Fuel, Power and Utility	1,421,900	1,395,100	26,800	1.9%	1,402,800
Other Supplies and Materials	23,700	22,700	1,000	4.4%	29,400
Quality Analysis	18,000	17,700	300	1.7%	15,000
Safety	30,000	29,000	1,000	3.4%	39,600
SCADA Communications (Alarms)	43,200	42,700	500	1.2%	37,200
Tools and Small Equipment	35,300	34,400	900	2.6%	41,700
Vehicle Fuel	95,400	90,200	5,200	5.8%	102,900
Vehicles Insurance	26,000	24,300	1,700	7.0%	24,600
Vehicle Maintenance	30,000	28,200	1,800	6.4%	31,500
<b>Total Operations</b>	<b>3,426,900</b>	<b>3,317,200</b>	<b>109,700</b>	<b>3.3%</b>	<b>3,381,100</b>
<b>Maintenance</b>					
ASR Maintenance	4,800	4,800	-	0.0%	9,600
Biosolids Maintenance	4,800	4,800	-	0.0%	9,600
Meter Device Maintenance	20,100	19,700	400	2.0%	40,200
Effluent System Maintenance	32,400	19,600	12,800	65.3%	37,800
Equipment Maintenance	39,000	40,000	(1,000)	-2.5%	37,200
Facilities Maintenance	105,600	99,200	6,400	6.5%	94,500
Generator Maintenance	24,600	23,900	700	2.9%	23,700
Operations Grounds Maintenance	69,900	66,700	3,200	4.8%	69,900
Hydrant Maintenance	79,200	78,000	1,200	1.5%	63,000
Lift Station Maintenance	400,500	396,400	4,100	1.0%	333,300
Plant Maintenance - WWTP	76,500	74,900	1,600	2.1%	75,000
RO Maintenance	102,000	97,700	4,300	4.4%	106,800
SCADA Maintenance	34,200	33,000	1,200	3.6%	43,200
Water System Maintenance	168,000	126,600	41,400	32.7%	210,000
Sewer System Maintenance	225,000	219,500	5,500	2.5%	225,000
Tower & Tank Maintenance	164,100	158,600	5,500	3.5%	160,800
Well Maintenance	45,000	50,600	(5,600)	-11.1%	42,000
<b>Total Maintenance</b>	<b>1,595,700</b>	<b>1,514,000</b>	<b>81,700</b>	<b>5.4%</b>	<b>1,581,600</b>
<b>Tap in and Connection Expenses</b>					
Water Tap In Expenses	141,000	121,100	19,900	16.4%	141,000
Sewer Connection Expenses	297,600	304,700	(7,100)	-2.3%	225,600
<b>Total Connection Expenses</b>	<b>438,600</b>	<b>425,800</b>	<b>12,800</b>	<b>3.0%</b>	<b>366,600</b>
<b>Water Expenses</b>					
Purchased Water	987,900	790,200	197,700	25.0%	812,000
ASR Water	285,300	274,300	11,000	4.0%	267,100
<b>Total Water Expenses</b>	<b>1,273,200</b>	<b>1,064,500</b>	<b>208,700</b>	<b>19.6%</b>	<b>1,079,100</b>

**HiltonHeadPSD**  
FY'25 Budget

	FY'25 Budget	FY'24 Projected	Variance (FY'24 Project. to FY'25 Budget)		FY'24 Budget
			Increase (Decrease)	% Change	
<b>Professional Fees</b>					
Professional Fees - Accounting	30,600	27,100	3,500	12.9%	30,600
Professional Fees - Engineering	75,000	81,900	(6,900)	-8.4%	75,000
Professional Fees - Legal	38,700	35,200	3,500	9.9%	46,200
Professional Fees - Other	70,200	10,400	59,800	575.0%	25,200
<b>Total Professional Fees</b>	<b>214,500</b>	<b>154,600</b>	<b>59,900</b>	<b>38.7%</b>	<b>177,000</b>
<b>Total Operating Expenses before Depreciation</b>	<b>13,377,900</b>	<b>12,290,100</b>	<b>1,087,800</b>	<b>8.9%</b>	<b>12,777,100</b>
<b>Operating Income before Depreciation</b>	<b>2,677,500</b>	<b>2,746,000</b>	<b>(68,500)</b>	<b>-2.5%</b>	<b>2,389,000</b>
Depreciation	5,250,000	5,187,600	62,400	1.2%	5,190,000
<b>Total Operating Expenses with Depreciation</b>	<b>18,627,900</b>	<b>17,477,700</b>	<b>1,150,200</b>	<b>6.6%</b>	<b>17,967,100</b>
<b>Change in Net Position from Operations</b>	<b>(2,572,500)</b>	<b>(2,441,600)</b>	<b>(130,900)</b>	<b>5.4%</b>	<b>(2,801,000)</b>
<b>Non-Operating Revenue</b>					
Property Taxes - GO Bond Levy	1,763,100	1,731,600	31,500	1.8%	1,515,000
Property Taxes - Operations Levy	1,290,000	1,268,600	21,400	1.7%	1,160,000
Gain on Disposition of Assets	15,000	53,400	(38,400)	-71.9%	126,000
Interest Income	390,000	771,700	(381,700)	-49.5%	390,000
Interest Income - Assessments	49,500	55,800	(6,300)	-11.3%	60,000
Rental Income	88,400	87,700	700	0.8%	87,600
Tower Lease Income	605,100	590,400	14,700	2.5%	570,900
Tower Lease Interest Income	32,100	32,200	(100)	-0.3%	32,100
<b>Total Non-Operating Revenue</b>	<b>4,233,200</b>	<b>4,591,400</b>	<b>(358,200)</b>	<b>-7.8%</b>	<b>3,941,600</b>
<b>Non-Operating Expenses</b>					
Interest Expense - Vehicles	3,600	3,600	-	0.0%	3,600
Interest Expense - Bonds	260,100	273,500	(13,400)	-4.9%	273,600
Bond Defeasance Amortization	209,200	325,500	(116,300)	-35.7%	325,500
Bond Issuance Cost	42,500	-	42,500	0.0%	-
<b>Total Non-Operating Expenses</b>	<b>515,400</b>	<b>602,600</b>	<b>(87,200)</b>	<b>-14.5%</b>	<b>602,700</b>
<b>Non-Operating Income/Expenses - Net</b>	<b>3,717,800</b>	<b>3,988,800</b>	<b>(271,000)</b>	<b>-6.8%</b>	<b>3,338,900</b>
<b>Increase / Decrease in Net Position before Capital Contributions</b>	<b>1,145,300</b>	<b>1,547,200</b>	<b>(401,900)</b>	<b>-26.0%</b>	<b>537,900</b>
<b>Capital Contributions</b>					
Sewer Capacity Fees	156,000	689,700	(533,700)	-77.4%	156,000
Water Capacity Fees	114,000	523,400	(409,400)	-78.2%	114,000
SCIIP Grant	5,000,000	-	5,000,000	0.0%	-
BC ARPA Allocation	1,000,000	-	1,000,000	0.0%	-
Capital Contributions	1,550,000	50,000	1,500,000	3000.0%	50,000
<b>Total Capital Contributions</b>	<b>7,820,000</b>	<b>1,263,100</b>	<b>6,556,900</b>	<b>519.1%</b>	<b>320,000</b>
<b>Change in Net Position</b>	<b>\$ 8,965,300</b>	<b>\$ 2,810,300</b>	<b>\$ 6,155,000</b>	<b>219.0%</b>	<b>\$ 857,900</b>

## Operating Revenues

	Proposed		Variance		FY'24 Budget
	FY'25 Draft Budget	FY'24 Projected 8+4	Increase (Decrease)	% Change	
<b>TOTAL OPERATING REVENUES</b>					
1 Water Service	\$ 8,618,900	\$ 8,032,300	586,600	7.3%	\$8,222,600
2 Sewer Service	6,700,700	6,275,900	424,800	6.8%	6,292,700
3 Water Tap In Fees	187,800	161,000	26,800	16.6%	187,800
4 Sewer Connection Fees	315,600	316,400	(800)	-0.3%	248,400
5 Service Fees	20,100	20,000	100	0.5%	20,100
6 Golf Course Irrigation	185,000	203,400	(18,400)	-9.0%	156,000
7 Miscellaneous Income	27,300	27,100	200	0.7%	38,500
<b>Total Operating Revenue</b>	<b>16,055,400</b>	<b>15,036,100</b>	<b>1,019,300</b>	<b>6.8%</b>	<b>15,166,100</b>

Operating revenues consist of water services, sewer services, connection fees, service fees, golf course irrigation, and miscellaneous income. The total operating revenues are budgeted at \$16,055,400. This budget includes the following volumetric rate and base rate increases:

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

Major/selected variances are as follows:

1. Water Service revenues are based on the above rate changes, current customer counts, the rolling 12 months billed consumption as of February 2024 of approximately 1.957 billion gallons, and a growth component of 0.75%. This consumption estimate is one of the most variable estimates in this budget document. Weather patterns can greatly affect consumption due to irrigation demand. A particularly cool, rainy year could lead to the PSD missing budgeted numbers while a very dry, hot year could lead to us exceeding the numbers. The current fiscal year has been rainy and cool so consumption may improve if weather conditions are warmer or drier in FY'25.
2. Sewer Service revenues are based on the above rate changes, current customer counts, the rolling 12 months billed consumption as of February 2024 of approximately 1.094 billion gallons, and a growth component of 1%. While this number is also subject to fluctuation, it is not as negatively impacted by usage since irrigation-only customers are not charged sewer and residential customer usage is capped at 10,000 gallons a month.

### **Operating Revenues (continued)**

3. Water Tap In Fees are budgeted at 125 connections at an estimated average tap in fee. Water tap in fees are partially offset by Water Tap In Expenses; the residual is estimated District employee labor cost recovery.
4. Sewer Connection Fees are budgeted at 150 connections at an estimated average connection cost and are offset by Sewer Connection Expenses less the \$150 connection fee.
5. Service Fees are budgeted at \$20,100 which is approximately the same level as the FY'24 projection. The customer service team continues to regularly communicate with non-payers to keep penalties down. This line item also contains miscellaneous fees such as reconnection fees, hydrant meter set fees, backflow inspection fees, and returned payment fees.
6. Golf Course Irrigation is budgeted conservatively between current year projections and the prior year budget. While this revenue can be weather dependent, it is also dependent upon the operations of a small number of customers and, as such, can be highly variable depending on their management and operating practices.
7. Miscellaneous Income is budgeted at \$27,300 and consists mostly of capital credits from the District's electricity provider.

## Payroll and Related Expenses

	Proposed		<u>Variance</u>		<u>FY'24 Budget</u>
	FY'25 Draft Budget	FY'24 Projected 8+4	Increase (Decrease)	% Change	
<b>Payroll</b>					
1 Salaries	3,501,600	3,168,200	333,400	10.5%	3,322,800
2 Commission Honorarium	81,000	80,500	500	0.6%	81,000
3 FICA	271,000	243,800	27,200	11.2%	257,300
4 Group Insurance	652,800	557,500	95,300	17.1%	610,500
5 Retirement	615,500	534,400	81,100	15.2%	575,100
6 Workman's Comp	47,400	44,100	3,300	7.5%	56,100
7 Training/Continuing Education	78,000	75,400	2,600	3.4%	65,400
8 Uniforms	38,100	37,400	700	1.9%	30,000
<b>Total Payroll</b>	<u>5,285,400</u>	<u>4,741,300</u>	<u>544,100</u>	<u>11.5%</u>	<u>4,998,200</u>

### *Line Item Definitions – Payroll and Related Expenses*

#### Payroll and Related Expenses

- |                                  |   |
|----------------------------------|---|
| 1. Salaries                      | Salaries, on-call, overtime, and goal payments for district employees as well as any payments for any temporary employee contract labor.            |
| 2. Honorarium                    | Stipends paid to the commissioners.   |
| 3. FICA                          | FICA/Medicare is calculated at 7.65% of total projected salaries and Commission honorariums.  |
| 4. Group Insurance               | State Health Plan which includes a 12.3% employer rate increase effective January 2025.   |
| 5. Retirement                    | Retirement is calculated at 18.41% of total projected retirement eligible salaries.   |
| 6. Workman's Comp                | Based on expected premiums calculated by the state based on the prior calendar year's salary and claims.  |
| 7. Training/Continuing Education | Continuing education for entire staff (Seminars, Operator/Technician Exams, GIS, AWWA, etc.) including travel, meals, lodging and associated costs. |
| 8. Uniforms                      | Shirts, pants, shorts, jackets, and caps.   |

## **Proposed FY'25 Budget Variance Summary**

### *Payroll and Related Costs:*

The budgeted FY'25 staffing level is 43.5 full time employees (FTEs) which is an increase of 2.5 FTEs from the FY'24 budgeted staffing level of 41 FTEs. At the time of budget preparation, the current staff level is 37 FTEs. The District is planning to fill positions in the areas of purchasing, metering, asset management, WWTP operation and field services. Additionally, our Customer Service Supervisor is retiring midway through the upcoming year; the 0.5 is to hire a new CSR while her replacement is being trained. Given the current tight labor market and lack of workforce housing in the District's service area, staff believes it is important to budget in a way that allows staff to be flexible to attract and retain talent in this competitive and changing employment market. Given this, this budget only anticipates minimal vacancy allowances to allow the District to reach this full level should opportunities arise. Only including minimal vacancy allowances also shows what the projected level of staffing is anticipated to cost going forward. There may be savings to budget in this area should recruitment take time. The District staff always endeavors to take the appropriate time to select candidates that fit with the District's needs when hiring employees as opposed to simply filling a position within a given time frame. Board compensation is also included in this category. The total budget for payroll and related costs is \$5,285,400 reflecting a \$544,100 increase compared to the FY'24 projections. Selected/major variances are as follows:

1. Salaries for the FY'25 budget are \$3,501,600. This is a \$333,400 increase compared to the FY'24 projection of \$3,168,200 and a \$178,800 increase compared to the FY'24 budget. For FY'25, there is a proposed 4.0% merit pool available for increases. Staff is not guaranteed to receive a salary rate adjustment; salary rate adjustments are merit based and are determined on an individual basis. Additionally, the salaries line item includes anticipated overtime and on call compensation which can vary based on customer after hour calls and disaster related events.
4. Group insurance for the FY'25 budget is \$652,800. This is a \$95,300 increase compared to the FY'24 projection of \$557,500. The SC Public Employee Benefit Authority enacted a 3.7% employer rate increase in January 2024 and the District has been notified of an additional anticipated 12.3% employer rate increase that is expected beginning January 2025.
5. Retirement for the FY'25 budget is \$615,500 which is a \$81,100 increase compared to the FY'24 projection of \$534,400. This line item is based on budgeted salaries at the required SC State Retirement System employer contribution rate which will remain at 18.41% in FY'25.

## Administration Expenses

	Proposed		Variance		FY'24 Budget
	FY'25 Draft Budget	FY'24 Projected 8+4	Increase (Decrease)	% Change	
<b>Administration</b>					
9 Bad Debts	15,000	14,500	500	3.4%	22,200
10 Bank/Bond Administration Fees	138,000	134,100	3,900	2.9%	130,500
11 Billing and Accounting	53,700	52,300	1,400	2.7%	48,900
12 Communications	152,400	145,700	6,700	4.6%	158,400
13 Dues and Subscriptions	21,800	20,900	900	4.3%	18,600
14 Insurance Other than Group or Vehicle	284,700	270,600	14,100	5.2%	345,000
15 License and Permits	70,500	68,400	2,100	3.1%	71,300
16 Office Supplies	28,200	27,700	500	1.8%	25,800
17 Computer Software and Supplies	148,200	121,300	26,900	22.2%	142,700
18 Personnel Support	28,800	27,900	900	3.2%	29,400
19 Postage	78,000	75,600	2,400	3.2%	77,400
20 Public Education	35,700	34,600	1,100	3.2%	34,800
21 Recruitment and Advertising	12,000	11,600	400	3.4%	5,700
22 Special Functions	25,000	17,400	7,600	43.7%	27,900
23 Utilities	51,600	50,100	1,500	3.0%	54,900
<b>Total Administration</b>	<b>1,143,600</b>	<b>1,072,700</b>	<b>70,900</b>	<b>6.6%</b>	<b>1,193,500</b>

### *Line Item Definitions – Administration Expenses*

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

***Line Item Definitions – Administration Expenses (continued)***

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

**Proposed FY'25 Budget  
Variance Summary**

***Administration Expense:***

This category covers those items necessary to handle the administration of the day-to-day operations. Such items as insurance other than group health insurance, computer software, utilities, public education, billing and accounting are included. The total budget for administration is \$1,143,600 reflecting a \$70,900 increase compared to the FY'24 projections. Major/selected variances are as follows:

**Proposed FY'25 Budget  
Variance Summary (Continued)**

*Administration Expense (continued):*

14. Insurance other than group or vehicle is budgeted at \$284,700 for FY'25 which is a \$14,100 increase from the FY'24 projections. The SC insurance reserve fund (IRF) recommended budgeting a 3-5% increase for FY'25. The PSD is also expecting an increase in its cyber insurance policy. In FY'24, IRF discontinued the policy on underground assets for all insured entities, which included the District's fire hydrants, water transmission/distribution mains including the 24" wholesale water main, gravity sewer mains, and reclaimed water system lines. This policy carried an annual premium of around \$74,000 which is the primary reason for the reduction from the FY'24 budgeted number in this line item. District staff was not able to find a comparable policy, so this risk is currently self-insured through the District's unrestricted operating cash balance. Staff intends to remain in touch with other entities throughout the state to monitor whether a comparable policy emerges in the market.
  
17. Computer software and supplies is budgeted at \$148,200 which is a \$26,900 increase from the FY'24 projections. This includes an allowance for software maintenance fees of an asset management software package. Staff is still evaluating software packages to ensure that the package purchased meets the District's long-term needs and staffing availability. This item may be carried forward into a future year.
  
22. Special Functions is budgeted at \$25,000 which is a \$7,600 increase from the FY'24 projection of \$17,400. This includes the anticipated cost of the November 2024 Commissioner election, \$5,000 for community support and \$15,000 for PSD meetings and functions.

## Operations Expenses

	Proposed		Variance		FY'24 Budget
	FY'25 Draft Budget	FY'24 Projected 8+4	Increase (Decrease)	% Change	
<b>Operations</b>					
24 Biosolids Disposal	504,000	471,600	32,400	6.9%	492,000
25 Operations Chemicals	1,168,300	1,131,200	37,100	3.3%	1,140,100
26 Lab Chemicals and Supplies	31,100	30,100	1,000	3.3%	24,300
27 Fuel, Power and Utility	1,421,900	1,395,100	26,800	1.9%	1,402,800
28 Other Supplies and Materials	23,700	22,700	1,000	4.4%	29,400
29 Quality Analysis	18,000	17,700	300	1.7%	15,000
30 Safety	30,000	29,000	1,000	3.4%	39,600
31 SCADA Communications (Alarms)	43,200	42,700	500	1.2%	37,200
32 Tools and Small Equipment	35,300	34,400	900	2.6%	41,700
33 Vehicle Fuel	95,400	90,200	5,200	5.8%	102,900
34 Vehicles Insurance	26,000	24,300	1,700	7.0%	24,600
35 Vehicle Maintenance	30,000	28,200	1,800	6.4%	31,500
<b>Total Operations</b>	<b>3,426,900</b>	<b>3,317,200</b>	<b>109,700</b>	<b>3.3%</b>	<b>3,381,100</b>

### *Line Item Definitions – Operations Expenses*

24.	Biosolids Disposal	Hauling and disposal of sludge.
25.	Operations Chemicals	Sodium hypochlorite, granular chlorine, ammonia, re-agent pillows, lime, sulfur dioxide, polymers, degreasers.
26.	Lab Chemicals and Supplies	Chemicals and supplies, such as beakers, stirrers, sample bottles, culture cups, colored buffers, chemical standards for quality analysis use, forceps, filters, rubber gloves, etc., necessary for laboratory operations and water quality testing.
27.	Fuel, Power and Utility	Electricity, diesel, propane for treatment plants, wells, lift stations, RO Plant, ASR, etc.
28.	Other Supplies and Materials	Miscellaneous operating expense items such as batteries, marking paint, tape, cleaner, etc.
29.	Quality Analysis	Quality analysis testing.
30.	Safety	Mandatory staff meetings on topics such as forklift safety, lock-out/tag-out safety, driver safety, etc. Also, sanitation products, personal protection equipment (PPE) such as safety glasses, vests, boots, gloves, etc. and worksite safety equipment such as traffic cones, barricades, flashers, etc.
31.	SCADA Communications (Alarms)	Monthly cost of network service for SCADA (Supervisory Control and Data Acquisitions System) communications equipment.

***Line Item Definitions – Operations Expenses (continued)***

- |     |                           |  |
|-----|---------------------------|--|
| 32. | Tools and Small Equipment | Shovels, water meter pit pumps, flags, locator probes, manhole pullers, PVC pipe saws, miscellaneous hand tools (wrenches, screw drivers, pliers, etc.) and miscellaneous power tools (cordless drills, cut-off saws, rechargeable flashlights, etc.) under \$5,000.00.              |
| 33. | Fuel – Vehicles           | Gasoline and diesel fuel for PSD’s fleet of vehicles.  |
| 34. | Insurance – Vehicles      | Liability, collision and comprehensive insurance for fleet vehicles.   |
| 35. | Vehicle Maintenance       | Repairs to fleet vehicles such as oil changes, brakes, tires, batteries, windshield wipers, tire rotation, belts, fuel filters, alternators, water pumps, wheel alignment, major tune-ups, diesel injectors, engine and transmission repairs as well as vehicle management expenses. |

**Proposed FY'25 Budget  
Variance Summary**

***Operations Expense:***

This category covers the direct costs of operating the water distribution system, sewage collection system, wastewater treatment plant, and vehicle fleet. Such items as bio-solids disposal, chemicals, power, and lab support are included. The total budget for operations is \$3,426,900 reflecting a \$109,700 increase compared to the FY’24 projections. Major/selected variances include:

- 24. Biosolids disposal is budgeted at \$504,000 for FY’25 which is a \$32,400 increase from the FY’24 projection of \$471,600 to allow for continued anticipated landfill rate increases.
- 25. Operations chemicals are budgeted at \$1,168,300 for FY’25. This is a \$37,100 increase from the FY’24 projection of \$1,131,200. While inflation on chemicals slowed from the double digit levels seen during prior years, chemical costs have continued to see smaller inflationary increases.
- 27. Fuel, power, and utility are budgeted at \$1,421,900 for FY’25 which is a \$26,800 increase from FY’24 projections. Palmetto Electric Cooperative (PEC) recently announced a rate increase on small commercial accounts which is anticipated to affect some of the District’s electricity accounts. At the time of budget preparation, PEC did not have an estimate of whether there would be a rate increase that might affect large commercial accounts, which make up the majority of the PSD’s electricity usage. As this is such a large expense for the District, a rate increase here could significantly increase this line item.

## Maintenance Expenses

	Proposed		Variance		FY'24 Budget
	FY'25 Draft Budget	FY'24 Projected 8+4	Increase (Decrease)	% Change	
<b>Maintenance</b>					
36 ASR Maintenance	4,800	4,800	-	0.0%	9,600
37 Biosolids Maintenance	4,800	4,800	-	0.0%	9,600
38 Meter Device Maintenance	20,100	19,700	400	2.0%	40,200
39 Effluent System Maintenance	32,400	19,600	12,800	65.3%	37,800
40 Equipment Maintenance	39,000	40,000	(1,000)	-2.5%	37,200
41 Facilities Maintenance	105,600	99,200	6,400	6.5%	94,500
42 Generator Maintenance	24,600	23,900	700	2.9%	23,700
43 Hydrant Maintenance	79,200	78,000	1,200	1.5%	63,000
44 Operations Grounds Maintenance	69,900	66,700	3,200	4.8%	69,900
45 Lift Station Maintenance	400,500	396,400	4,100	1.0%	333,300
46 Plant Maintenance - WWTP	76,500	74,900	1,600	2.1%	75,000
47 RO Maintenance	102,000	97,700	4,300	4.4%	106,800
48 SCADA Maintenance	34,200	33,000	1,200	3.6%	43,200
49 Water System Maintenance	168,000	126,600	41,400	32.7%	210,000
50 Sewer System Maintenance	225,000	219,500	5,500	2.5%	225,000
51 Tower & Tank Maintenance	164,100	158,600	5,500	3.5%	160,800
52 Well Maintenance	45,000	50,600	(5,600)	-11.1%	42,000
<b>Total Maintenance</b>	1,595,700	1,514,000	81,700	5.4%	1,581,600

### *Line Item Definitions –Maintenance Expenses*

- |     |                                  |   |
|-----|----------------------------------|---|
| 36. | ASR Maintenance                  | Repairs and preventative maintenance for the ASR wells.   |
| 37. | Biosolids Maintenance            | Repairs and preventative maintenance for the centrifuge, conveyor system, polymer system, and motor control system.   |
| 38. | Meter Device Maintenance         | Repair and/or replacement of meter boxes/lids, touch readers, smartpoints, damaged meters, base stations and antennas.  |
| 39. | Effluent System Maintenance      | Repairs and preventative maintenance to the effluent system.  |
| 40. | Equipment Maintenance            | Repairs and preventative maintenance for operation equipment such as forklifts, bush hogs, sewer cleaning machines, leak detection equipment, lateral and main cameras, etc.    |
| 41. | Facilities Maintenance           | Administrative building landscaping services, pest control, air conditioner service, dumpster disposal, janitorial supplies and services, and building repairs and maintenance. |
| 42. | Generator Maintenance            | Repairs and preventative maintenance to the administration building, WWTP, wells, and lift station emergency generators.  |
| 43. | Hydrant Maintenance              | Repairs, testing, and preventative maintenance for hydrants.  |
| 44. | Operations - Grounds Maintenance | Contracted landscaping services at lift stations, wells, RO plant, WWTP, etc.   |

*Line Item Definitions – Maintenance Expenses (continued)*

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

**Proposed FY'25 Budget  
Variance Summary**

*Maintenance:*

This category covers preventative maintenance and emergency repairs to water and sewer mains, ASR wells, RO system, generators, pump stations, wells, elevated water tanks, ground storage tanks and the wastewater treatment plant that do not meet the District's property, plant, and equipment capitalization policy. Items greater than \$5,000 which extend the useful life of the asset are capitalized and included in the CIP budget. The total FY'25 budget is \$1,595,700 reflecting a \$81,700 increase compared to the FY'24 projections.

**Proposed FY'25 Budget  
Variance Summary (continued)**

*Maintenance (continued):*

**Note:** Many of the maintenance expense items can fluctuate significantly from year to year making them difficult to estimate. Depending on line item specific factors, budgeted amounts have been estimated utilizing future expectations and/or incremental budgeting (Using a previous period's budget or actual performance as a basis with incremental amounts adjusted for the new budget period). This area should also be considered in conjunction with the System Rehab line items on the CIP budget as that is where repairs and replacements that meet the District's capitalization threshold (i.e. are over \$5,000 and extend the useful life of an asset) are reported.

Major/selected variances include:

39. Effluent System Maintenance is budgeted at \$32,400 for FY'25 which is an increase of \$12,800 from FY'24 projections. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.
  
49. Water System Maintenance is budgeted at \$168,000 for FY'25 which is a \$41,500 increase from the FY'24 projection of \$126,600. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.

### Tap in and Water Expenses

	Proposed FY25 Draft Budget	FY24 Projected 8+4	Variance Increase (Decrease)	%Change	FY24 Budget
<b>Tap in and Connection Expenses</b>					
53 Water Tap In Expenses	141,000	121,100	19,900	16.4%	141,000
54 Sewer Connection Expenses	297,600	304,700	(7,100)	-2.3%	225,600
<b>Total Connection Expenses</b>	438,600	425,800	12,800	3.0%	366,600
<b>Water Expenses</b>					
55 Purchased Water	987,900	790,200	197,700	25.0%	812,000
56 ASR Water	285,300	274,300	11,000	4.0%	267,100
<b>Total Water Expenses</b>	1,273,200	1,064,500	208,700	19.6%	1,079,100

### Line Item Definitions – Tap in and Water Expenses

- |                                 |   |
|---------------------------------|---|
| 53. Tap-in Expenses - Water     | Water meters, meter boxes, tapping saddles, brass ball valves, curb stop and corporation stop, brass and cut-off valves. These materials expenses are off-set by Water Tap In Fees. |
| 54. Connection Expenses – Sewer | Expenses associated with sewer connections which are offset by Sewer Connection Fees.   |
| 55. Purchased Water             | Water that is purchased from BJWSA.   |
| 56. ASR Water                   | Water withdrawn from the ASR well.  |

### Proposed FY'25 Budget Variance Summary

#### Tap in and Water Expenses:

- 53/54. Tap in/connection expenses are budgeted based on a conservative estimate of new connections. They are offset by connection/inspection fee revenue. The difference between water tap in revenues and expenses is related to staff labor. The difference between sewer connection revenues and expenses are sewer connection fees.
- 55/56. Purchased Water / ASR Water – Purchased Water expense has been budgeted at \$987,900, a \$197,700 increase from FY'24 projections. ASR water has been budgeted at \$285,300, an \$11,000 increase from FY'24 projections.

**Proposed FY'25 Budget  
Variance Summary**

*Tap in and Water Expenses: (continued)*

55/56. Water Expenses for FY'25 consist of two line items: Purchased Water Expense and ASR Water Expense. Purchased water expense consists of water that is purchased from BJWSA and not used to fill the ASR. ASR water expense is for water that has been drawn out of the ASR well for sale to customers. Purchased water can also be affected by periods of down time at the RO Plant or Wells.

The current wholesale rate charged by BJWSA is \$2.26 per thousand gallons of water purchased during peak periods. BJWSA has notified the PSD that its cost of service model shows that a significant rate increase is necessary to fully cover the cost of providing water to the District. At the time of budget preparation, the best available range they could provide was 17% to 38%. This budget anticipates a 25% increase which would equate to a wholesale rate of \$2.82. Should the actual increase be higher, the District could end up over budget in this area.

The off-peak rate for FY'24 (generally October through February) is \$1.07 cents per 1,000 gallons of water purchased in excess of contracted requirements. The off-peak rate is adjusted annually based on the July Consumer Price Index and BJWSA will provide 60 days' notice of their intent to adjust the rates. ASR Water is valued at the off-peak rate and a 4.0% increase has been anticipated as a part of this budget which estimates the new off-peak rate at \$1.11.

## Professional Fees and Depreciation Expense

	<u>Proposed</u>		<u>Variance</u>		<u>FY'24 Budget</u>
	<u>FY'25 Draft Budget</u>	<u>FY'24 Projected 8+4</u>	<u>Increase (Decrease)</u>	<u>% Change</u>	
<b>Professional Fees</b>					
57 Professional Fees - Accounting	30,600	27,100	3,500	12.9%	30,600
58 Professional Fees - Engineering	75,000	81,900	(6,900)	-8.4%	75,000
59 Professional Fees - Legal	38,700	35,200	3,500	9.9%	46,200
60 Professional Fees - Other	70,200	10,400	59,800	575.0%	25,200
<b>Total Professional Fees</b>	<u>214,500</u>	<u>154,600</u>	<u>59,900</u>	<u>38.7%</u>	<u>177,000</u>
<b>Total Operating Expenses</b>	<u>13,377,900</u>	<u>12,290,100</u>	<u>1,087,800</u>	<u>8.9%</u>	<u>12,777,100</u>
<b>Operating Income before Depreciation</b>	<u>2,677,500</u>	<u>2,746,000</u>	<u>(68,500)</u>	<u>-2.5%</u>	<u>2,389,000</u>
61 <b>Depreciation</b>	5,250,000	5,187,600	62,400	1.2%	5,190,000
<b>Total Operating Expenses with Depreciation</b>	<u>18,627,900</u>	<u>17,477,700</u>	<u>1,150,200</u>	<u>6.6%</u>	<u>17,967,100</u>
<b>Change in Net Assets from Operations</b>	<u>(2,572,500)</u>	<u>(2,441,600)</u>	<u>(130,900)</u>	<u>5.4%</u>	<u>(2,801,000)</u>

### *Line Item Definitions – Professional Fees and Depreciation*

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

**Proposed FY'25 Budget  
Variance Summary**

***Professional Fees:***

This category covers fees paid to professionals for legal, accounting, engineering, and other consulting assistance in the operation and administration of the District. The total FY'25 budget of \$214,500 reflects a \$59,900 increase compared to the FY'24 projections. Major/selected variances include:

57. Professional fees accounting is budgeted at expected annual audit and financial consulting needs. In future years, the District will incur additional expense in this area related to obtaining a single audit which is required when a governmental entity expends more than \$750,000 of federal funds in a fiscal year. This budget does not anticipate hitting this spending threshold prior to the end of FY'24 so the cost of a single audit is not anticipated in the FY'25 budget.
58. Professional fees engineering is budgeted at \$75,000 for FY'25 in anticipation of continued developer work, condition studies, and other miscellaneous consulting needs.
59. Professional fees legal is budgeted at \$38,700 in consideration of SCIIP, ARPA, SCDOT, other infrastructure funding, and/or future water supply legal needs.
60. Professional fees other is budgeted at \$70,200. District staff is proposing that the District undergo a rate study in FY'24 to perform an updated review of the District's current rate structure including a review of its reclaimed water rates. The District's last rate study was conducted in FY'18.

***Depreciation:***

This category covers depreciation of the District's water and sewer systems as well as buildings and support equipment. Although this is a non-cash item, it is an expense to the District. Staff has performed an analysis of depreciation expense including a review of expected additions and assets reaching the end of their depreciable lives. The total budgeted depreciation for FY'25 is \$5,250,000, an increase of \$62,400 from the FY'24 projections based on staff's projection of anticipated depreciation on capital additions.

### Non-Operating Revenue

	Proposed		Variance		FY'24 Budget
	FY'25 Draft Budget	FY'24 Projected 8+4	Increase (Decrease)	% Change	
<b>Non-Operating Revenue</b>					
62 Property Taxes - GO Bond Levy	1,763,100	1,731,600	31,500	1.8%	1,515,000
63 Property Taxes - Operations Levy	1,290,000	1,268,600	21,400	1.7%	1,160,000
64 Gain on Disposition of Assets	15,000	53,400	(38,400)	-71.9%	126,000
65 Interest Income	390,000	771,700	(381,700)	-49.5%	390,000
66 Interest Income - Assessments	49,500	55,800	(6,300)	-11.3%	60,000
67 Rental Income	88,400	87,700	700	0.8%	87,600
68 Tower Lease Income	605,100	590,400	14,700	2.5%	570,900
69 Tower Lease Interest Income	32,100	32,200	(100)	-0.3%	32,100
<b>Total Non-Operating Revenue</b>	<b>4,233,200</b>	<b>4,591,400</b>	<b>(358,200)</b>	<b>-7.8%</b>	<b>3,941,600</b>

### Proposed FY'25 Budget Variance Summary

**Non-Operating Revenue:**

62/63. The FY'24 assessed values of the District were estimated by the staff at \$422.9 million based on collections to date. The County had not provided an update of the estimated value at the time of budget preparation. Budgeted amounts were based on the prior year amount and a modest growth component based on prior year history.

The General Obligation (GO) Debt Levy is estimated at \$1,763,100 for FY'25 to meet our general obligation debt payment requirements. This budget sets the GO Debt millage rate at 4.1 mills, which is the same as the FY'24 millage rate. The Operations Levy is set at 3.0 mills, the same level as FY'24, and is estimated at \$1,290,000 for FY'25. These rates are calculated directly from the estimated values discussed above. Both the GO and Operations levies are collected annually via Beaufort County property tax bills.

64. Gain on Disposition of Assets is a conservative estimate related to the replacement of vehicles. The CIP budget includes an allowance for additional vehicles. Some vehicles may be used for new staff positions as opposed to replacing a current vehicle. Additionally, if the timing of the purchase of vehicles is delayed, this line item would also be anticipated to be delayed. The decrease in the FY'25 budget is related to the fact that the PSD also sold a vacuum truck in FY'24.

65. Interest Income is based on balances of our operating and restricted accounts invested in interest bearing investments. Interest is estimated 3.25%. The District is currently earning in excess of 5.5% on its reserve funds. This is a particularly variable estimate. If rates continue at current levels, the District may earn significantly more revenue. If rates collapse, the District may earn significantly less income than budgeted.

- 66. Assessment Interest Receivable: Annual front foot assessments are billed and collected through Beaufort County property tax bills. These funds are collected to pay the District’s front foot assessment revenue debt and are based on set amortization schedules.
  
- 67. Rental Income is collected from the Town of Hilton Head 911 Center located on the second floor of the District Administration Building and the Hilton Head Plantation POA Property Lease for the boat and RV storage lot (POA Property Lease is due an annual 3% increase each September).
  
- 68. Tower Lease Income is generated from the cellular companies that have leased space on the District’s water towers. Projections for FY’25 are based on 3 cellular customers (AT&T, T-Mobile, Verizon) for a total of 14 leases which contain annual escalators ranging from 3.0% to 5.0%. During FY’23, Sprint cancelled one of their two leases due to the merger with T-Mobile. For the other Sprint site, T-Mobile has opted to cancel their lease with us which runs through 2026 and maintain the other Sprint lease.

**Non-Operating Expenses**

	<u>Proposed</u>		<u>Variance</u>		<u>FY'24</u>
	<u>FY'25</u>	<u>FY'24</u>	<u>Increase</u>	<u>%</u>	
<b>Non-Operating Expenses</b>	<b><u>Draft Budget</u></b>	<b><u>Projected 8+4</u></b>	<b><u>(Decrease)</u></b>	<b><u>Change</u></b>	<b><u>Budget</u></b>
70 Interest Expense - Vehicles	3,600	3,600	-	0.0%	3,600
71 Interest Expense - Bonds	260,100	273,500	(13,400)	-4.9%	273,600
72 Bond Defeasance Amortization	209,200	325,500	(116,300)	-35.7%	325,500
73 Bond Issuance Cost	42,500	-	42,500	0.0%	-
<b>Total Non-Operating Expenses</b>	<b>515,400</b>	<b>602,600</b>	<b>(87,200)</b>	<b>-14.5%</b>	<b>602,700</b>
<b>Non-Operating Income/Expenses - Net</b>	<b>3,717,800</b>	<b>3,988,800</b>	<b>(271,000)</b>	<b>-6.8%</b>	<b>3,338,900</b>
<b>Increase / Decrease in Net Assets before capital Contributions</b>	<b><u>1,145,300</u></b>	<b><u>1,547,200</u></b>	<b><u>(401,900)</u></b>	<b>-26.0%</b>	<b><u>537,900</u></b>

**Proposed FY'25 Budget  
Variance Summary**

*Non-Operating Expenses:*

Interest Expense and Bond Defeasance Amortization – The FY’25 budget is based on the District’s annual debt service schedules for all outstanding debt as well as an estimate of the interest and bond issuance costs for the anticipated FY’25 SRF loan using the assumption that repayments will begin halfway through the fiscal year. As previously noted, staff anticipates a second GO issuance will be completed during FY’25 which will result in additional interest and bond issuance costs that are not reflected in this budget. Staff anticipates presenting these additional amounts as a part of the financing plan when this issuance is brought to the Commission for approval at a later date.

### Summary of Capital Contributions

Capital Contributions	Proposed		Variance		FY'24 Budget
	FY'25 Draft Budget	FY'24 Projected 8+4	Increase (Decrease)	% Change	
74 Sewer Capacity Fees	156,000	689,700	(533,700)	-77.4%	156,000
75 Water Capacity Fees	114,000	523,400	(409,400)	-78.2%	114,000
76 SCIIP Grant	5,000,000	-	5,000,000	0.0%	-
77 BC ARPA Allocation	1,000,000	-	1,000,000	0.0%	-
78 Capital Contributions	1,550,000	50,000	1,500,000	0.0%	50,000
<b>Total Developer Contributions of Systems</b>	<b>7,820,000</b>	<b>1,263,100</b>	<b>6,556,900</b>	<b>519.1%</b>	<b>320,000</b>
<b>Change in Net Assets</b>	<b>\$ 8,965,300</b>	<b>\$ 2,810,300</b>	<b>\$ 6,155,000</b>	<b>219.0%</b>	<b>\$ 857,900</b>

### Proposed FY'25 Budget Variance Summary

*Developer Contribution of Systems:*

- 74/75. Water and Sewer Capacity Fees: These are payments received from new taps/connections to the system. Sewer capacity fees are budgeted at \$156,000 and water capacity fees are budgeted at \$114,000 using a conservative estimate of new connections. The FY'24 capacity fee projection includes three large development capacity fee payments. The District does not budget in anticipation of any large developer capacity fee payments as the timing of these are often tenuous and there is no guarantee that any known potential development will materialize.
- 76. SCIIP Grant is budgeted at \$5,000,000. Staff estimates that 50% of the grant money will be earned during the upcoming fiscal year. This is offset by a related CIP project in the CIP budget. Should more be earned than anticipated, these will offset each other.
- 77. BC ARPA Allocation is budgeted at \$1,000,000 as staff estimates the full amount will be earned in FY'25. Per the subrecipient agreement, \$300,000 of this will fund and offset the RO Expansion CIP project for the RO Generator and \$700,000 of this will fund and offset the LOM Booster Pump replacement CIP project.
- 78. Capital Contributions anticipates the continuance of the joint hydrant program with the Town of Hilton Head whereby the Town will reimburse the District for 50% of the cost of jointly planned new hydrants up to a maximum of \$50,000. This offsets the Hydrant CIP item.

The remaining \$1,500,000 budget for FY'25 anticipates the commencement of the engineering for the SCDOT US 278 bridge 24" transmission main relocation project. This figure was derived by estimating that engineering would total approximately 15% of the construction amount which was tentatively estimated at \$15,000,000. The District's 67% share of this totals roughly \$1,500,000. Under the SC Utility Relocation

Act, the District anticipates that it will need to fund the entire amount of the engineering up-front and then request reimbursement for it from the SCDOT. Any costs that are not like-for-like versus the existing infrastructure will be borne solely by the PSDs. As the newly relocated line will represent an asset of the District greater than \$5,000 and extend the life of any previously reported asset, the District anticipates reporting the expenses related to this project as a capital asset. Accordingly, these expenses are shown as a CIP project on the CIP budget. The related offsetting reimbursements will be reported in this line item.

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

## FY'25 Rate/Cash Funded Capital Improvement Plan Budget

CIP Projects			2025	2026	2027	2028	2029
CIP Rate/Cash Funded Projects (Amounts in 000's)			Priority Ranking				
<b>WWTP</b>							
Band Screen	New chain and rehab of existing band screen	1	40.0				
Reuse Water System	Upgrades, improvements, etc. to the reuse water system including new flow meters, valves, piping, etc.	2	100.0	105.0	110.0	115.0	120.0
Return Activated Sludge (RAS) Building	Install new isolation valve	3	75.0				
Filter Building Blowers	Replace 1 of 2 filter blowers. Blowers run during backwash	4	40.0				
RAS Pump	Replace 2 RAS Building pumps	5	60.0	60.0			
Nutrient Monitoring	Probes that monitor Ammonia and Nitrate in the Aeration Basin	6	55.0				
Transfer Pump Building	Electrical repairs and improvements	7	30.0				
Clarifier	Coating and refurbishment of Clarifier #1 Gear Box and Arm	8	30.0				
Grit Chamber	Sandblast and Coat Bridge #2	9	35.0		50.0		
Paint Buildings and Tank	Paint & resurface buildings and tanks (filter building)	10	50.0				
Influent Screen	Back up to band screen.	11	750.0				
System Rehab	Replace valves, actuators, motors, parts, etc.	*	200.0	225.0	250.0	250.0	275.0
Clarifier	Wier cleaning system			50.0	50.0	50.0	
Warehouse	Build new warehouse building			1,200.0			
Sludge Building	Replace metal shed sludge handling building					800.0	
<b>TOTAL WWTP</b>			<b>\$ 1,465.0</b>	<b>\$ 1,640.0</b>	<b>\$ 460.0</b>	<b>\$ 1,215.0</b>	<b>\$ 395.0</b>
<b>Wastewater Collection System</b>							
Gravity Main Line Refurbishment	Gravity sewer main line repairs and relining	1	350.0	400.0	400.0	400.0	450.0
Lift Stations - Rehab	Rehab and pumps	*	300.0	325.0	350.0	375.0	400.0
Lift Stations - Control Panels	Place control panels	*	100.0	105.0	110.0	115.0	120.0
District Funded MSP Projects	District Funded MSP Projects	*	25.0	25.0	25.0	25.0	25.0
System Rehab	Replace pipes, manholes, laterals, equipment as dictated by inspections	*	200.0	225.0	250.0	250.0	250.0
Royal James L/S	Install Screening Devices			175.0			
<b>TOTAL COLLECTION SYSTEM</b>			<b>\$ 975.0</b>	<b>\$ 1,255.0</b>	<b>\$ 1,135.0</b>	<b>\$ 1,165.0</b>	<b>\$ 1,245.0</b>
<b>Water Production/Distribution System</b>							
RO Plant	Replace actuator on Booster Pump #3	1	40.0	40.0	40.0		
Fire Hydrants	New and replacement hydrants	*	115.0	115.0	115.0	115.0	115.0
Metering System	Changing out meters and base stations	*	500.0	525.0	550.0	575.0	600.0
US 278 Bridge Relocation Project	Engineering for Relocation of 24" Main	R	1,500.0				
Leg O Mutton Booster Pump Station	Construction Costs from BC ARPA Allocation	R	700.0				
RO Well 4 & Plant Expansion / ASR 2	Construction Costs from SCIP Grant/BC ARPA	R	5,300.0	5,000.0			
Ground Storage Tanks, Wells, Booster Stations	VFD's, PLC's	*	75.0	80.0	80.0	80.0	80.0
System Rehab	Replace valves, equipment, RO membranes etc.	*	100.0	105.0	110.0	115.0	125.0
<b>TOTAL DISTRIBUTION SYSTEM</b>			<b>\$ 8,330.0</b>	<b>\$ 5,865.0</b>	<b>\$ 895.0</b>	<b>\$ 885.0</b>	<b>\$ 920.0</b>
<b>Facilities and Equipment</b>							
SCADA Improvements	Upgrade Processors at Wild Horse & Seabrook	1	80.0	95.0	95.0	95.0	115.0
SCADA Improvements - Ashmore	Ashmore Upgrades	2	50.0				
Operations Equipment - Water	Line locator equipment	3	25.0				
Operations Equipment - Sewer	Camera to inspect gravity sewer lines	4	35.0				
Operations Equipment	Shoring and Well Points	5	25.0				
Vehicles	Fleet replacements	6	250.0	250.0	250.0	250.0	250.0
Admin Building	Building Improvements, furniture, etc.	*	30.0	30.0	30.0	30.0	30.0
Technology	General computer equipment	*	30.0	30.0	30.0	30.0	30.0
Admin Building - AC	Admin Building Cooling Tower				300.0		
Excavator	Mini Excavator				75.0		
<b>TOTAL FACILITIES AND EQUIPMENT</b>			<b>\$ 525.0</b>	<b>\$ 405.0</b>	<b>\$ 780.0</b>	<b>\$ 405.0</b>	<b>\$ 425.0</b>
<b>TOTAL RATE/CASH FUNDED CIP PROJECTS</b>			<b>\$11,295.0</b>	<b>\$ 9,165.0</b>	<b>\$3,270.0</b>	<b>\$ 3,670.0</b>	<b>\$ 2,985.0</b>
* These are ongoing projects to be performed and completed on an as needed basis. As such, they have not been given a ranking.							
R These projects are funded by reimbursements from the SCDOT, BC ARPA Allocation, and SCIP Grant							

**FY'25 Rate Related CIP Projects  
 Funded from User Fees**

**Wastewater Treatment Plant**

<b>Band Screen.....</b>	<b>\$40,000</b>
• New chain and rehab of the band screen.	
<b>Reuse Water System.....</b>	<b>\$100,000</b>
• Replace flow meters, valves, and piping at Palmetto Hall, Cypress Conservancy, and Bear Creek.	
<b>RAS Pump Building.....</b>	<b>\$75,000</b>
• Replace the isolation valve at the RAS pump building.	
<b>Filter Building Blowers.....</b>	<b>\$40,000</b>
• Replace 2 <sup>nd</sup> of 2 filter blowers.	
<b>RAS Pumps.....</b>	<b>\$60,000</b>
• Replace RAS Pump (4 pumps / 1 per year).	
<b>Nutrient Monitoring.....</b>	<b>\$55,000</b>
• New probes that monitor Ammonia and Nitrate in the aeration basins.	
<b>Transfer Pump Building.....</b>	<b>\$30,000</b>
• Electrical rehab work.	
<b>Clarifier .....</b>	<b>\$30,000</b>
• Coating and rehab of clarifier #1 gear box & arm.	
<b>Grit Chamber.....</b>	<b>\$35,000</b>
• Sandblast and coat grit chamber #2.	
<b>Paint Buildings and Tanks.....</b>	<b>\$50,000</b>
• Paint and resurface WWTP buildings and tanks (filter building).	
<b>Influent Screen.....</b>	<b>\$750,000</b>
• New equipment that will act as a back up to the existing band screen.	
<b>System Rehab.....</b>	<b>\$200,000</b>
• Replace valves, actuators, motors, parts, etc.	
<b>Total Wastewater Treatment Plant.....</b>	<b>\$1,465,000</b>

***Wastewater Treatment Plant (continued)***

<b>WWTP (Amounts in 000's)</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Band Screen	40.0	-	-	-	-
Reuse Water System	100.0	105.0	110.0	115.0	120.0
Return Activated Sludge (RAS) Building	75.0	-	-	-	-
Filter Building Blowers	40.0	-	-	-	-
RAS Pump	60.0	60.0	-	-	-
Nutrient Monitoring	55.0	-	-	-	-
Transfer Pump Building	30.0	-	-	-	-
Clarifier	30.0	-	-	-	-
Grit Chamber	35.0	-	50.0	-	-
Paint Buildings and Tank	50.0	-	-	-	-
Influent Screen	750.0	-	-	-	-
System Rehab	200.0	225.0	250.0	250.0	275.0
Clarifier	-	50.0	50.0	50.0	-
Warehouse	-	1,200.0	-	-	-
Sludge Building	-	-	-	800.0	-
	<b>\$1,465.0</b>	<b>\$1,640.0</b>	<b>\$ 460.0</b>	<b>\$1,215.0</b>	<b>\$ 395.0</b>

**Wastewater Collection System**

- Gravity Main Line Refurbishment.....\$350,000**
- Reline 25” and 30” metal pipe in Indigo Run.
- Lift Station Rehab .....\$300,000**
- Major rehab and part replacements to PSD lift stations including Boys & Girls Club and Yacht Club stations.
- Lift Station Control Panels .....\$100,000**
- Lift Station control panel replacements including the Spa and Hickory Forest stations.
- District Funded MSP Projects.....\$25,000**
- Continued District funding of remaining unserved MSP Projects.
- System Rehab.....\$200,000**
- Replace equipment, pipes, manholes, laterals as dictated by inspections.
- Total Collection System .....\$975,000**

<b>Collection System (Amounts in 000's)</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Gravity Main Line Refurbishment	350.0	400.0	400.0	400.0	450.0
Lift Stations - Rehab	300.0	325.0	350.0	375.0	400.0
Lift Stations - Control Panels	100.0	105.0	110.0	115.0	120.0
District Funded MSP Projects	25.0	25.0	25.0	25.0	25.0
System Rehab	200.0	225.0	250.0	250.0	250.0
Royal James L/S	-	175.0	-	-	-
	<b>\$ 975.0</b>	<b>\$1,255.0</b>	<b>\$1,135.0</b>	<b>\$1,165.0</b>	<b>\$1,245.0</b>

**Water Distribution System**

**Reverse Osmosis Plant.....\$40,000**

- Replace actuator on Booster Pump #3.

**Fire Hydrants .....\$115,000**

- New hydrants and hydrant repairs/replacements. The PSD anticipates the continuation of the partnership with the Town of Hilton Head whereby they will reimburse 50% of the cost of new hydrants in selected areas up to \$50,000.

**Metering System.....\$500,000**

- Change out customer meters. The District has over 13,500 water meters which equates to 900 change outs a year assuming a 15-year lifespan.

**US 278 Bridge Relocation Project .....\$1,500,000**

- Estimate of PSD's portion of engineering expenses related to the relocation of the 24" purchased water transmission main for the SCDOT US 278 bridge replacement project. The PSD anticipates being reimbursed for these costs under the utility relocation act. Accordingly, this project is offset by a budgeted capital contribution in the FY'25 Operating & Maintenance budget.

**Leg O Mutton Booster Pump Station.....\$700,000**

- This represents and is offset by the BC ARPA allocation in the capital contribution section of the FY'25 Operating & Maintenance Budget. The total construction bid for this project came in at \$2,000,000. The remaining matching funds of \$1,300,000 as well as a 10% administrative & contingency allowance for a remaining total of \$1,500,000 is anticipated to be funded by a second GO debt issuance. See page 46.

**RO Well #4 & Plant Expansion / ASR 2.....\$5,300,000**

- This represents and is offset by the \$5,000,000 SCIP Grant and \$300,000 of the BC ARPA allocation in the capital contribution section of the FY'25 Operating & Maintenance Budget. It was estimated that 50% of these projects would be completed in FY'25. There will be additional matching funds necessary to complete these projects which are anticipated to be funded by a second GO debt issuance. See page 46.

**Ground storage tank, well pumps & controls .....\$75,000**

- VFD's, PLC's, etc.

**System Rehab .....\$100,000**

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

**Total Distribution System .....\$8,330,000**

<b>Distribution System (Amounts in 000's)</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
RO Plant	40.0	40.0	40.0	-	-
Fire Hydrants	115.0	115.0	115.0	115.0	115.0
Metering System	500.0	525.0	550.0	575.0	600.0
US 278 Bridge Relocation Project	1,500.0	-	-	-	-
Leg O Mutton Booster Pump Station	700.0	-	-	-	-
RO Well 4 & Plant Expansion / ASR 2	5,300.0	5,000.0	-	-	-
Ground Storage Tanks, Wells, Booster Stations	75.0	80.0	80.0	80.0	80.0
System Rehab	100.0	105.0	110.0	115.0	125.0
	<b>\$8,330.0</b>	<b>\$5,865.0</b>	<b>\$ 895.0</b>	<b>\$ 885.0</b>	<b>\$ 920.0</b>

**Facilities and Equipment**

- SCADA Improvements.....\$80,000**
  - Upgrade the processors at Wild Horse & Seabrook sites.
- SCADA Improvements - Ashmore.....\$50,000**
  - Upgrade SCADA systems at Ashmore site.
- Operations Equipment - Water.....\$25,000**
  - Line location equipment.
- Operations Equipment - Sewer.....\$35,000**
  - Camera to inspect gravity sewer lines.
- Operations Equipment.....\$25,000**
  - Purchasing shoring and well point equipment.
- Vehicles.....\$250,000**
  - Funding for four to six new fleet vehicles. Vehicle prices have risen dramatically during the past fiscal years and many governmental incentive programs have been reduced.
- Admin Building.....\$30,000**
  - General major repairs, furniture, and fixtures for the administrative building.
- Technology.....\$30,000**
  - General computer equipment.
- Total Facilities and Equipment.....\$525,000**

<b>Facilities and Equipment (Amounts in 000's)</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
SCADA Improvements	80.0	95.0	95.0	95.0	115.0
SCADA Improvements - Ashmore	50.0	-	-	-	-
Operations Equipment - Water	25.0	-	-	-	-
Operations Equipment - Sewer	35.0	-	-	-	-
Operations Equipment	25.0	-	-	-	-
Vehicles	250.0	250.0	250.0	250.0	250.0
Admin Building	30.0	30.0	30.0	30.0	30.0
Technology	30.0	30.0	30.0	30.0	30.0
Admin Building - AC	-	-	300.0	-	-
Excavator	-	-	75.0	-	-
	<b>\$ 525.0</b>	<b>\$ 405.0</b>	<b>\$ 780.0</b>	<b>\$ 405.0</b>	<b>\$ 425.0</b>

**Total FY'25 Rate/Cash Funded CIP Projects ..... \$11,295,000**

**NOTE: The District will also carry over any unfinished FY'24 CIP projects into FY'25 for completion.**

### FY'25 Potential Debt Funded Projects

Staff has compiled the following list of larger projects for which it may recommend debt financing during FY'25. As previously noted, the District may be able to issue between \$5,000,000 and \$20,000,000 of GO Debt without significantly altering the current GO millage rate. The District also has a high enough debt coverage ratio to consider additional revenue debt. At the time of budget preparation, staff was working with District engineers to bid out the SCIIP Grant projects. The SCIIP grant application estimated a \$7,000,000 local match but overall construction inflation may necessitate a much higher match; \$8,500,000 has been estimated below. This does not include the preliminary engineering costs which are anticipated to be funded by an SRF Loan in the upcoming fiscal year. Once the District receives the bids, staff will begin the process of determining a recommended slate of debt funded projects.

In addition to the matching funds for the SCIIP Grant, there are several larger wastewater treatment plant projects staff would consider recommending for debt funding. Some of these items are included in future years of the five-year CIP plan which would free up additional rate funded revenue in future years if they could be funded via a debt issuance. This includes the \$750,000 band screen project which is included in the FY'25 project list. Should this project be funded by a debt issuance, it would increase the cash flow projection for the year. A list of these potential projects and priority rankings can be found below. The WWTP projects have been submitted to the SRF for consideration for future SRF funding.

<b>CIP Projects - Potential Water Debt Projects (Amounts in 000's)</b>		<b>Est. Project Total</b>
SCIIP Grant Matching Funds	ASR-2, RO Well 4/ Expansion, RO Generator	<b>\$ 8,500.0</b>
BC ARPA Matching Funds	LOM Booster Pump Station	<b>1,500.0</b>
<b>TOTAL</b>		<b>\$10,000.0</b>

<b>CIP Projects - Potential WWTP Debt Projects (Amounts in 000's)</b>		<b>Priority Ranking</b>	<b>Est. Project Total</b>
WWTP Screw Pumps	Replacement of 3 Screw Pumps	1	<b>\$ 3,500.0</b>
WWTP Influent Screen	Back-up to Band Screen	2	<b>750.0</b>
WWTP Warehouse & Garage	Replace Warehouse & Garage Building	3	<b>1,200.0</b>
WWTP Sludge Building	Replace Sludge Building	4	<b>800.0</b>
Collections - Royal James Lift Station	Tank, Pump, and Site Upgrade	5	<b>3,250.0</b>
<b>TOTAL</b>			<b>\$ 9,500.0</b>

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

These projects are not included in any of the cash flow projections and are provided for planning purposes only at this time. Staff will bring a separate financing plan for the grant matching fund projects and any other projects it recommends pursuing during FY'25 to the Commission after it receives the SCIIP bids.

## Cash Flow and Five-Year Projections

### Cash Flow

The table below shows a summary of FY'23 actual cash flow, FY'24 projected cash flow, and FY'25 budgeted cash flow. Cash is currently projected to decrease by approximately \$323,000 for FY'24 and increase by approximately \$1,072,700 for FY'25 based on budgeted numbers. Unrestricted cash is projected to decrease by approximately \$540,700 in FY'24 and increase by approximately \$1,689,900 in FY'25 due to projected changes in GO restricted cash and a release of restricted cash when the BC ARPA projects are completed.

<b>Preliminary Cash Flow Projections</b>	<b>Actual FY 2023</b>	<b>Projected FY 2024</b>	<b>Budgeted FY 2025</b>
Beginning Cash on Hand	\$ 13,504,600	\$ 14,589,300	\$ 14,266,300
(Projected) Change in Net Position	1,649,600	2,810,300	8,965,300
Less Financed Assessments Capacity and Tap Fees	(186,500)	(110,000)	(80,000)
Accrual Changes	(566,000)	-	-
Add Depreciation	5,140,500	5,187,600	5,250,000
Add Amortization / Bond Defeasance	325,500	325,500	209,200
Add Interest Expense	312,300	277,100	263,700
Add Assessment Collections	222,200	205,000	212,000
Add Proceeds/ Less use of Restricted Capital Grant	1,000,000	-	(1,000,000)
Add Debt Proceeds	235,000	-	2,590,000
- Debt Payments including anticipated FY'25 SRF	(3,961,700)	(4,014,500)	(3,932,500)
- Capital Improvement Projects (transfer & additions)	(3,086,200)	(5,004,000)	(11,405,000)
(Projected) Cash on Hand	<u>\$ 14,589,300</u>	<u>\$ 14,266,300</u>	<u>\$ 15,339,000</u>
<b>Composition of Cash</b>	<b>Actual FY 2023</b>	<b>Projected FY 2024</b>	<b>Budgeted FY 2025</b>
Restricted Cash on hand for Debt Service	\$ 875,800	\$ 875,800	\$ 875,800
Restricted Cash on hand for Capital Grant	1,000,000	1,000,000	-
Restricted Cash on hand for Debt Service - GO Debt Levy	320,800	538,500	921,300
Unrestricted Cash	<u>12,392,700</u>	<u>11,852,000</u>	<u>13,541,900</u>
Total Cash on Hand	<u>\$ 14,589,300</u>	<u>\$ 14,266,300</u>	<u>\$ 15,339,000</u>
(Projected) Change related to Cash on Hand	<u>\$ 1,084,700</u>	<u>\$ (323,000)</u>	<u>\$ 1,072,700</u>

You will notice that the actual FY'23 contains a line called accrual changes. The District uses the accrual method of accounting whereby revenues and expenses are recorded when earned or incurred rather than when paid. This line item reconciles the change in net position for accrual purposes to the cash received/paid. The FY'24 projection, FY'25 budget, and future year projections do not attempt to project these timing-related accrual differences. In particular, FY'24 CIP projects that are not completed by the fiscal year end, may be carried over into FY'25 for completion. As previously noted, the table above also does not attempt to project any cash flow related to debt financing of the infrastructure or future water supply projects shown on the previous page.

### *Cash Flow and Operating Reserve Targets*

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

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

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

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

Funding the capital portion of this policy would allow the District to plan to pay for larger capital projects out of cash instead of needing a debt issuance for larger projects. The list of potential wastewater treatment plant debt projects on page 46 would be examples of the types of larger projects that could be funded by cash if the capital portion of this reserve were fully funded.

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

		<b>Days</b>	<b>Balance Based</b>
		<b>Cash on</b>	<b>on FY'25</b>
<b>Financial Policy Targets:</b>		<b>Hand</b>	<b>Budget</b>
Minimum Operating Reserve	4 Months	120	4,459,300
Lower Contingency Operating Reserve Target	6 Months	183	6,688,950
Upper Contingency Operating Reserve Target	12 Months	365	13,377,900
Lower Capital Operating Reserve Target	1 Year Depreciation	143	5,250,000
Upper Capital Operating Reserve Target	2 Years Depreciation	286	10,500,000
Combined Lower Contingency & Capital Target	6 Mo + 1 Year Deprec	326	11,938,950
Combined Upper Contingency & Capital Target	12 Mo + 2 Years Deprec	651	23,877,900
<b><i>Unrestricted Cash from Proposed FY'25 Operating Budget</i></b>		<b>369</b>	<b>13,541,900</b>
<b><i>Amount from the Proposed FY'25 Operating Budget Available for Capital if Contingency Reserve is set at Upper 12 Month Target</i></b>		<b>4</b>	<b>164,000</b>

## Cash Flow and Five-Year Projections

### Five-Year Projections

The table below provides a five-year projection of change in net position, cash flow, days cash on hand, and debt service. FY'24 and FY'25 are based on the current year projections and budget. Water and Sewer revenues for FY'26 – FY'29 are projected based on a 0.75% water customer growth rate and a 1.0% sewer customer growth rate; no additional rate increases are shown as a part of this projection. Other revenues and expenses are projected based on any known expectations and growth rates from 0-4% with most expense growth rates set at 2%. This projection is meant to be a high-level snapshot of the District's five-year financial position at current rates with current expectations only. Future year budgets and rates will be prepared and proposed based on the updated needs of the District at that time. This projection does not include any impacts related to the potential debt funded infrastructure or future water supply projects shown on page 46.

	Projected FY'24	Budget FY'25	Projection FY'26	Projection FY'27	Projection FY'28	Projection FY'29
Total Operating Revenue	\$ 15,036,100	\$ 16,055,400	\$ 16,159,000	\$ 16,263,700	\$ 16,368,900	\$ 16,475,400
Total Operating Expenses with Depreciation	17,477,700	18,627,900	18,959,600	19,301,400	19,653,500	20,016,400
<b>Change in Net Position from Operations</b>	<b>(2,441,600)</b>	<b>(2,572,500)</b>	<b>(2,800,600)</b>	<b>(3,037,700)</b>	<b>(3,284,600)</b>	<b>(3,541,000)</b>
Total Non-Operating Revenue	4,591,400	4,233,200	4,020,200	4,109,900	3,360,100	2,836,300
Total Non-Operating Expenses	602,600	515,400	454,600	407,800	359,900	321,300
<b>Non-Operating Income/Expenses - Net</b>	<b>3,988,800</b>	<b>3,717,800</b>	<b>3,565,600</b>	<b>3,702,100</b>	<b>3,000,200</b>	<b>2,515,000</b>
Increase in Net Position before Capital Contributions	1,547,200	1,145,300	765,000	664,400	(284,400)	(1,026,000)
Total Capital Contributions	1,263,100	7,820,000	5,320,000	320,000	320,000	320,000
<b>Change in Net Position</b>	<b>\$ 2,810,300</b>	<b>\$ 8,965,300</b>	<b>\$ 6,085,000</b>	<b>\$ 984,400</b>	<b>\$ 35,600</b>	<b>\$ (706,000)</b>
<b>Total CIP Budget Cash Flow</b>	<b>(3,374,000)</b>	<b>(11,295,000)</b>	<b>(9,165,000)</b>	<b>(3,270,000)</b>	<b>(3,670,000)</b>	<b>(2,985,000)</b>
Add: Non Cash Depreciation Expense	5,187,600	5,250,000	5,250,000	5,250,000	5,250,000	5,250,000
Less: Debt Service Payments	(4,014,500)	(3,932,500)	(3,935,500)	(3,969,000)	(3,171,600)	(2,313,600)
Add: Projected SRF Debt Issuance Less BIC		2,547,500				
Less: SCIIP ARPA Engineering	(1,630,000)	(110,000)				
Less: GO Cash Change	(217,700)	(382,800)				
Other Debt Related Adjustments	602,600	515,400	454,600	407,800	359,900	321,300
FFA Assessment, net	95,000	132,000	132,000	132,000	132,000	132,000
Total Non-CIP Other Cash Flow Adjustments	23,000	4,019,600	1,901,100	1,820,800	2,570,300	3,389,700
<b>Projected Change in Unrestricted Cash Flow</b>	<b>\$ (540,700)</b>	<b>\$ 1,689,900</b>	<b>\$ (1,178,900)</b>	<b>\$ (464,800)</b>	<b>\$ (1,064,100)</b>	<b>\$ (301,300)</b>
Projected Beginning Unrestricted Cash	12,392,700	11,852,000	13,541,900	12,363,000	11,898,200	10,834,100
<b>Projected Ending Unrestricted Cash</b>	<b>\$ 11,852,000</b>	<b>\$ 13,541,900</b>	<b>\$ 12,363,000</b>	<b>\$ 11,898,200</b>	<b>\$ 10,834,100</b>	<b>\$ 10,532,800</b>
<b>Projected Days Cash on Hand</b>	<b>352</b>	<b>369</b>	<b>329</b>	<b>309</b>	<b>275</b>	<b>260</b>
Projected Net Earnings Available for Debt Service	7,020,300	5,626,000	5,451,000	5,264,700	5,070,100	4,866,900
Parity Revenue Debt Service	2,461,000	2,468,300	2,435,200	2,430,000	2,434,500	2,153,700
<b>Projected Debt Coverage with Capacity Fees</b>	<b>285%</b>	<b>228%</b>	<b>224%</b>	<b>217%</b>	<b>208%</b>	<b>226%</b>
<b>Projected Debt Coverage without Capacity Fees</b>	<b>236%</b>	<b>217%</b>	<b>213%</b>	<b>206%</b>	<b>197%</b>	<b>213%</b>

**FY' 25 Schedule of Rates, Fees, and Deposits**

<b>Water &amp; Irrigation Monthly Base Rate per Unit:</b>		<b>Sewer Base Monthly Rate per Unit:</b>	
Residential Customers	17.50	Residential Customers	19.50
Commercial Customers	22.50	Commercial Customers	19.50
<b>Residential Water</b>		<b>Residential &amp; Commercial Sewer</b>	
<b>Monthly Usage Rates per 1,000 Gallons:</b>		<b>Monthly Usage Rates per 1,000 Gallons:</b>	2.31
Block 1 - 0 to 10,000 Gal	1.58	Residential sewer usage is capped at 10,000 gallons per month.	
Block 2 - 10,001 to 20,000 Gal	2.24	There is no cap on commercial sewer usage.	
Block 3 - 20,001 to 30,000 Gal	2.79	<b>Reclaimed Golf Course Irrigation</b>	
Block 4 - All Over 30,000 Gal	3.72	Non-pressurized Usage Rate per 1,000 Gallons	0.61
<b>Commercial Water &amp; Irrigation</b>		Pressurized Usage Rate per 1,000 Gallons	0.91
<b>Monthly Usage Rates per 1,000 Gallons:</b>		<b>Meter Install Fees (Existing Service Line)</b>	
Block 1 - 0 to 10,000 Gal	1.69	3/4" Meter	1,180.00
Block 2 - 10,001 to 20,000 Gal	2.24	1" Meter	1,500.00
Block 3 - 20,001 to 30,000 Gal	2.79	2" Meter and Backflow	3,440.00
Block 4 - All Over 30,000 Gal	3.72	Any other size	Time & Materials
<b>Residential Irrigation</b>		<b>Meter Install Fees (No Existing Service Line)</b>	
<b>Monthly Usage Rates per 1,000 Gallons:</b>		3/4" Meter	1,390.00
Block 1 - 0 to 10,000 Gal	2.24	1" Meter	1,710.00
Block 2 - 10,001 to 20,000 Gal	2.24	Any other size	Time & Materials
Block 3 - 20,001 to 30,000 Gal	2.79	<b>Sewer Lateral Installation Fees</b>	Greater of \$1,200 or
Block 4 - All Over 30,000 Gal	3.72		Time & Materials
<b>Other Fees &amp; Charges</b>		<b>Capacity Fees (per unit):</b>	
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	<b>Deposits:</b>	
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	<b>Hourly Labor Rate</b> for time and materials and for	
System/Meter Damage	Time & Materials	work performed for outside agencies	65.00