

HILTON HEAD PUBLIC SERVICE DISTRICT

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

MAY 2026 AGENDA PACKET CONTENTS

1. Agenda for the May 27, 2026, Regular Commission Meeting
2. Draft Minutes of the April 29, 2026, Regular Commission Meeting
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5. Memo from the Finance Manager on the FY'27 Budget
6. FY'27 Rate Resolution Advertisement
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8. FY'27 Budget Advertisement
9. FY'27 Budget Resolution
10. FY'26 Third Quarter Financial Report
11. GM Monthly Report
12. Charts, Graphs and Water Quality Report



Agenda

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www.hhpsd.com

AGENDA

Hilton Head Public Service District Commission
9 a.m.
May 27, 2026
PSD Community Room
21 Oak Park Drive, Hilton Head Island, SC 29926

- I. Call to Order & Freedom of Information Act Announcement
- II. Pledge of Allegiance
- III. Roll Call of Commissioners
- IV. Public Hearing on FY '27 Rates & Fees Adjustments
- V. Public Hearing on FY '27 Operating Budget and Millage
- VI. Public Comment on Non-Agenda Items
- VII. Adoption of Draft Minutes of April 29, 2026, Regular Meeting
- VIII. Adoption of Draft Minutes of May 13, 2026, Executive Committee Meeting
- IX. Adoption of Resolution Authorizing the Series 2026 Front Foot Assessment Roll and Public Hearing (Action)
- X. FY '27 Rates & Fees Adoption (Action)
- XI. FY '27 Operating Budget and Millage Adoption (Action)
- XII. FY '26 3rd Quarter Financial Report
- XIII. General Manager's Monthly Report
- XIV. Executive Session:
 - A. Under S.C. Code 30-4-70 (a) (1) ("Discussion of employment...") and (2) ("Discussion of negotiations incident to proposed contractual arrangements...")
 - i. On-Call Water and Wastewater Consulting Services
 - ii. U.S. 278 Corridor Project Utility Relocation Consulting Services
 - iii. Request for Access Easement – Wild Horse Water Tower Site
 - iv. Advanced Metering Infrastructure
 - v. General Manager's Annual Evaluation

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

XV. Possible Action by Commission Concerning Matters Discussed in Executive Session

XVI. Adjournment

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



Draft Minutes

HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT

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

MINUTES COMMISSION MEETING APRIL 29, 2026

I. The meeting was called to order by Chairman Frank Turano at 9:01 a.m.

II. Those in attendance were:

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

Present by request:

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

Absent:

Mr. Jerry Cutrer	Vice Chair
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Visitors:

None

III. Pledge of Allegiance

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

IV. Public Comment on Non-Agenda Items

None

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

Action

- Mr. Bell moved to adopt the minutes of the March 25, 2026, meeting as presented. Mrs. Soltys seconded. The motion passed unanimously.

VI. Adoption of Series 2026 Front Foot Assessment Imposition Resolution

Key Discussion Points

- Mr. Lawrence Flynn, the PSD's bond counsel, presented the draft Series 2026 Front Foot Assessment Imposition Resolution.
- The resolution is the first step that authorizes the imposition of the front-foot assessments to reimburse the District for its costs of installing water and/or sewer infrastructure on Miller Road, Slim Loop, Squire Pope Road, Wild Horse Road, Farmers Club Road, Dillon Road, Wiley Road, Rachel Lane, Sunday Ford, Mitchelville, Juke Joint Lane, Azalea Street, William Drive, Beach City Road, Jonesville Road, Gumtree Road, Janis Manor, Elizabeth Borad, Wright Place, William Hilton Pkwy, Pink Sand Lane, Outlaw Road, Spanish Wells Road, Old House Creek Drive, Conrad Court, and various other areas of the District.

Action

- Mr. Bell moved to adopt the Series 2026 Front Foot Assessment Imposition Resolution as presented. Mrs. Soltys seconded. The motion passed unanimously.

VII. 911 Lease Extension

Key Discussion Points

- Mr. Nardi presented the draft addendum to the lease agreement between the PSD and the Town of Hilton Head for use of the PSD's second floor for the 911 Dispatch Center.
- The Town has informed the PSD of its plans to relocate to a different site during FY'27. The addendum allows for renewals in 90-day intervals starting July 1, 2026.
- The 90-day structure was requested by the Board, and the Town is agreeable.
- The Town understands it will owe the entire 90-day lease amount regardless of when the lease terminates.

Action

- Mr. Bell moved to approve the 911 Dispatch Center lease addendum as presented. Mr. Abdul-Malik seconded. The motion passed unanimously.

VIII. FY'27 Draft O&M and CIP Budgets

Key Discussion Points

- Ms. Graybill presented the FY'27 draft budgets for discussion by the Board. Copies are included in the agenda packet.

- Staff prepared four cost-of-service scenarios for consideration. The current draft includes Scenario 2, which includes volumetric water and sewer tier increases and a \$1 base rate increase for water and sewer.
- Staff also presented other rates adjustments for consideration, including:
 - Increasing the operating millage rate from 3.0 to 3.1
 - Increasing the pressurized reclaimed water rate from \$0.91 to \$1.03
 - Increasing the non-pressurized reclaimed water rate from \$0.61 to \$0.69
 - Establishing a minimum developer plan review fee of \$350 to cover the cost of a standard developer plan review
 - Establishing an hourly developer plan rate of \$135 per hour
 - Increasing the reconnection fee from \$35 to \$70
- If the FY'27 budget is adopted at this meeting, a public hearing will be advertised for three weeks and held in May.

Action

- Mr. Bell moved to adopt the draft FY'27 Budget as presented. Mr. Abdul-Malik seconded. The motion passed unanimously.
- Mr. Bell moved to adopt the proposed rate adjustments as presented. Mr. Abdul-Malik seconded. The motion passed unanimously.

IX. FY'26 3rd Quarter Management Report

Key Discussion Points

- Mr. Nardi presented the FY'26 Third Quarter Management Report. A copy is included in the agenda packet.

X. General Manager's Monthly Report

Key Discussion Points

- Mr. Nardi presented the General Manager's Monthly Report. A copy is included in the agenda packet.
- Designs for the U.S. 278 Bridge Project are expected to be complete by Spring 2027.
- S.C. Department of Environmental Services was onsite this week to review the PSD's recycled water program.

XI. Executive Session

Action

- Mr. Bell moved to enter into executive session for the purpose of discussing contractual matters. Mr. Paterno seconded. The motion passed unanimously.
- Executive Session began at 10:28 a.m.

XII. Reconvene Regular Session

Action

- Regular session reconvened at 10:55 a.m.
- Mr. Bell moved to authorize the General Manager to sign the Interim Purchased Water Agreement. Mr. Abdul-Malik seconded. The motion passed unanimously.
- Mr. Bell moved to authorize the General Manager to retain legal counsel at his discretion to address Advanced Metering Infrastructure. Mr. Abdul-Malik seconded. The motion passed unanimously.

XIII. Adjournment

Action

- The meeting adjourned at 11:02 a.m.

HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT

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TELEPHONE 843-681-5525 – FAX 843-681-5052

MINUTES EXECUTIVE COMMITTEE MEETING MAY 13, 2026

I. The meeting was called to order by Chairman Frank Turano at 2:00 p.m.

II. Those in attendance were:

Mr. Frank Turano	Chair
Mr. Jerry Cutrer	Vice Chair
Mr. Stuart Bell	Treasurer
Mrs. Patti Soltys	Secretary

III. Executive Session to Discuss the GM Performance Evaluation

Action

- Mr. Cutrer moved to enter into executive session for the purpose of discussing the General Manager Performance Evaluation. Mrs. Soltys seconded. The motion passed unanimously.
- Executive session began at 2:00 p.m.

IV. Reconvene Regular Session

Action

- Regular session reconvened at 2:47 p.m.
- No action was taken as a result of executive session.

V. Adjournment

Action

- The meeting adjourned at 2:47 p.m.



Front Foot Assessment Imposition Resolution

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

ARTICLE I - FINDINGS OF FACT

Section 1.01 Recital of Findings of Fact

Pursuant to the provisions of a resolution (the "*Imposition Resolution*") duly adopted by the Hilton Head No. 1 Public Service District Commission (the "*Commission*"), the governing body of the Hilton Head No. 1 Public Service District, South Carolina (the "*District*"), on April 29, 2026, the Commission authorized the imposition of sewer and water assessments (the "*Assessments*") on a per parcel basis on properties in and around the following areas: Miller Road, Slim Loop Road, Steelpan Road, Squire Pope Road, Wild Horse Road, Farmers Club, Dillon Road, Wiley Road, William Hilton Parkway, Sunday Ford, Mitchellville Road, Juke Joint Lane, Marvin Lane, Azalea Street, William Drive, Beach City Road, Jonesville Road, Gumtree Road, Janis Manor, Elizabeth Road, Marshland Road, Outlaw Road, Spanish Wells Road, Old House Creek Drive, Conrad Court, Janis Manor and various other areas of the District (collectively, the "*Areas*") in accordance with the provisions of Title 6, Chapter 11, Article 7 of the Code of Laws of South Carolina 1976, as amended (the "*Assessment Statute*").

In accordance with Section 2.05 of the Imposition Resolution and the provisions of the Assessment Statute, a copy of the Imposition Resolution was published in The Island Packet on May 3, 2026; posters advising the owners of properties located in the Areas and generally describing the areas to be affected by the Assessments have been displayed in the office of the Register of Deeds for Beaufort County, South Carolina since May 11, 2026.

Pursuant to the provisions of Section 6-11-1230(4)(b) of the Assessment Statute, the Commission has caused an assessment roll (the "*Roll*") to be created. The Roll shall be available for inspection by any interested party in the office of the Commission starting on May 27, 2026, and continuing until such time as the Commission deems the Roll to be final. A copy of the Roll may be made available electronically by contacting the District at info@hhpsd.com.

Section 1.02 Purpose of this Resolution

The purpose of this Resolution is to authorize the next steps which must be undertaken by the Commission under the provisions of the Assessment Statute in order that the Assessments shall constitute liens on the affected parcels superior to all other liens, except property taxes.

ARTICLE II - HEARING AND NOTICE THEREOF

Section 2.01 Mailing of Notices, Determination of Date of Public Hearing and Publication of Notice Thereof

Pursuant to the provisions of Section 6-11-1230(4)(d) of the Assessment Statute (“**Section 4d**”), a letter shall be mailed to the owner of each affected parcel setting forth the information required by the provisions thereof.

Further, pursuant to Section 4d, any property owner objecting to the Assessments must submit a statement in writing to the Commission by no later than 9:00 a.m. on Sunday, June 14, 2026. Failure to deliver a written objection before the aforementioned date and time shall constitute a complete waiver of any right the owner may have to object to the Assessments.

So that the Commission may consider any written and delivered objections to the Assessments, a public hearing (the “**FFA Hearing**”) shall be held on Wednesday, June 17, 2026, at 9:00 a.m. (or as soon as possible as time permits) at the offices of the Commission. Pursuant to Section 6-11-1230(4)(c) of the Assessment Statute, notice of completion of the Roll, the form of which is attached hereto as Exhibit A, setting forth a description in general terms of the improvements and the time fixed for the FFA Hearing shall be duly published in The Island Packet at least 10 days prior to the date set for the FFA Hearing.

Section 2.02 Capacity Fees; Capacity Fee Hearing

The District charges one-time water and/or sewer capacity fees (the “**Capacity Fees**”) when customers of the District request water and/or sewer service. Some of the owners in the Areas, to the extent not already paid, are responsible for paying the Capacity Fees. If Capacity Fees (water and/or sewer) are owed, the owners of properties in the Areas have the option to elect to pay their Capacity Fees over the same period as the Assessments are paid (and at the same interest rate), rather than paying such Capacity Fees as one lump sum. If the option to pay over time is exercised, the annual payment due on the Capacity Fees will be added to the Assessments and will be included in the tax notices mailed in the fall of each of the years 2026 through and including 2045.

The affected property owners shall have the opportunity to also discuss the imposition of the Capacity Fees at a public hearing (the “**Capacity Fee Hearing**” and together with the FFA Hearing, the “**Hearings**”) on Wednesday, June 17, 2026, at 9:00 (or as soon thereafter as time permits, and the Capacity Fee Hearing will immediately follow the FFA hearing) at the offices of the Commission. After the Capacity Fee Hearing, it is the intent of the Commission to make a final determination regarding the Capacity Fees at its June 17, 2026 meeting. The sewer Capacity Fees, as finally determined by the Commission, shall constitute a lien against the affected property until such time as such fees are paid in full.

ARTICLE III - EFFECTIVE DATE

Section 3.01 Effective Date

The effective date of this Resolution shall be the date of its adoption.

DONE, RATIFIED AND ADOPTED on May 27, 2026.

(SEAL)

Chairman
Hilton Head No. 1 Public Service District Commission

Attest:

Secretary
Hilton Head No. 1 Public Service District Commission

Pursuant to the Resolution and to Sections 6-11-1210 to 6-11-1260 of the Code of Laws of South Carolina 1976, as amended (the “*Act*”), the owners of property located in the Affected Service Areas, and to which water and/or sewer service has been or is being made available by the District, will be charged assessments. The assessments may be paid as annual installments (bearing interest as provided above at 2.212% per annum) (the “*Annual Payments*”), which will be included in property tax notices mailed to the affected property owners in the fall of each year, beginning in 2026 and continuing through the fall of 2045. Each assessment constitutes a lien against the affected properties that is superior to all other liens except property taxes. The Annual Payments are collectable by the County Treasurer along with annual property taxes and if not timely paid, are subject to the same terms and conditions regarding late payments and collections of that year’s tax bill.

The Commission has prepared and completed an assessment roll (the “*Roll*”) that lists all property owners in the Affected Service Areas. The Roll contains the name of the person(s) assessed, a description of the affected property, the amount of the total assessment, and the amount of the Annual Payment. The Roll is on file in the administrative office of the District, which is located at 21 Oak Park Drive, Hilton Head Island, SC 29926. The Roll is available for inspection during regular office hours. A copy of the Roll may be made available electronically by contacting the District at info@hhpsd.com.

In accordance with the provisions of the Act and a Resolution adopted by the Commission on May 27, 2026, notice is hereby given that a public hearing will be held by the Commission on Wednesday, June 17, 2026 at 9:00 a.m. (or as soon thereafter as time permits) in the District’s public meeting room, which is located at 21 Oak Park Drive, Hilton Head Island, SC 29926 (the “*FFA Hearing*”). At the FFA Hearing, the Commission shall consider all pre-filed objections regarding the assessments imposed in the Affected Service Areas. Persons affected by the imposition of the assessments and those otherwise seeking an opportunity to be heard must pre-file a written objection to the Commission by Sunday, June 14, 2026 at 9:00 a.m. All written objections must be delivered to the District’s Finance Manager by mail or by hand at one of the following addresses:

By Mail:

Hilton Head No.1 Public Service District, South Carolina
Attn: Ms. Amy Graybill – Assessment Objection
P.O. Box 21264
Hilton Head Island, SC 29925

By Hand:

Hilton Head No.1 Public Service District, South Carolina
Attn: Ms. Amy Graybill – Assessment Objection
21 Oak Park Drive
Hilton Head Island, SC 29926

Pursuant to the Act, failure to pre-file an objection in writing before the aforementioned date and time shall constitute a complete waiver of any right to object to the assessment. All of those who file a timely objection shall have an opportunity to be heard at

the FFA Hearing on Wednesday, June 17, 2026 at 9:00 a.m. The Commission may thereupon make corrections to the Roll as it may deem proper, confirm the same, or set it aside and provide for a new assessment.

Further, the District charges one-time capacity fees (the “*Capacity Fees*”) when customers of the District request water and/or sewer service. Some of the owners in the Affected Service Areas, to the extent not already paid, are responsible for paying the Capacity Fees. If Capacity Fees (water and/or sewer) are owed, the owners of properties in the Affected Service Areas have the option to elect to pay their Capacity Fees over the same period as the assessments are paid (and at the same interest rate), rather than paying such Capacity Fees as one lump sum. If the option to pay over time is exercised, the annual payment due on the Capacity Fees will be added to the assessments and will be included in the tax notices mailed in the fall of each of the years 2026 through and including 2045. The affected property owners shall have the opportunity to also discuss the imposition of the Capacity Fees at a public hearing on June 17, 2026 (the “*Capacity Fee Hearing*” and together with the FFA Hearing, the “*Hearings*”). The Capacity Fee Hearing will immediately follow the FFA Hearing. After the Capacity Fee Hearing, it is the intent of the Commission to make a final determination regarding the Capacity Fees at its June 17, 2026 meeting. The sewer Capacity Fees, as finally determined by the Commission, shall constitute a lien against the affected property until such time as such fees are paid in full.

The Hearings will be held in accordance with the Commission’s regular rules and procedures for public hearings.



FY'27 Draft Budget



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

To: Commissioners
 Pete Nardi – General Manager

From: Amy Graybill – Finance Manager

Date: May 27, 2026

Re: Fiscal Year (FY) 2027 Proposed O&M and Capital Improvement Budgets, and Millage Rates
 (Operating and Debt Service)

Background:

Below is a summary of the FY 2027 O&M and Capital Improvement Budgets. Staff provided an in-depth overview of the budgets at the April 29, 2026 Commission meeting and the Commission selected Cost of Service Analysis Scenario 2 (as presented by staff), which included water volumetric increases, sewer volumetric increases, and a \$1.00 monthly base rate increase to both water and sewer services.

FY 2027 Budget Summary – Revenue and Expenses:

	FY 2027 Budget
Operating Revenues	\$ 18,276,000
Non Operating Revenues	5,061,400
Total Capital Contributions	<u>1,687,000</u>
Total Revenues	25,024,400
Operating Expenses	15,071,400
Depreciation	5,790,000
Non Operating Expenses	<u>970,800</u>
Total Expenditures	<u>21,832,200</u>
Increase / (decrease) in net position	<u>\$ 3,192,200</u>
 <i>Reconciliation to Projected Cash Flow:</i>	
Increase / (decrease) in net position	\$ 3,192,200
Add Depreciation	5,790,000
Add Interest Expense / Bond Issuance Costs	970,800
Add Assessment Collections, net	158,000
Less Debt Payments	(4,806,800)
Less FY'27 CIP Cash Outlay	<u>(6,067,000)</u>
Net Projected Cash Flow (Appropriation from Reserves)	<u>\$ (762,800)</u>

1. **Operating Revenues** are estimated to increase \$1,288,600 from FY'26 projections. This increase in operating revenues is based on growth during FY'27 and water and sewer rate increases as contemplated by Cost of Service Analysis Scenario 2.
2. **Non-Operating Revenues** are projected to decrease by \$728,000 from FY'26 projections mainly related to an anticipated decrease in interest income. Non-operating revenues include the following proposed millage rates for tax year 2026:
 - Operations Levy of 3.1 mills, which is an increase of 0.1 mill from FY'26
 - GO Debt Levy of 4.6 mills, which is a decrease of 0.2 mills from FY'26
 - Total millage rate of 7.7 mills.
3. **Capital Contributions** include conservatively budgeted water and sewer capacity fees and the SC RIA Screw Pump State Grant.
4. **Operating Expenses**, including depreciation, are projected to increase by \$1,055,400 from FY'26 projections. More detail on operating expenses can be found starting on page 21 of the budget document.
5. **Non-Operating Expenses** are estimated to decrease by \$77,600 from FY'26 projections in accordance with current debt service schedules.
6. **Change in Net Position** is budgeted at \$3,192,200.
7. **Cash Flow - Unrestricted** (appropriated from the operating reserve) is projected to decrease by \$762,800.
8. **Debt Service Coverage** by net earnings is estimated at 258% for FY'27 and projected at 294% for FY'26. Details are located on page 10 of the budget document.
9. **Rate/Cash Funded CIP Projects** are estimated at \$6,067,000. More details can be found on page 39 of the budget document.

Recommendation:

1. Staff recommends the adoption of the resolution authorizing the implementation of new water and sewer rates and fees to be effective July 1, 2026.
2. Staff recommends the adoption of the FY 2027 O&M and CIP Budgets and the proposed Millage Rate (operating and debt service).

Attachments:

FY 2027 Rate Resolution Advertisement
FY 2027 Resolution Authorizing the Implementation of New Water and Sewer Rates
FY 2027 Budget Advertisement
FY 2027 Budget Resolution

**NOTICE OF PUBLIC HEARING
HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
REGARDING NEW WATER AND SEWER RATES**

Notice is hereby given that a public hearing will be held before the Hilton Head No. 1 Public Service District Commission (the “Commission”), the governing body of the Hilton Head No. 1 Public Service District (the “District”), beginning at 9:00 a.m. (or as soon thereafter as time permits) on Wednesday, May 27, 2026. The hearing will be held in the District’s Community Room, which is located at 21 Oak Park Drive, Hilton Head Island, SC. The purpose of the hearing will be to allow members of the public to express their views regarding the proposed water and sewer rates and fees for customers of the District. All persons who attend the public hearing will be given an opportunity to speak.

As required by the District’s enabling legislation and Section 6-1-330 of the Code of Laws of South Carolina, 1976, as amended, the public is advised that upon the due adoption by the Commission and the filing of the proposed changes to rates, fees, and charges with the Clerk of Court of Beaufort County, the revised rates, fees, and charges are anticipated to take effect on July 1, 2026. The following schedule of revised rates, fees, and charges are proposed:

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

A RESOLUTION OF THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT COMMISSION AUTHORIZING THE IMPLEMENTATION OF NEW WATER AND SEWER RATES; 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 “*Enabling Legislation*”). 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, the Hilton Head No. 1 Public Service District Commission (the “*Commission*”), the governing body of the District, is empowered by the Enabling Legislation to “place into effect and to revise, whenever it so wishes or may be so required, a schedule of rates for water and sewer service . . . made available by it to persons, firms and corporations within the District;”

WHEREAS, the Commission has determined that the District’s water and sewer rates shall be reviewed annually (or more often) and adjusted as needed to account for inflation, capital needs, debt service coverage compliance and other factors affecting the operations of the District; and

WHEREAS, in reviewing the District’s budget for fiscal year 2026/27 beginning July 1, 2026, the District’s staff has recommended that certain amendments be made to the District’s water and sewer rates, which includes the revisions to existing rates, fees, and charges.

NOW THEREFORE, BE IT RESOLVED BY THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT COMMISSION IN MEETING DULY ASSEMBLED, AS FOLLOWS:

1. The following schedule of revised rates, fees, and charges are proposed for fiscal year 2026/27:

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

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, 2026.

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 notices 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 27th day of May 2026.

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

NOTICE OF PUBLIC HEARING HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT FISCAL YEAR 2026 – 2027 BUDGET

Notice is hereby given that a public hearing will be held before the Hilton Head No. 1 Public Service District Commission, the governing body of the Hilton Head No. 1 Public Service District (the "District"), at 9:00 a.m. (or as soon thereafter as time permits) on Wednesday, May 27, 2026 (the "Hearing").

The Hearing will be held in the District's Community Room, which is located at 21 Oak Park Drive, Hilton Head Island, SC. The purpose of the hearing will be to allow members of the public to express their views regarding the proposed budget (operating and CIP) for the District for Fiscal Year 2026-2027. All persons who attend the public hearing will be given the opportunity to speak.

As required by Section 6-1-80, Code of Laws of South Carolina, 1976, as amended, the public is advised of the following:

1. The budget of the District for the current Fiscal Year 2025-2026 calls for revenues of \$29,200,400 and expenditures/appropriations of \$29,200,400.
2. The proposed budget of the District for Fiscal Year 2026-2027 calls for revenues of \$25,024,400 and expenditures/appropriations of \$25,024,400.
3. The proposed budget of the District for the Fiscal Year 2026-2027 represents a 14.3% decrease from the budget for the current Fiscal Year 2025-2026.
4. For the current Fiscal Year 2025-2026 *ad valorem* taxes were set at 7.8 mills, which equates to \$7.80 on every \$1,000 in assessed value of all real estate and personal property of every description owned and used in the District. This includes 3.0 mills for operations and maintenance and 4.8 mills for debt service. The assessed value is determined by applying the constitutionally mandated ratios (generally 4% or 6% for residential/commercial property) to the market value of real property.
5. For Fiscal Year 2026-2027 *ad valorem* taxes will be set at 7.7 mills, which equates to \$7.70 on every \$1,000 in assessed value of all real estate and personal property of every description owned and used in the District. This includes 3.1 mills for operations and maintenance and 4.6 mills for debt service.
6. A copy of the Fiscal Year 2026-2027 budget is available by request at the District's offices, which are located at 21 Oak Park Drive, Hilton Head Island, SC or electronically by contacting info@hhpsd.com.

A RESOLUTION OF THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT COMMISSION ADOPTING A BUDGET FOR THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA, FOR THE FISCAL YEAR BEGINNING JULY 1, 2026 AND ENDING JUNE 30, 2027; 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”; and

WHEREAS, the Finance Manager of the District has prepared an estimate of revenues and expenditures for the fiscal year beginning July 1, 2026 and ending June 30, 2027; 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; and

WHEREAS, the Commission has reviewed and approves the proposed budget, which includes appropriations for both operations and capital; and

WHEREAS, prior to the adoption of the budget, and in accordance with Section 6-1-80, a public hearing, after due notice and publication, was held on May 27, 2026 to consider the planned budget.

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, 2026 and ending June 30, 2027 (“*Fiscal Year 2027*”), is hereby adopted as the official 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.
4. The District fund balance reserves (both encumbered and unencumbered funds) as of June 30, 2026, shall be added into the budgets for Fiscal Year 2027 and applied under the budget. These designated monies may be properly invested in accordance with the SC Code pending any planned expenditure as set forth in the budget.
5. Monies received from governmental grants shall accrue only to the appropriate expenditure as set forth in the budget. Should grant funds be applied for or received after the beginning of Fiscal Year 2027 and thereby not be recited in the budget, then, by passage of any approval resolution of the Commission or other action item of the Commission authorizing the grant application and expenditures, the necessary account(s) may be created or supplemented, as needed, to provide a mechanism for the receipt and expenditure of these monies. However, any such funding shall be specifically limited to the purposes for which the grant was awarded.
6. The General Manager (or his assigns) is authorized to enter into contracts if the total contract amount is less than or equal to the budget line item or project budget as approved by the Commission under the terms of the budget, except as otherwise permitted under the terms of the District's procurement policy. Contracts necessary to expend monies appropriated in the budget, when not specifically permitted by the budget, are hereby authorized upon the approval of such contract by proper action or approval of the Commission.
7. Encumbrances of each account at June 30, 2026, representing obligations made against fiscal year 2025-2026 appropriations outstanding as of that date, are hereby reappropriated and such appropriations shall be distributed to the budgetary accounts under which the expenditures will be charged during the Fiscal Year 2027 budget year as such obligations are satisfied, provided that such encumbrances, when taken together with the fiscal year 2026 expenditures, do not cause any account to exceed its budgetary authorization for the year ended June 30, 2026. For each account in which a reappropriation occurs, the amount of funds appropriated hereunder shall be established in that account as carryover funding or similar nomenclature in order to properly identify the reappropriated or carryover funding. For each account in which the budget includes the use of account balance, the amount of the account balance so used shall be identified as a resource transfer or similar nomenclature in order to properly identify such transfer.
8. Capital project appropriations shall not lapse at June 30, 2026, but each project appropriation shall remain in force for the life of the project, and reappropriated each applicable fiscal year as necessary to ensure close out upon completion or other disposition of the project in the capital project account. Appropriations for active projects resulting in restrictions or commitments of resources shall be identified by appropriate titles in the financial statements of the affected funds.

DONE AND ADOPTED, this 27th day of May 2026,

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

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

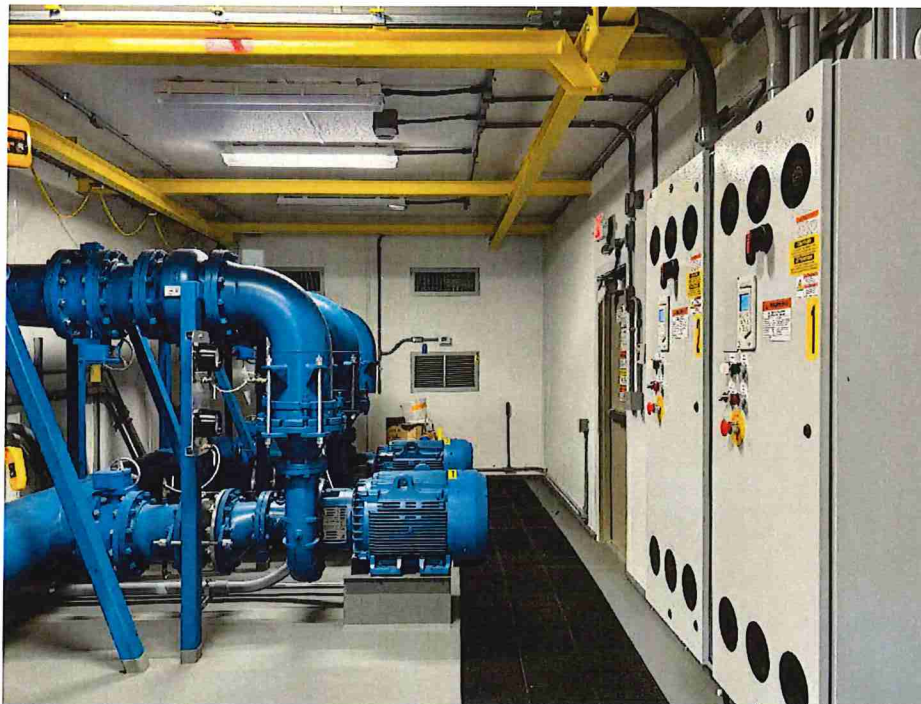
(SEAL)

Attest:

Secretary
Hilton Head No. 1 Public Service District Commission



FY'27 Budget



Prepared by the Finance Department

April 2026



FY'27 Budget

Exhibit A

Prepared by the Finance Department

April 2026

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

Executive Summary

A. Letter of Transmittal

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Organization Information

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

C. Commission Directives

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

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

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

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

E. Budget Highlights

The FY'27 Budget highlights are:

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

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

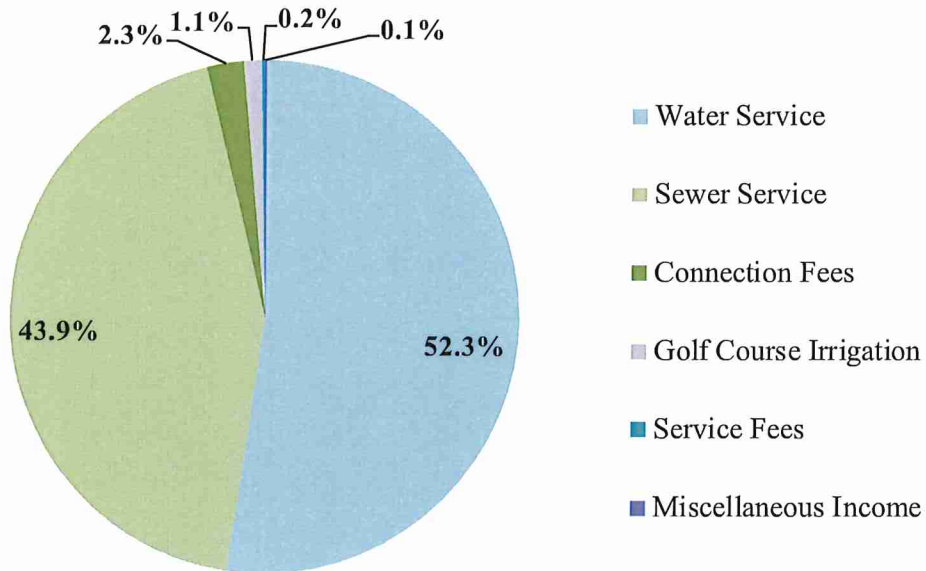
Replacement project. The 2027 budget includes the remainder of the \$1.5 million RIA State Grant for the Screw Pump replacement project. As noted previously, this budget does not attempt to project the SCDOT Bridge relocation project. The project is anticipated to be recorded as a capital project with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

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

F. Operating Revenues

The FY'27 budgeted operating revenues are listed below:

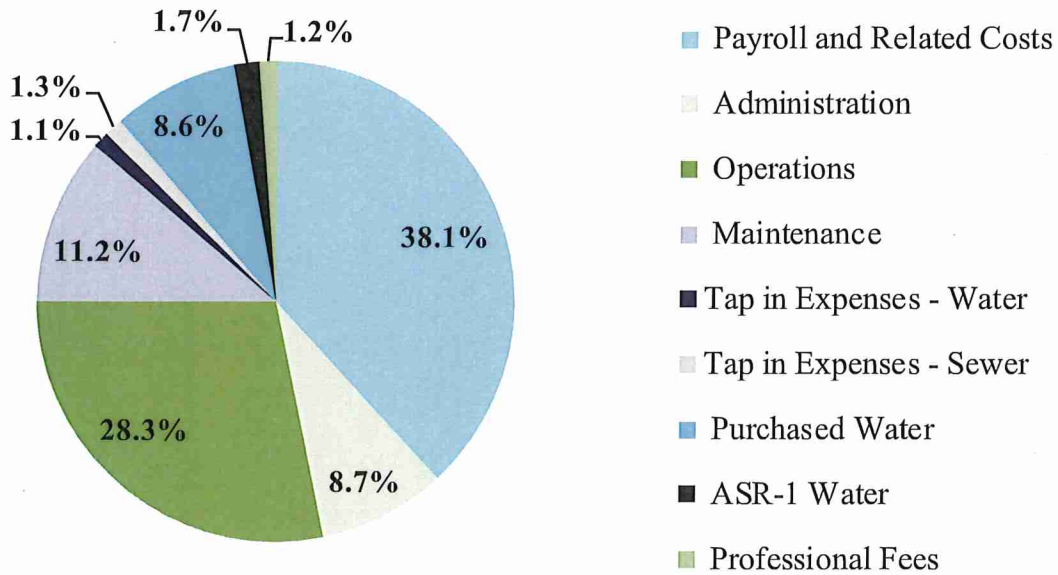
Operating Revenues	<u>FY 2027</u>	<u>% Total</u>
Water Service	\$ 9,565,300	52.3%
Sewer Service	8,020,200	43.9%
Connection Fees	424,800	2.3%
Golf Course Irrigation	210,000	1.1%
Service Fees	29,400	0.2%
Miscellaneous Income	26,300	0.1%
Total Operating Revenues	\$ 18,276,000	100%



G. Operating Expenses

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

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



H. Debt Service Coverage

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

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

I. Bond Debt Service

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

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

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

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

Future Annual Debt Service Payments:

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

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

Revenue Debt:

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

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

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

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

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

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

General Obligation Debt:

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

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

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

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

J. Capital Improvement Plan (CIP)

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

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

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

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

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

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

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

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

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

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

HiltonHeadPSD
FY'27 Budget

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

HiltonHeadPSD
FY'27 Budget

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

Operating Revenues

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

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

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

* Greater of Time and Materials or Minimum Fee

Operating Revenues (continued)

Major/selected variances are as follows:

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

Payroll and Related Expenses

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

Line Item Definitions – Payroll and Related Expenses

Payroll and Related Expenses

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

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

Payroll and Related Costs:

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

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

Administration Expenses

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

Line Item Definitions – Administration Expenses

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

Line Item Definitions – Administration Expenses (continued)

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

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

Administration Expense:

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

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

Administration Expense (continued):

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

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

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

Operations Expenses

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

Line Item Definitions – Operations Expenses

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

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

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

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

Maintenance Expenses

	FY'27 Budget	FY'26 Projected 8+4	Variance		FY'26 Budget
			Increase (Decrease)	% Change	
Maintenance					
36 ASR Maintenance	4,500	2,400	2,100	87.5%	7,200
37 Biosolids Maintenance	12,600	12,100	500	4.1%	6,900
38 Meter Device Maintenance	12,000	10,800	1,200	11.1%	20,100
39 Effluent System Maintenance	25,200	14,500	10,700	73.8%	28,200
40 Equipment Maintenance	39,000	35,600	3,400	9.6%	41,100
41 Facilities Maintenance	103,800	91,300	12,500	13.7%	106,800
42 Generator Maintenance	25,200	68,000	(42,800)	-62.9%	24,000
43 Hydrant Maintenance	60,600	59,100	1,500	2.5%	62,100
44 Operations Grounds Maintenance	66,600	65,000	1,600	2.5%	68,700
45 Lift Station Maintenance	327,000	289,500	37,500	13.0%	358,500
46 LPS System Maintenance	63,000	61,000	2,000	3.3%	59,100
47 Plant Maintenance - WWTP	112,200	164,000	(51,800)	-31.6%	97,200
48 RO Maintenance	137,100	102,600	34,500	33.6%	102,300
49 SCADA Maintenance	24,900	21,300	3,600	16.9%	27,000
50 Water System Maintenance	195,000	188,900	6,100	3.2%	168,000
51 Sewer System Maintenance	213,000	205,600	7,400	3.6%	225,000
52 Tower & Tank Maintenance	172,300	167,100	5,200	3.1%	167,700
53 Well Maintenance	96,000	93,800	2,200	2.3%	96,000
Total Maintenance	1,690,000	1,652,600	37,400	2.3%	1,665,900

Line Item Definitions –Maintenance Expenses

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

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

Maintenance:

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

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

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

Major/selected variances include:

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

Tap in and Water Expenses

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

Line Item Definitions – Tap in and Water Expenses

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

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

Tap in and Water Expenses:

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

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

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

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

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

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

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

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

Professional Fees and Depreciation Expense

	<u>FY27</u>	<u>FY26</u>	<u>Variance</u>	<u>%</u>	<u>FY26</u>
	<u>Budget</u>	<u>Projected 8+4</u>	<u>Increase</u>	<u>Change</u>	<u>Budget</u>
			<u>(Decrease)</u>		
Professional Fees					
58 Professional Fees - Accounting	39,000	35,900	3,100	8.6%	36,000
59 Professional Fees - Engineering	81,000	67,200	13,800	20.5%	81,000
60 Professional Fees - Legal	36,000	23,100	12,900	55.8%	36,000
61 Professional Fees - Other	24,000	16,600	7,400	44.6%	24,000
Total Professional Fees	<u>180,000</u>	<u>142,800</u>	<u>37,200</u>	<u>26.1%</u>	<u>177,000</u>
Total Operating Expenses	<u>15,071,400</u>	<u>14,188,700</u>	<u>882,700</u>	<u>6.2%</u>	<u>14,480,400</u>
Operating Income before Depreciation	<u>3,204,600</u>	<u>2,798,700</u>	<u>405,900</u>	<u>14.5%</u>	<u>2,896,600</u>
62 Depreciation	5,790,000	5,617,300	172,700	3.1%	5,550,000
Total Operating Expenses with Depreciation	<u>20,861,400</u>	<u>19,806,000</u>	<u>1,055,400</u>	<u>5.3%</u>	<u>20,030,400</u>
Change in Net Assets from Operations	<u>(2,585,400)</u>	<u>(2,818,600)</u>	<u>233,200</u>	<u>-8.3%</u>	<u>(2,653,400)</u>

Line Item Definitions – Professional Fees and Depreciation

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

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

Professional Fees:

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

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

Professional Fees (continued):

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

Depreciation:

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

Non-Operating Revenue

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

Proposed FY'27 Budget Variance Summary

Non-Operating Revenue:

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

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

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

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

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

67. Assessment Interest Receivable: Annual front foot assessments are billed and collected through Beaufort County property tax bills. These funds are collected to pay the District's front foot assessment revenue debt and are based on set amortization schedules. The increase in this item to projections is related to the expected interest to be collected on the 2026 FFA assessment.
68. Rental Income is collected from the Town of Hilton Head 911 Center located on the second floor of the District Administration Building and the Hilton Head Plantation POA Property Lease for the boat and RV storage lot (POA Property Lease requires an annual 3% increase each September). The Town of Hilton Head has notified the PSD that they intend to vacate the second floor premises but have not provided a definitive date. The lease will be renewed in quarterly renewal periods; this budget anticipates that only the first quarterly renewal payment will be received.
69. Tower Lease Income is generated from the cellular companies that have leased space on the District's water towers. Projections for FY'27 are based on 3 cellular customers (AT&T, T-Mobile, Verizon) for a total of 13 leases which contain annual escalators ranging from 3.0% to 5.0%. During FY'23, Sprint cancelled one of their two leases due to the merger with T-Mobile. For the other Sprint site, T-Mobile has opted to cancel their lease which runs through July 2026 and maintain the other Sprint lease. This reduced the number of leases from 14 to 13 in the FY 2027 budget.

Non-Operating Expenses

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

Proposed FY'27 Budget Variance Summary

Non-Operating Expenses:

71. Interest Expense – Bonds is based on the District's current debt schedules.
72. No bond issuance expenses are currently anticipated for FY 2027. The FY 2026 projection includes the 2026 FFA debt issuance.

Summary of Capital Contributions

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

Proposed FY'27 Budget Variance Summary

Developer Contribution of Systems:

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

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

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

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

FY'27 Rate/Cash Funded Capital Improvement Plan Budget

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

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

Wastewater Treatment Plant

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

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

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

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

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

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

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

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

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

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

Wastewater Collection System

- Gravity Main Line Refurbishment.....\$0**
- The remaining balance of the FY'26 project is anticipated to carryover.
- Lift Station Rehab\$350,000**
- Major rehab and part replacements to PSD lift stations.
- Lift Station Control Panels\$110,000**
- Lift Station control panel replacements.
- District Funded MSP Projects.....\$0**
- This District anticipates carrying over enough from the FY'26 budget for this line item in FY'27 for continued funding of unserved MSP areas.
- LPS System.....\$70,000**
- Change out customer LPS pumps.
- System Rehab.....\$200,000**
- Replace equipment, pipes, manholes, laterals as dictated by inspections.
- Total Collection System\$730,000**

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

Water Distribution System

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

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

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

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

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

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

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

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

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

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

Fire Hydrants\$90,000

- New hydrants and hydrant repairs/replacements.

System Rehab\$150,000

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

Total Distribution System\$1,485,000

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

Facilities and Equipment

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

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

Vehicles.....\$150,000

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

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

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

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

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

Technology.....\$35,000

- General computer equipment.

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

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

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

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

Future Year Potential Debt or Grant Funded Projects

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

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

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

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

Cash Flow and Five-Year Projections

Cash Flow

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

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

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

Cash Flow and Operating Reserve Targets

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

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

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

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

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

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

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

Cash Flow and Five-Year Projections

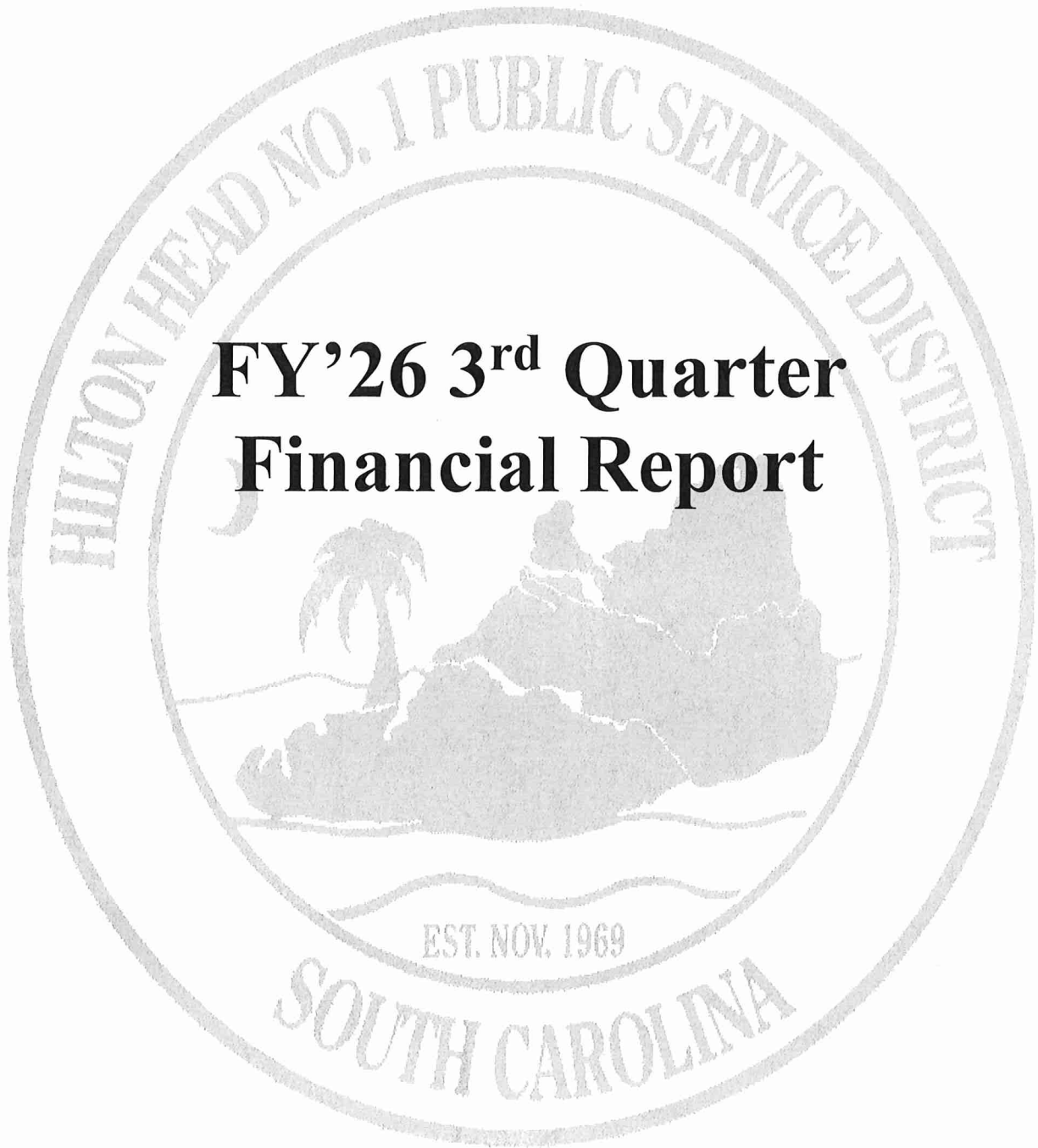
Five-Year Projections

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

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

FY' 27 Schedule of Rates, Fees, and Deposits

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



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



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

To: Commissioners
Pete Nardi, General Manager

From: Amy Graybill, Finance Manager

Subject: Financial Highlights – Fiscal Year Unaudited Financial Statements and Results,
Period Ending March 31, 2026

Date: May 27, 2026

Introduction

Staff has prepared the following unaudited financial statements and highlights for March 31, 2026 for discussion at the Commission Meeting on May 27, 2026.

No Commission action is required.

Statement of Revenues, Expenses, and Changes in Net Position

Table A-1 on the following page contains the District's Statement of Revenues, Expenses, and Changes in Net Position as of March 31, 2026 compared to budget.

The change in net position for the period was \$9,857,707, which was \$2,912,582 higher than the budgeted change in net position of \$6,945,125. Operating income was favorable to budget with lower operating revenues than budgeted being more than offset by lower operating expenses than budgeted. On the non-operating side, interest earnings remain stronger than budgeted, a large capacity fee payment was received, and grant revenue is higher than budgeted to date.

Table A-1
Hilton Head PSD
Budgetary Comparison Schedule
Fiscal Year to Date as of March 31, 2026

	Fiscal Year 2026		FY 26 Actual to FY 26 Budget Comparison	
	Actual	Budget	Dollars	
			Favorable (Unfavorable)	%
Operating Revenues				
Water Service	\$ 6,526,221	\$ 6,818,000	\$ (291,779)	-4.3%
Sewer Service	5,537,192	5,585,300	(48,108)	-0.9%
Tap In Fees - Water	161,147	165,600	(4,453)	-2.7%
Connection Fees - Sewer	126,349	202,500	(76,151)	-37.6%
Golf Course Irrigation	138,460	125,100	13,360	10.7%
Disaster recovery, net	-	-	-	100.0%
Service Fees	18,596	15,075	3,521	23.4%
Other Operating Revenues	40,691	20,725	19,966	96.3%
Total Operating Revenues	12,548,656	12,932,300	(383,644)	-3.0%
Departmental Expenses				
Payroll & Related	4,082,784	4,192,925	110,141	2.6%
Administrative Expenses	888,107	899,750	11,643	1.3%
Operations	2,772,552	2,702,100	(70,452)	-2.6%
Maintenance	1,170,651	1,249,425	78,774	6.3%
Purchased Water	1,093,576	1,251,300	157,724	12.6%
Water Tap In Expenses	138,739	123,750	(14,989)	-12.1%
Sewer Connection Expenses	99,253	189,000	89,747	47.5%
Professional Fees	55,115	141,750	86,635	61.1%
Total Departmental Expenses	10,300,777	10,750,000	449,223	4.2%
Depreciation	4,128,723	4,162,500	33,777	0.8%
Total Operating Expenses	14,429,500	14,912,500	483,000	3.2%
Operating income (loss)	(1,880,844)	(1,980,200)	99,356	5.0%
Non-operating revenues				
Property taxes-G.O. Debt Levy	2,274,463	2,123,600	150,863	7.1%
Property taxes-Operations Levy	1,429,489	1,326,500	102,989	7.8%
Rental Income	81,572	81,525	47	0.1%
Tower Lease Income	463,163	461,925	1,238	0.3%
Interest Income - Leases	25,791	25,875	(84)	-0.3%
Interest Income	1,152,256	631,900	520,356	82.3%
Gain (Loss) of disposal of equipment	42,754	11,250	31,504	280.0%
Total Non-operating Revenues	5,469,488	4,662,575	806,913	17.3%
Non-operating Expenses				
Interest expense	741,401	744,750	3,349	0.4%
Bond Issuance Costs	46,500	45,000	(1,500)	-3.3%
Total Non-operating Expenses	787,901	789,750	1,849	0.2%
Total Non-operating Revenues/Exp.	4,681,587	3,872,825	808,762	20.9%
Increase (Marrease) in net position, before capital contributions	2,800,743	1,892,625	908,118	48.0%
Water Capacity Fee	245,040	85,500	159,540	186.6%
Sewer Capacity Fee	309,024	117,000	192,024	164.1%
Capital Grant Income	6,502,900	4,850,000	1,652,900	34.1%
Developer Contributions of Systems	-	-	-	0.0%
Total Capital Contributions	7,056,964	5,052,500	2,004,464	39.7%
Change in net position	\$ 9,857,707	\$ 6,945,125	\$ 2,912,582	41.9%
Net position, beginning of the fiscal year	\$ 67,333,504			
Net position, March 31, 2026	\$ 77,191,211			

Budget to Actual Highlights

Operating Revenues: Actual operating revenues are \$12,548,656 versus budgeted operating revenues of \$12,932,300 which results in a variance of \$383,644 or 3.0% under budget. The following is a summary of material/selected variances¹ for the Operating Revenue categories:

- Water Service revenues are under budget by \$291,779 or 4.3% and Sewer Service revenues are under budget by \$48,108 or 0.9%. Billed water consumption for the first three quarters of fiscal year (FY) 2026 decreased 71 million gallons from 1,457 million gallons billed during the first three quarters of FY 2025 to 1,386 million gallons billed during the first three quarters of FY 2026 which may be partially attributable to increased rainfall. During the first three quarters of FY 2026, rainfall increased 6.9 inches over the prior year with 42.9 inches recorded at the treatment plant during the first three quarters of FY 2026 versus 36.0 inches recorded during the same period in FY 2025. Sewer service revenues are not as adversely affected by reduced consumption due to the residential sewer cap.

Total Operating Expenses: Total operating expenses are \$483,000 or 3.2% under budget. The following is a summary of material/selected variances for the Operating Expenses categories:

- Payroll & Related is under budget by \$110,141 or 2.6% due to the timing of filling open positions.
- Purchased Water is under budget by \$157,724 or 12.6% due to less water purchased related to lower billed water consumption.

Non-Operating Revenues and Expenses: Actual non-operating revenues are \$5,469,488 versus budgeted non-operating revenues of \$4,662,575 which results in a variance of \$806,913 or 17.3% over budget. This is mostly related to Interest Income which is \$520,356 over budget in line with continued higher market interest rates. Staff endeavors to keep all cash not needed for current operations in the SC Local Government Investment Pool (LGIP); while interest rates have been declining, the LGIP is still seeing rates over 3.75%. Interest was conservatively budgeted at 3.25%. Additionally, property tax collections have been stronger to date than anticipated.

Capital Contributions: Capacity fees, capital grant income, and developer contributions of systems came in \$2,004,464 over budget. The District received a large capacity fee payment for the Northpoint project during the second quarter. Additionally, grant income is \$1,652,900 over budget due to the timing of grant project progression. All \$10 million of the SCIIP grant has now been expended. This line item will come more in line with budget as the year finalizes.

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

Statements of Net Position

Table A-2 below and on the following page contains the District's Statement of Net Position as of March 31, 2026, compared to the end of the prior fiscal year, June 30, 2025.

Table A-2
Hilton Head PSD
Statements of Net Position

	March 31	June 30
	2026	2025
Assets		
Current Assets		
Cash and Cash Equivalents Available for Operations	\$ 18,991,823	\$ 15,873,800
Cash and Cash Equivalents in Banks (Restricted)	17,313,795	19,208,123
Cash and Cash Equivalents Held by Beaufort County Treasurer (Restricted)	2,864,206	805,891
Accounts Receivable - Trade, net	1,629,140	1,813,834
Accounts Receivable - Grants	-	1,241,109
Accounts Receivable - Connection Grants	8,820	18,089
Accrued Interest Receivable	17,214	17,214
Lease Receivable, due within one year	-	484,041
Sewer and Capacity Assessments, due within one year	15,727	207,894
Inventory	528,645	582,825
Prepaid Expenses	661,337	418,651
Total current assets	42,030,707	40,671,471
Noncurrent Assets		
Property, Plant and Equipment		
Nondepreciable Assets	24,883,936	12,410,499
Depreciable Assets, net	56,523,566	59,753,190
Total Property, Plant and Equipment	81,407,502	72,163,689
Lease Receivable, due after one year	903,080	903,080
Sewer and Capacity Assessments, due after one year	1,950,533	1,752,864
Total Noncurrent Assets	84,261,115	74,819,633
Total Assets	126,291,822	115,491,104
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	833,094	833,094
Deferred Outflows from Refinancing Debt	-	-
Total Deferred Outflows of Resources	833,094	833,094
Total Assets and Deferred Outflows of Resources	\$ 127,124,916	\$ 116,324,198

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

	March 31	June 30
	2026	2025
Liabilities		
Current Liabilities		
Payable from Unrestricted Assets:		
Accounts Payable-Trade	\$ 709,391	\$ 523,576
Accounts Payable-Construction	876,586	470,761
Customer Deposits	224,280	226,028
Unearned Revenue	34,065	17,341
Accrued Payroll & Other Liabilities	500,286	612,989
Total Current Liabilities Payable from Unrestricted Assets	2,344,608	1,850,695
Payable from Restricted Assets:		
Accounts Payable - Construction	1,964,211	1,898,704
Interest Payable	387,985	155,320
Notes Payable, due within one year	63,190	251,380
Bonds Payable, due within one year	3,436,822	3,436,822
Total Current Liabilities Payable from Restricted Assets	5,852,208	5,742,226
Total Current Liabilities	8,196,816	7,592,921
Noncurrent Liabilities		
Notes Payable, due after one year	3,954,978	3,954,978
Bonds Payable, due after one year	31,443,040	30,693,040
Net Pension Liability	4,771,034	4,771,034
Total Noncurrent Liabilities	40,169,052	39,419,052
Total Liabilities	48,365,868	47,011,973
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	381,199	381,199
Deferred Inflows Related to Lease Revenue	1,186,638	1,597,522
Total Deferred Inflows of Resources	1,567,837	1,978,721
Total Liabilities and Deferred Inflows of Resources	49,933,705	48,990,694
Net Position		
Net Investment in Capital Assets	54,916,297	50,045,908
Restricted for Debt Service & Grants	4,542,394	1,270,790
Unrestricted	17,732,520	16,016,806
Total Net Position	77,191,211	67,333,504
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 127,124,916	\$ 116,324,198

Statement of Net Position Highlights

As of March 31, 2026, total assets and deferred outflows of resources are \$127.1 million, exceeding liabilities and deferred inflows of resources by approximately \$77.2 million (See Table A-2, Pages 4-5).

Current Assets/Liabilities/Debt

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

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

Net Position

Changes in net position resulting from operating and non-operating revenues, expenses and capital contributions increased \$9,857,707 since June 30, 2025. Net position invested in capital assets has increased \$4,870,389 due to asset activity (including depreciation) and related debt activity, while net position restricted for debt service and grants has increased \$3,271,604 related to the timing of General Obligation tax collections and debt payments. Unrestricted net position has increased \$1,715,714.

Capital Assets

Table A-3 on the following page presents a comparison of capital expenditures to date against the FY 2026 capital budget. The table only shows work for which the District has been invoiced through March. Planning and preliminary work has been started on many of these projects that will be completed, invoiced, and reported in upcoming quarters. Several projects are not anticipated to be completed by year end and will be carried over into FY 2027 for completion.

Net property, plant and equipment has increased by \$9,243,813 during the first three quarters of FY 2026. Total additions of \$13,372,536 were offset by depreciation of \$4,128,723.

Table A-3

CIP Projects - Capital		Expended as of 3/31/2026	2026 Approved Amount	Remaining/ Variance
WWTP				
WWTP Switch Gear for generator	Replace generator switch gear	\$ 242,187	\$ 255,500	\$ (13,313)
Influent Screen	Backup to band screen	22,650	750,000	(727,350)
Reuse Water System	Upgrades/improvements to reuse system	46,890	100,000	(53,110)
Return Activated Sludge Building	Electrical cabinet improvements	-	85,000	(85,000)
Clarifier	Clarifier #2-replace sweeper arm/suction line	26,906	150,000	(123,094)
Filter Building Blowers	6 new actuator (air) valves	59,040	75,000	(15,960)
CROM Tank	Install isolation valve on CROM tank line	-	55,000	(55,000)
Holding Ponds	Install 2 aerators in Pond #3	35,025	50,000	(14,975)
System Rehab	Replace equipment, valves and actuators	50,215	225,000	(174,785)
TOTAL WWTP		482,913	1,745,500	(1,262,587)
Collection System				
Gravity Main Refurbishment	Gravity main line repairs and relining	28,313	400,000	(371,687)
Lift Stations - Control Panels	Replace lift station control panels	79,287	175,000	(95,713)
Lift Stations - Rehab	Rehab and pumps	295,076	425,000	(129,924)
District Funded MSP Projects	District Funded MSP Projects	-	62,500	(62,500)
System Rehab	Replace pipes, manholes, laterals, etc.	-	225,000	(225,000)
LPS Changeouts	LPS Changeouts	24,554	65,000	(40,446)
Old House Creek Sewer Main	Sewer Collector Main	385,228	-	385,228
TOTAL COLLECTION SYSTEM		812,458	1,352,500	(540,042)
Distribution System				
Water Line Replacement	Replace 12" Ribaut Island Rd line	-	170,000	-
Metering System	Changing out meters & base stations	490,224	600,000	(109,776)
RO Plant	Replace actuator-booster pump #3	40,050	40,000	50
Fire Hydrants	New and replacement hydrants	44,360	90,000	(45,640)
System Rehab	Replace valves/equipmt/RO membranes etc	56,255	200,000	(143,745)
TOTAL DISTRIBUTION SYSTEM		630,889	1,100,000	(299,111)
Facilities and Equipment				
SCADA Improvements	Wildhorse, Seabrook, & Ashmore upgrades	36,566	267,000	(230,434)
Admin Building	Building improvements, furniture, etc.	5,364	50,000	(44,636)
Technology	General computer equipment	19,103	30,000	(10,897)
Vehicles	Fleet replacements	-	260,000	(260,000)
Ops Equipment - Water	Line locator equipment	20,113	18,000	2,113
Ops Equipment - Sewer	Camera to inspect gravity sewer lines	74,847	115,000	(40,153)
Operations Equipment	Enclosed trailer for safety equipment	-	10,000	(10,000)
TOTAL FACILITIES AND EQUIPMENT		155,993	750,000	(594,007)
TOTAL NON GRANT RATE FUNDED CIP PROJECTS		\$ 2,082,253	\$ 4,948,000	\$ (2,695,747)
Grant Projects - See recap on following page		11,290,283	6,500,000	
Less: Projects carried over from FY 2024			(1,598,000)	
Total FY 2026 Additions/Budgeted Amount		\$ 13,372,536	\$ 9,850,000	

Capital Assets(continued)

SCIIP/ARPA Projects

The District is also moving forward with capital projects that will utilize the Beaufort County ARPA allocation, the SCIIP Grant, and the RIA State Grant. Please find below a recap of the status of those projects through March 31, 2026 as well as a recap of the project totals and funding sources to date. Staff will update the schedules below for any necessary change orders or miscellaneous project costs necessary as the projects progress. District staff will also be monitoring bond proceed funds for potential arbitrage earnings (earning more interest on bond proceeds than the stated rate of interest on the bonds) and may make recommendations to use bond proceeds for larger rate funded budgeted items such as the gravity sewer relining and influent screen projects depending upon the timing of grant project invoicing. Currently, the District is on track to spend down the bond funds on grant projects in accordance with the arbitrage deadlines so that the District may retain all interest earned on the bond proceeds for bond project costs.

SCIIP/ARPA Projects	Spent As Of 06/30/2025	FY 2026 to date	Grand Total	Project Total	Remaining/ Variance
LOM Booster Pump	\$ 1,798,227	\$ 546,127	\$ 2,344,354	\$ 2,344,422	\$ (68)
RO Plant Expansion	2,467,888	7,245,368	9,713,256	12,306,559	(2,593,303)
RO Wells	3,142,722	1,897,294	5,040,016	7,083,840	(2,043,824)
ASR 2	3,428,878	1,396,587	4,825,465	10,718,054	(5,892,589)
Screw Pump	58,215	204,907	263,122	4,736,000	(4,472,878)
Grand Total	\$ 10,895,930	\$ 11,290,283	\$ 22,186,213	\$ 37,188,875	\$ (15,002,662)

Projects	Misc. Admin, Esmt, Legal, Etc. Expenses	Preliminary Engineering Contract	Construction Engineering Contract	Construction Contract	Construction C/O Contracts	Project Total
LOM Booster Pump	\$ 150	\$ 203,000	\$ 140,000	\$ 1,999,807	\$ 1,465	\$ 2,344,422
Water Supply Planning	226,126	-	-	-	-	226,126
RO Plant Expansion	-	693,000	1,026,000	10,523,000	64,559	12,306,559
RO Wells	26,005	401,000	799,450	5,857,385	-	7,083,840
ASR 2	38,116	723,000	860,550	9,096,388	-	10,718,054
Screw Pumps	-	178,000	188,000	4,370,000	-	4,736,000
Total	\$ 290,396	\$ 2,198,000	\$ 3,014,000	\$ 31,846,580	\$ 66,024	\$ 37,415,000
External Funding Sources						
SRF Loan, net	(252,796)	(1,829,204)	(296,429)	-	-	(2,378,429)
SCIIP Grant	-	-	-	(10,000,000)	-	(10,000,000)
BC ARPA	-	-	-	(1,000,000)	-	(1,000,000)
SC RIA Grant	-	-	-	(1,500,000)	-	(1,500,000)
Net of Grants/SRF	\$ 37,600	\$ 368,796	\$ 2,717,571	\$ 19,346,580	\$ 66,024	\$ 22,536,571
2024B Bond Proceeds, net of closing costs						(20,268,791)
2024B Bond Proceeds Interest Income through 03/31/25						(1,099,696)
Remaining local match to be funded via FY 2027 Budget						\$ 1,168,084

Statement of Cash Flow

The cash flow statement presents cash flows from operating, investing and financing activities. The statement of cash flows provides the preparers and users of the statements the following:

- ✓ Enables the assessment of the amounts, timing and uncertainty surrounding future cash flows.
- ✓ Furnishes reconciliation between net income and cash flows from operations.
- ✓ Indicates the impact on the District's financial status of its investing, debt, and financing transactions.
- ✓ Provides information about the District's cash receipts and cash payments for the period.
- ✓ Provides the change in cash and cash equivalents for the period.
- ✓ Ties to page 4, Statements of Net Position under current assets and restricted assets.

Unrestricted cash available for operations increased \$3,118,023 from \$15,873,800 as of June 30, 2025 to \$18,991,823 as of March 31, 2026. This is partly expected to be timing related as the District completes its current year CIP projects and finalizes the grant/debt funded projects.

Restricted cash in banks for debt service has increased \$1,445,954 from \$620,219 as of June 30, 2025, to \$2,066,173 as of March 31, 2026, in accordance with revenue debt payment activity.

Restricted cash held at the SC Local Government Investment Pool has decreased \$3,340,282 from \$18,587,904 as of June 30, 2025, to \$15,247,622 as of March 31, 2026, due to construction payments from the 2024B bond proceeds account.

Restricted cash held by Beaufort County has increased \$2,058,315 from \$805,891 on June 30, 2025, to \$2,864,206 as of March 31, 2026, in accordance with GO debt activity.

Total combined unrestricted and restricted cash has increased \$3,282,012 since June 30, 2025.

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

	March 31	June 30
	2026	2025
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 12,700,180	\$ 16,329,803
Cash Paid to Suppliers	(8,000,366)	(10,415,342)
Cash Paid to Employees	(2,415,805)	(2,919,547)
Other Revenues	40,691	49,577
Net Cash Provided by Operating Activities	2,324,700	3,044,491
Cash Flows from Investing Activities		
Interest Income	1,152,256	1,440,962
Net Cash Provided by Investing Activities	1,152,256	1,440,962
Cash Flows from Noncapital Financing Activities:		
Property Taxes Collected - Operations Levy	1,429,489	1,372,970
Sewer Assessments Collected	134,980	143,460
Sewer Assessments Financed	(199,034)	(62,871)
Net Cash Provided by Noncapital Financing Activities	1,365,435	1,453,559
Cash Flows from Capital and Related Financing Activities:		
Capacity Fees	554,064	170,944
Capacity Fee Assessments	58,554	64,864
Property Taxes Collected - G.O. Debt Levy	2,274,463	1,877,746
Interest Paid	(508,736)	(627,003)
Proceeds from Series 2024A GO SRF Loan	-	2,589,929
Proceeds from Series 2024B GO Bonds	-	20,400,000
Proceeds from Series 2026 FFA Bonds	750,000	-
Bond Issuance Costs	(46,500)	(175,243)
Principal Payments on Financed Purchase, Bonds and Notes	(188,190)	(3,641,308)
Rental and Tower Lease Income	660,407	737,165
Proceeds from Capital Grant	7,744,009	2,255,991
Proceeds from Sale of Property, Plant and Equipment	42,754	48,559
Purchases of Property, Plant and Equipment	(12,901,204)	(9,958,173)
Net Cash Used by Capital and Related Financing Activities	(1,560,379)	13,743,471
Net Increase (Decrease) in Cash	3,282,012	19,682,483
Cash and Cash Equivalents at Beginning of Year	\$ 35,887,814	\$ 16,205,331
Cash and Cash Equivalents at End of Year	39,169,826	\$ 35,887,814

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	March 31 2026	June 30 2025
Operating Income (Loss)	\$ (1,880,844)	\$ (2,385,468)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</i>		
Depreciation	4,128,723	5,420,424
Marrease in Allowance for Doubtful Accounts	-	-
Difference Between GASB 68 and Actual Contributions	-	(201,754)
<i>Changes in Assets and Liabilities</i>		
Accounts Receivable - Trade	184,694	71,748
Accounts Receivable - Project SAFE	9,269	108,704
Inventories	54,180	(87,236)
Prepaid Assets	(242,686)	(74,198)
Accounts Payable - Trade	185,815	113,329
Customer Deposits	(1,748)	41,332
Accrued Payroll & Other Liabilities	(112,703)	37,610
Net Cash Provided by Operating Activities	\$ 2,324,700	\$ 3,044,491

Schedule of Cash and Cash Equivalents

Available for Operations

Demand Deposits (interest and non-interest bearing)	\$ 1,253,984	\$ 1,475,132
Certificate of Deposit Cash Equivalent	3,000,000	3,000,000
SC Local Government Investment Pool	13,268,348	11,311,985
Held by Beaufort County Treasurer	1,469,493	86,683
Total Available for Operations	\$ 18,991,825	\$ 15,873,800

Restricted

Cash in Banks	\$ 2,066,173	\$ 620,219
SC Local Government Investment Pool	15,247,622	18,587,904
Held by Beaufort County Treasurer	2,864,206	805,891
Total Restricted	\$ 20,178,001	\$ 20,014,014

Total Cash and Cash Equivalents

39,169,826 \$ 35,887,814

Supplemental Disclosures

Noncash Financing Activities:

Developer Contribution of Systems	\$ -	\$ 222,500
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Financial Ratio Analysis

The analysis of financial statement ratios can be a useful tool when evaluating the financial performance of a business entity. Specifically, ratio analysis can identify a business's strengths and weaknesses.

The following table contains ratio benchmarks as determined by the District's financial advisors and the District's financial ratios for the current fiscal year, prior fiscal year to date, and the end of the past fiscal year. The ratios examined below are some of the metrics most commonly examined by the District's rating agencies.

Financial Ratios					
	Benchmarks	Mar 2026 to Mar 2025	March 2026	March 2025	June 2025
Current Ratio	> 6.00	Benchmark Met	9.32	9.45	11.10
Operating Ratio	1.00	Benchmark Met	0.75	0.74	0.75
Days Cash on Hand	>120	Benchmark Met	509	481	442
Accounts Receivable (days of revenue)	< 35	Benchmark Met	21	19	25
Long-Term Debt to Net Position	< 0.75	Benchmark Met	0.46	0.59	0.51
Debt Coverage Ratio Projection	>150%	Complies with Bond Covenants	300%	261%	274%

Liquidity Ratios

Liquidity ratios indicate the ability of a company to meet current financial obligations as they become due. As calculated in this section, a higher ratio indicates more of an ability to meet these obligations.

The Current Ratio

The Current Ratio (current non-restricted assets over current liabilities to be paid from non-restricted assets) was 9.32 at March 31, 2026 which is greater than the benchmark of 6.0. Current non-restricted assets increased by \$1,648,848 and current liabilities to be paid from non-restricted assets increased by \$207,711 since March 31, 2025. The large increase in current assets is mostly related to increases in unrestricted cash.

The Operating Ratio

The operating ratio, total operating expenses less depreciation to operating revenues (including the operating property tax levy), indicates a company's level of operating expenses in comparison to operating revenue. As calculated in this section, a higher ratio indicates a higher level of expense in comparison to operating revenue. The current operating ratio is 0.75 compared to the March 31, 2025 ratio of 0.74. This is lower than the revised benchmark of 1.0 which indicates that the District's operating expenses less depreciation are being fully covered by operating revenues. Total operating expenses less depreciation increased \$719,306 while total operating revenues (including the operating property tax levy) increased \$877,517. The difference between the current benchmark and 1.0 generally relates to the percentage of operating funds available for revenue debt service and capital projects. As such, the lower this ratio, the more funding available annually for capital projects.

Days Cash on Hand

The days cash on hand ratio measures how many days a company can pay its expenses. The formula for this ratio is current unrestricted cash and investments plus any restricted cash and investments available for general system purposes divided by operating expenditures minus depreciation, divided by 365. A higher days of cash on hand ratio is more desirable as it indicates that an entity has more cash to cover its expenses. The days cash on hand ratio exceeds its benchmark and is 509 as of March 31, 2026, compared to 481 as of March 31, 2025. This increase is expected to be partially timing related as the District carries out its CIP projects for FY 2026 and grant/debt funded projects.

The Accounts Receivable (Days of Revenue) Ratio

The Accounts Receivable (Days of Revenue) ratio indicates the level of accounts receivable in comparison to the level of revenues being collected over a 12-month period (last 12 months or LTM). As calculated in this section, a higher ratio may indicate that receivables are growing in disproportion to revenues. The ratio is calculated by dividing accounts receivable by the average days' operating revenues.² This ratio was 21 at March 31, 2026 and 19 at March 31, 2025. Both years meet the benchmark of lower than 35 and indicate that the District is carrying less than one month's worth of receivables which is in line with its monthly billing schedule.

Leverage Ratios

The following leverage ratio indicates how much debt the District has in relationship to its net position. As calculated in this section, a higher ratio indicates a higher level of debt in comparison to the net position.

The Long-term Debt to Net Position Ratio

The Long-term Debt to Net Position ratio, long term debt divided by the net position, is 0.46, has decreased from the March 31, 2025, ratio of 0.59, and meets the benchmark of less than 0.75. Long-term debt decreased by \$2,921,608 while the net position has increased by \$11,696,727.

Debt Coverage

Bond covenants require that the District maintain and collect rates and charges that together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding. As of March 31, 2026, the debt service projection calculation is 300% which exceeds the fiscal year 2026 budgeted debt coverage ratio of 256%, the required ratio of 120%, and the target rate of 150%.

² For purposes of this analysis, accounts receivable is defined as those trade receivables excluding extraordinary receivables, unbilled revenue, tower lease revenue, and notes receivable. This ratio is derived using the LTM revenues.

Customer Growth

Total water/irrigation service EDUs have increased by 91 since June 30, 2025, for a total of 20,017 EDUs. This is a 0.46% increase for fiscal year 2026 compared to the 0.65% increase experienced during the first three quarters of last fiscal year. The current EDUs include 18,894 water service units, 1,037 irrigation service units, and 86 miscellaneous water units such as dock meters, hydrants, pool meters, and golf course water coolers.

<i>Water / Sewer Connection Growth 03/31/2026</i>						
<u>Date</u>	<u>Water & Irr. EDU's</u>	<u>Only Water EDU's</u>	<u>Change in Water EDU's</u>	<u>Sewer EDU's</u>	<u>Change in Sewer EDU's</u>	<u>% Sewer to Water EDU's</u>
06/30/24	19,926	18,805	N/A	18,049	N/A	95.98%
09/30/25	19,963	18,839	37	18,084	35	95.99%
12/31/25	19,988	18,863	25	18,120	36	96.06%
03/31/26	20,017	18,894	29	18,160	40	96.12%
Change in EDU's			<u>91</u>		<u>111</u>	

Sewer service EDUs have increased by 111 since June 30, 2025, for a total of 18,160 EDUs. This is a 0.61% increase for fiscal year 2026 compared to 0.86% for the first three quarters of fiscal year 2025. As shown in the above table, the sewer to water customer percentage has increased to 96.12%.

Fiscal Outlook

As of March 31, 2026, the District's financial condition is stable.

Staff looks forward to discussing the third quarter fiscal year 2026 review of the District's financial condition at the May 27, 2026, Commission Meeting.



GM Monthly Report



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

May 20, 2026

Dear Commissioners, please see below the following updates:

- We are experiencing current demand of approximately 8 million gallons a day (mgd). Lack of rainfall continues to be a concern. At this time, we are not recommending enacting drought response measures. We will continue to monitor the situation and respond accordingly.
- S.C. Infrastructure Investment Program (SCIIP) Projects Update:
 - **RO Plant Expansion:**
 - Instrumentation/controls work on all RO filter skids is ongoing.
 - Current RO Plant Expansion Project Finish Date: Nov. 2, 2026.
 - **RO Well #4:**
 - Preparing for removal of temporary pumping equipment, and planning for start of permanent equipment installation.
 - Current RO Well #4 Finish Date: October 16, 2026.
 - **ASR Well #2:**
 - Production well drilling and casing construction is continuing.
 - Current ASR #2 Finish Date: Dec. 9, 2027.
- **Utility Relocation Extension:**
 - The Utility Relocation Provision (H.3768) has been passed by the House and Senate and is anticipated for the Governor's signature prior to the June 30 deadline. The provision has been extended until 2032. This is a major victory for our state's water and sewer utilities and their customers.
- **Interim Purchased Water Agreement Executive Session Attendance:**
 - Both Hilton Head PSD and Broad Creek PSD commissions have signed the Interim Agreement. BJWSA board approval is expected this month. This is a major milestone for the three utilities to move toward a long-term agreement that will benefit all of our customers for generations to come.
- **U.S. 278 Bridge Project**
 - **Geotechnical Borings:**
 - The SCDOT's geotechnical borings in Mackey Creek and Skull Creeks are complete. Bill Davis and Jim Hewitt were in constant contact with the barge/drill operator throughout the process. A big congrats and thanks to Bill and Jim!
 - *A very aggressive* Project Schedule has been proposed by the DOT as follows:
 - In-Contract Preliminary Relocation Drawings, Cost Estimate due: June 30, 2026.
 - Utility Agreements due: July 2026.

- Utility Relocation Schedule due: August 2026.
 - In-Contract Final Relocation Drawings, Cost Estimate, Specifications due: October 2026.
 - 95% Design Plans finalized: Early 2027.
 - Utility Relocation Schedule: Early 2027.
 - Utilities Certification (all permits, contracts, etc.): Spring 2027.
 - Bid Letting of Overall Transportation Project: Fall 2027.
- We have received a contract proposal for the initiation of our relocation design for this project, which will be reviewed in Executive Session this month (see Executive Session packet).
- **S.C. DES Water Summit and Arcadis C-Suite Summit:**
 - I attended the S.C. DES's first-ever Water Summit this month. The event centered around the completion of the State Water Plan and the state's next steps regarding overall water management, including resource planning with North Carolina and Georgia, reuse water programs, land conservation, and climate response. I also attended the Arcadis C-Suite Summit, which is in its fourth year bringing together utility CEOs from around the U.S. This year's focal points were Artificial Intelligence/Operational Modernization; Workforce Development; and Asset Management/CMMS.
- **Annual First Responders Base Camp Meeting:**
 - I attended the annual meeting to review our procedures for the First Responders Base Camp at USCB in Bluffton. In the event of a hurricane evacuation, our first-responder team will evacuate to USCB if it becomes necessary to evacuate our Oak Park Drive site. Base Camp will include utilities, law enforcement, hospital staff, etc. If it becomes necessary to evacuate Base Camp, we will move to Barnwell High School.
- **HHI Chamber Environmental Affairs Committee at PSD:**
 - The Chamber's Environmental Affairs Committee met at the PSD this month for a presentation on our Water Resources and a tour of the Recycled Water Plant. The group included Marriot staff, HHI Rotary Club members, and Chamber staff.



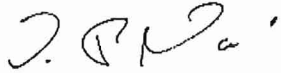
- **Historic Mitchelville Freedom Park presentation at PSD All-Staff Meeting:**

- Ahmad Ward, Executive Director of Historic Mitchelville Freedom Park, gave a presentation at our All-Staff Meeting this month on the history of Mitchelville and the incredible progress at the park location. It was a very informative session that was much appreciated by the staff. A big thanks to Connie for organizing!



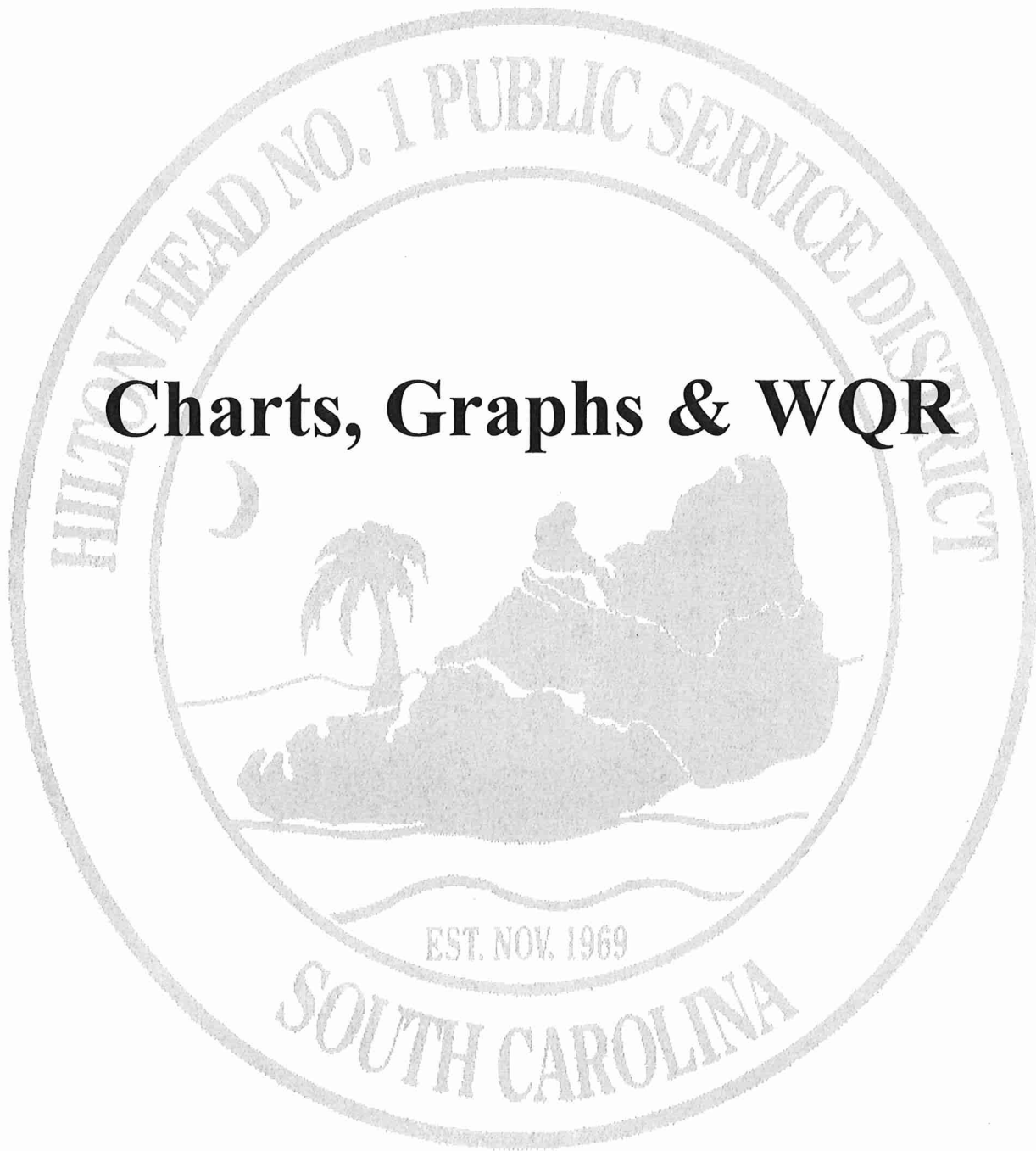
As always, please do not hesitate to contact me if you have any questions.

All my best,

A handwritten signature in black ink, appearing to read "P. Nardi". The signature is fluid and cursive, with a small mark at the end.

Pete Nardi
General Manager
Hilton Head PSD

Charts, Graphs & WQR





Apr-26
Monthly Water Quality Report

Water Supply

Source	MG Per Month												% of Supply YTD	
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.		YTD
Purchased	0.00	2.42	40.80	64.28									117.50	18.0%
RO Plant	110.92	104.11	97.90	86.82									399.75	62.0%
UFA Wells	14.05	14.18	26.93	36.72									91.88	14.0%
ASR Recovery	0.00	0.00	5.60	35.97									41.57	6.0%
Total	124.97	120.71	171.23	223.79									640.70	100.0%

System-wide Water Quality Testing

Type of Test	Results by Month											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Bacteriological	PASS	PASS	PASS	PASS								
Chlorine (avg)	2.1	2.26	2.35	1.97								
Ph (avg)	N/A	N/A	N/A	N/A								
Disinfection By-products (DBPs) (qtrly.)	In Compliance			In Compliance			In Compliance			In Compliance		
Hardness (range)	11 - 121 (WINTER - NO WELLS)			14 - 260 (SUMMER - WELLS/ASR ON)			(WINTER)					

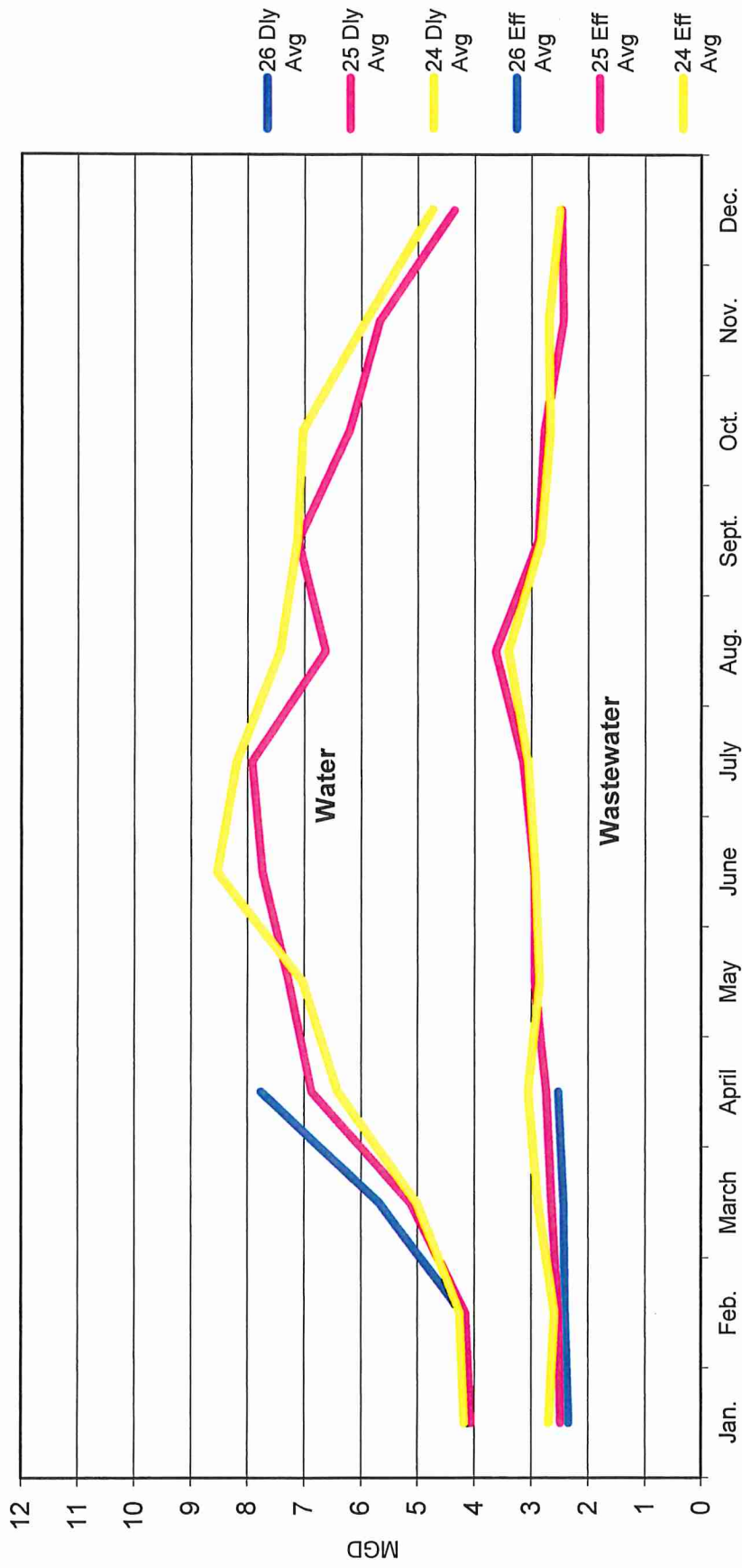
Supply-specific Water Quality Ranges for This Month					
Supply	Average Chlorine Residual	Within Acceptable Range? (Y/N)	Average Chloride Level (ppm)	Average Hardness (ppm)	
BJWSA (supply)	2.30	Y			
RO Raw Water MFA Wells (range)	n/a	Y	147 - 470	98 - 198	
Finished RO Water	3.12	Y			
Fire Station UFA	2.26	Y	62	140	
Leg O' Mutton UFA	2.55	Y	118	219	
Wild Horse UFA	2.15	Y	81	190	
Seabrook UFA	2.26	Y	143	268	
Union Cemetery UFA	2.70	Y			
ASR (recharged)	2.25	Y	38	37	

Customer Inquiries

Type of Inquiry	Number of Inquiries	Resolved?	Comments
Low Pressure	7	y	
Customer break/leak	11	y	
PSD break/leak	10	y	
Water Outage	5	y	
Odor/Taste/Color	1	y	
Miscellaneous	72	y	
Sewer issues & Inspections	43	y	
Total	149		

Other Water Quality Notes for This Month
 4/23/2026 - Changed cartridge filters

Water and Wastewater Average Flows



Water and Wastewater Peak Flow

