



FY'27 Budget



Prepared by the Finance Department

April 2026

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: Frank Saron
Chair
Hilton Head No. 1 Public Service District Commission

(SEAL)

Attest:

M Saetzg
Secretary
Hilton Head No. 1 Public Service District Commission



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:

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

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

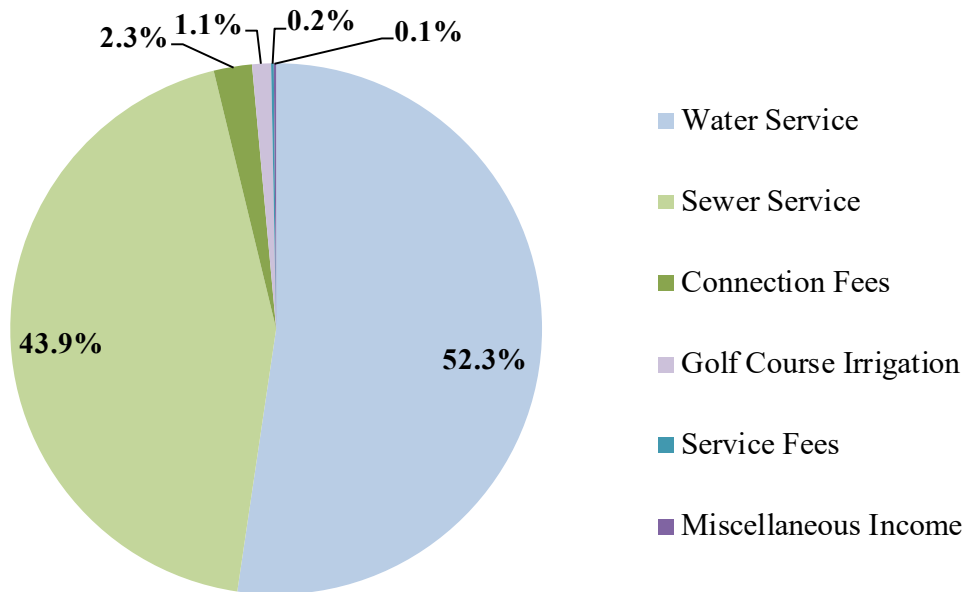
Replacement project. The 2027 budget includes the remainder of the \$1.5 million RIA State Grant for the Screw Pump replacement project. As noted previously, this budget does not attempt to project the SCDOT Bridge relocation project. The project is anticipated to be recorded as a capital project with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

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

F. Operating Revenues

The FY'27 budgeted operating revenues are listed below:

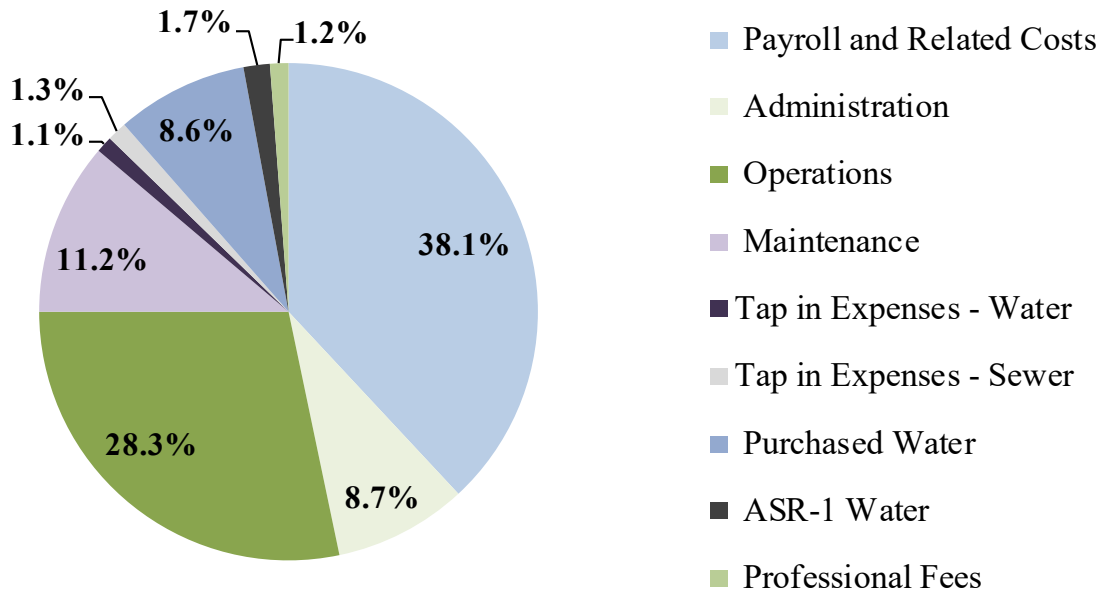
Operating Revenues	FY 2027	% Total
Water Service	\$ 9,565,300	52.3%
Sewer Service	8,020,200	43.9%
Connection Fees	424,800	2.3%
Golf Course Irrigation	210,000	1.1%
Service Fees	29,400	0.2%
Miscellaneous Income	26,300	0.1%
Total Operating Revenues	\$ 18,276,000	100%



G. Operating Expenses

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

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



H. Debt Service Coverage

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

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

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:

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

			Variance (FY'26 Project. to FY'27 Budget)		FY'26 Budget
	FY'27 Budget	FY'26 Projected	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	<u>180,000</u>	<u>142,800</u>	<u>37,200</u>	<u>26.1%</u>	<u>177,000</u>
Total Operating Expenses before Depreciation	<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>
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 Position 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>
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	<u>5,061,400</u>	<u>5,789,400</u>	<u>(728,000)</u>	<u>-12.6%</u>	<u>5,053,400</u>
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	<u>970,800</u>	<u>1,048,400</u>	<u>(77,600)</u>	<u>-7.4%</u>	<u>1,038,000</u>
Non-Operating Income/Expenses - Net	<u>4,090,600</u>	<u>4,741,000</u>	<u>(650,400)</u>	<u>-13.7%</u>	<u>4,015,400</u>
Increase / Decrease in Net Position before Capital Contributions	<u><u>1,505,200</u></u>	<u><u>1,922,400</u></u>	<u><u>(417,200)</u></u>	<u><u>-21.7%</u></u>	<u><u>1,362,000</u></u>
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	<u>1,687,000</u>	<u>7,776,600</u>	<u>(6,089,600)</u>	<u>-78.3%</u>	<u>6,770,000</u>
Change in Net Position	<u><u>\$ 3,192,200</u></u>	<u><u>\$ 9,699,000</u></u>	<u><u>\$ (6,506,800)</u></u>	<u><u>-67.1%</u></u>	<u><u>\$ 8,132,000</u></u>

Operating Revenues

			<u>Variance</u>		
	FY'27 Budget	FY'26 Projected 8+4	Increase (Decrease)	% Change	
TOTAL OPERATING REVENUES					FY'26 Budget
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:

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

Operating Revenues (continued)

Major/selected variances are as follows:

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

Payroll and Related Expenses

	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

	FY'27 Budget	FY'26 Projected 8+4	Variance		FY'26 Budget
			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

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

Line Item Definitions – Administration Expenses (continued)

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

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

Administration Expense:

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

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

Administration Expense (continued):

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

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

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

Operations Expenses

	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

	FY27 <u>Budget</u>	FY26 <u>Projected 8+4</u>	<u>Variance</u>		FY26 <u>Budget</u>
			<u>Increase (Decrease)</u>	<u>% Change</u>	
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 SCIIP 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

	FY'27 <u>Budget</u>	FY'26 <u>Projected 8+4</u>	<u>Variance</u> Increase (Decrease)	%	FY'26 <u>Budget</u>
				<u>Change</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	<u>24,000</u>	<u>16,600</u>	<u>7,400</u>	44.6%	<u>24,000</u>
Total Professional Fees	180,000	142,800	37,200	26.1%	177,000
Total Operating Expenses	<u>15,071,400</u>	<u>14,188,700</u>	<u>882,700</u>	6.2%	<u>14,480,400</u>
Operating Income before Depreciation	<u>3,204,600</u>	<u>2,798,700</u>	<u>405,900</u>	14.5%	<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>	5.3%	<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>	-8.3%	<u>(2,653,400)</u>

Line Item Definitions – Professional Fees and Depreciation

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			Variance		FY'26 Budget
	FY'27 Budget	FY'26 Projected 8+4	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 Interest Income - Assessments	74,200	48,400	25,800	53.3%	43,600
68 Rental Income	48,800	89,400	(40,600)	-45.4%	89,400
69 Tower Lease Income	609,900	617,200	(7,300)	-1.2%	615,900
70 Tower Lease Interest Income	32,100	34,200	(2,100)	-6.1%	34,500
Total Non-Operating Revenue	<u>5,061,400</u>	<u>5,789,400</u>	<u>(728,000)</u>	<u>-12.6%</u>	<u>5,053,400</u>

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

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

**Proposed FY'27 Budget
Variance Summary**

Non-Operating Expenses:

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

Summary of Capital Contributions

Capital Contributions	FY'27 <u>Budget</u>	FY'26 <u>Projected 8+4</u>	Increase <u>(Decrease)</u>	% <u>Change</u>	FY'26 <u>Budget</u>
73 Sewer Capacity Fees	156,000	358,000	(202,000)	-56.4%	156,000
74 Water Capacity Fees	114,000	281,200	(167,200)	-59.5%	114,000
75 Capital Grant Income	1,417,000	7,137,400	(5,720,400)	-80.1%	6,500,000
76 Capital Contributions	-	-	-	0.0%	-
Total Developer Contributions of Systems	1,687,000	7,776,600	(6,089,600)	-78.3%	6,770,000
Change in Net Assets	\$ 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
Wastewater Collection System							
Gravity Main Line Refurbishment	Gravity sewer main line repairs and relining	1		400.0	450.0	450.0	500.0
Lift Stations - Rehab	Rehab and pumps	*	350.0	375.0	400.0	425.0	450.0
Lift Stations - Control Panels	Place control panels	*	110.0	115.0	120.0	125.0	130.0
District Funded MSP Projects	District Funded MSP Projects	*	-	25.0	25.0	25.0	25.0
LPS System	LPS Changeouts	*	70.0	75.0	80.0	85.0	90.0
System Rehab	Replace pipes, manholes, laterals, equipment as dictated by inspections	*	200.0	225.0	250.0	275.0	300.0
Royal James L/S	Install Screening Devices			175.0			
TOTAL COLLECTION SYSTEM			\$ 730.0	\$1,390.0	\$1,325.0	\$1,385.0	\$1,495.0
Water Production/Distribution System							
Water Line Replacement	Replace 12" Ribaut Island Road line	1	150.0				
ASR #2	Build Bubble for ASR #2 (250MGAL)	2	290.0				
RO System	Rehab RO West Well Pump	3	160.0				
Ammonia Drum scales	4 total 1 @ fire station, 1 @ Wild Horse, 2@ASR	4	20.0				
Metering System	Changing out meters and base stations	*	625.0	650.0	675.0	700.0	725.0
Fire Hydrants	New and replacement hydrants	*	90.0	100.0	110.0	120.0	130.0
System Rehab	Replace VFDs, PLCs, valves, equipment, RO membranes etc.	*	150.0	175.0	200.0	225.0	250.0
TOTAL DISTRIBUTION SYSTEM			\$ 1,485.0	\$ 925.0	\$ 985.0	\$1,045.0	\$1,105.0
Facilities and Equipment							
SCADA Improvements	Upgrade radio network to serve as backup to fiber, hardware/software backups, ASR communication improvements, PLC Upgrades	1	145.0	95.0	115.0	120.0	125.0
Vehicles	Fleet replacements	2	150.0	275.0	285.0	295.0	305.0
Operations Equipment	General	*	35.0	50.0	60.0	70.0	80.0
Admin Building	Building Improvements, furniture, etc.	*	35.0	40.0	45.0	50.0	55.0
Technology	General computer equipment	*	35.0	40.0	45.0	50.0	55.0
Admin Building - AC	Admin Building Cooling Tower			300.0			
Excavator	Mini Excavator			75.0			
TOTAL FACILITIES AND EQUIPMENT			\$ 400.0	\$ 875.0	\$ 550.0	\$ 585.0	\$ 620.0
TOTAL RATE/CASH FUNDED CIP PROJECTS			\$ 6,067.0	\$3,825.0	\$4,260.0	\$5,865.0	\$3,620.0
* These are ongoing projects to be performed and completed on an as needed basis. As such, they have not been given a ranking.							
R These projects are funded by reimbursements from the RIA State Grant in 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
(Amounts in 000's)		Total
WWTP Warehouse & Garage	Replacement of Warehouse & Garage Buildings	\$ 2,400.0
WWTP Sludge Shed	Replace Sludge Building	900.0
WWTP UV Treatment System	Conversion to UV Filtration	1,500.0
WWTP Centrifuge	Purchase of Backup Centrifuge	1,500.0
Admin Building - AC	Admin Building AC Upgrades	300.0
Collections-Royal James Lift Station	Tank, Pump, and Site Upgrade	3,500.0
TOTAL		\$ 10,100.0

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.

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

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

Cash Flow and Operating Reserve Targets

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

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

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

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

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

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

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

Cash Flow and Five-Year Projections

Five-Year Projections

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

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

FY' 27 Schedule of Rates, Fees, and Deposits

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