

HILTON HEAD PUBLIC SERVICE DISTRICT

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

SEPTEMBER 2026 AGENDA PACKET CONTENTS

1. Agenda for the September 23, 2026, Regular Commission Meeting
2. Draft Minutes of the August 26, 2026, Regular Commission Meeting
3. FY'26 Year-end Financial Report
4. Memo from the Finance Manager on Authorization to Apply Series 2024B GO Debt Proceeds to Eligible Capital Expenditures
5. Memo from the GM on RO Plant Expansion and ASR-2 Change Orders
6. Memo from ARDURRA to HHPDS on Change Order No. 03
7. Memo from ARDURRA to HHPDS on Change Order No. 02
8. PowerPoint on HHPDS Housing Assistance Programs
9. General Manager's Monthly Report
10. Letter from S.C. Rural Infrastructure Authority to the PSD Chair regarding Grant Award Increase
11. HHPDS Tagline Options
12. Letter of Consent from HHPDS for Santee Cooper Encroachment Request
13. Letter from Town of HH to Clearview Homes Regarding Wrights Landing Proposed Workforce Housing Neighborhood
14. Project Survey Maps
15. FYI – Joint Letter from HHPDS and BCPSD to Beaufort County Council and Town of Hilton Head Regarding Relocation Project Funding Commitments
16. FYI – SC Drought Response Committee Drought Declaration Status
17. Charts, Graphs and Water Quality Report



Agenda

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AGENDA

Hilton Head Public Service District Commission
9 a.m.
September 23, 2026
PSD Community Room
21 Oak Park Drive, Hilton Head Island, SC 29926

- I. Call to Order & Freedom of Information Act Announcement
- II. Pledge of Allegiance
- III. Roll Call of Commissioners
- IV. Public Comment on Non-Agenda Items
- V. Adoption of Draft Minutes of August 26, 2026, Regular Meeting
- VI. Unaudited FY '26 Year-End Financial Report
- VII. Authorization to Apply Series 2024B GO Debt Proceeds to Eligible Capital Expenditures (Action)
- VIII. Change Order Request – RO Plant Expansion & ASR-2 (Action)
- IX. PSD Workforce Housing Development Participation
- X. General Manager's Monthly Report
- XI. Executive Session:
 - A. Under S.C. Code 30-4-70 (a) (2) ("Discussion of negotiations incident to proposed contractual arrangements...")
 - i. Advanced Metering Infrastructure
- XII. Possible Action by Commission Concerning Matters Discussed in Executive Session
- XIII. Adjournment

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



Draft Minutes

HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT

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

MINUTES COMMISSION MEETING AUGUST 26, 2026

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

II. Those in attendance were:

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

Present by request:

Mr. Pete Nardi	General Manager
Mr. Bill Davis	Operations Manager
Mr. Joe Capriola	Harper General Contractors
Mr. Adam Lawrence	Harper General Contractors
Mr. Justin Jones	Harper General Contractors
Mrs. Connie Whitehead	Commission Recording Secretary

Absent:

None

III. Pledge of Allegiance

The Pledge of Allegiance was led by Mr. Frank Turano

IV. Public Comment on Non-Agenda Items

Key Discussion Points

- There was no public comment.

V. Adoption of Draft Minutes of July 22, 2026, Commission Meeting

Action

- Mr. Cutrer moved to adopt the draft minutes as presented. Mr. Paterno seconded. The motion passed unanimously.

VI. Commissioner Education Session: Alternative Project Delivery Method

Key Discussion Points

- Mr. Joe Capriola, Mr. Adam Lawrence and Mr. Justin Jones of Harper General Contractors gave a presentation to the Board on Collaborative Project Delivery.
- Harper has served as general contractor for the PSD's RO Plant Expansion Project.
- Alternative project delivery methods are an area of interest for the PSD as it performs CIP projects.

VII. General Manager's Monthly Report

Key Discussion Points

- Mr. Nardi presented the General Manager's Monthly Report. A copy is included in the agenda packet.
- At the Board's direction, staff will prepare a letter to the Hilton Head Town Council and Beaufort County Council updating them on the status of the pipeline relocation project, reminding them of their commitment to allocate \$6.5 million in local funding and communicating the PSD's hope that we can continue to rely on their support.
- Staff will reach out to Bragg Media for their input on creating a new PSD tagline that more adequately captures the function of the PSD and bring those ideas before the Board in September.
- Staff will bring the pending change orders for the SCIIP projects before the Board at the September meeting.
- Year end financials will be presented in September.
- Staff recommends the Board hold a workshop to talk through various aspects of the PSD's participation in workforce housing.

VIII. Executive Session

Action

- Mr. Cutrer moved to enter into executive session for the purpose of receiving legal advice. Mr. Abdul-Malik seconded. The motion passed unanimously.
- Executive Session began at 10:16 a.m.

IX. Reconvene Regular Session

Action

- Regular session reconvened at 10:45 a.m.

X. Adjournment

Action

- Mr. Bell moved to adjourn the meeting. Mr. Abdul-Malik seconded. The motion passed unanimously. The meeting adjourned at 10:46 a.m.



Year-end Financials

To: Commissioners
Pete Nardi, General Manager

From: Amy Graybill, Finance Manager

Subject: Financial Highlights – Fiscal Year Unaudited Financial Statements and Results,
Period Ending June 30, 2026

Date: September 23, 2026

Introduction

Staff has prepared the following unaudited financial statements and highlights for June 30, 2026 for discussion at the Commission Meeting on September 23, 2026.

No Commission action is required.

Statement of Revenues, Expenses, and Changes in Net Position

Table A-1 on the following page contains the District's Statement of Revenues, Expenses, and Changes in Net Position as of June 30, 2026 compared to budget.

The change in net position for the period was \$11,525,970, which was \$3,393,970 higher than the budgeted change in net position of \$8,132,000. Operating income was favorable to budget by \$918,019 with higher operations expense than budgeted being more than offset by the other operating expense categories and operating revenues, which picked up in the final quarter of the fiscal year to come out ahead of budget for the year. On the non-operating side, interest earnings remain stronger than budgeted, a large capacity fee payment was received, and property tax collections came in stronger than budgeted. Additionally, for the year end statements a large developer contribution of system was recorded and the Old House Creek collector main assessment was recorded. The District also exceeded its debt coverage target and maintained liquidity levels significantly above established financial benchmarks.

Table A-1
Hilton Head PSD
Budgetary Comparison Schedule
Fiscal Year to Date as of June 30, 2026

	Fiscal Year 2026		FY 26 Actual to FY 26 Budget	
			Comparison	
	Actual	Budget	Dollars Favorable (Unfavorable)	%
Operating Revenues				
Water Service	\$ 9,109,511	\$ 9,162,500	\$ (52,989)	-0.6%
Sewer Service	7,562,775	7,501,000	61,775	0.8%
Tap In Fees - Water	299,974	220,800	79,174	35.9%
Connection Fees - Sewer	170,503	270,000	(99,497)	-36.9%
Golf Course Irrigation	267,249	180,300	86,949	48.2%
Service Fees	24,237	20,100	4,137	20.6%
Other Operating Revenues	52,404	22,300	30,104	135.0%
Total Operating Revenues	17,486,653	17,377,000	109,653	0.6%
Departmental Expenses				
Payroll & Related	5,109,569	5,577,700	468,131	8.4%
Administrative Expenses	1,171,322	1,176,600	5,278	0.4%
Operations	3,734,985	3,613,500	(121,485)	-3.4%
Maintenance	1,493,045	1,665,900	172,855	10.4%
Purchased Water	1,734,145	1,852,700	118,555	6.4%
Water Tap In Expenses	176,022	165,000	(11,022)	-6.7%
Sewer Connection Expenses	143,303	252,000	108,697	43.1%
Professional Fees	113,782	177,000	63,218	35.7%
Total Departmental Expenses	13,676,173	14,480,400	804,227	5.6%
Depreciation	5,545,861	5,550,000	4,139	0.1%
Total Operating Expenses	19,222,034	20,030,400	808,366	4.0%
Operating income (loss)	(1,735,381)	(2,653,400)	918,019	34.6%
Non-operating revenues				
Property taxes-G.O. Debt Levy	2,373,975	2,177,000	196,975	9.0%
Property taxes-Operations Levy	1,491,612	1,361,000	130,612	9.6%
Rental Income	89,481	89,400	81	0.1%
Tower Lease Income	619,132	615,900	3,232	0.5%
Interest Income - Leases	34,507	34,500	7	0.0%
Interest Income	1,471,524	760,600	710,924	93.5%
Gain (Loss) of disposal of equipment	42,754	15,000	27,754	185.0%
Total Non-operating Revenues	6,122,985	5,053,400	1,069,585	21.2%
Non-operating Expenses				
Interest expense	995,234	993,000	(2,234)	-0.2%
Bond Issuance Costs	52,427	45,000	(7,427)	-16.5%
Total Non-operating Expenses	1,047,661	1,038,000	(9,661)	-0.9%
Total Non-operating Revenues/Exp.	5,075,324	4,015,400	1,059,924	26.4%
Increase (Decrease) in net position, before capital contributions	3,339,943	1,362,000	1,977,943	145.2%
Water Capacity Fee	333,240	114,000	219,240	192.3%
Sewer Capacity Fee	533,984	156,000	377,984	242.3%
Capital Grant Income	6,587,241	6,500,000	87,241	1.3%
Assessments	398,728	-	398,728	100.0%
Developer Contributions of Systems	332,834	-	332,834	0.0%
Total Capital Contributions	8,186,027	6,770,000	1,416,027	20.9%
Change in net position	\$ 11,525,970	\$ 8,132,000	\$ 3,393,970	41.7%
Net position, beginning of the fiscal year	\$ 67,333,504			
Net position, June 30, 2026	\$ 78,859,474			

Budget to Actual Highlights

Operating Revenues: Actual operating revenues are \$17,486,653 versus budgeted operating revenues of \$17,377,000 which results in a variance of \$109,653 or 0.6% over budget. The following is a summary of material/selected variances¹ for the Operating Revenue categories:

- Water Service revenues are under budget by \$52,989 or 0.6% and Sewer Service revenues are over budget by \$61,775 or 0.8%. Billed water consumption picked up for the last quarter of the fiscal year due to dry, hot weather conditions. At the end of the third quarter, billed water lagged behind the prior year by 71 million gallons. By the end of the fiscal year (FY), this had decreased to 52 million gallons. The District billed 1.979 billion gallons during FY 2026 compared to 2.031 billion gallons billed during FY 2025. This is in line with rainfall trends. At the end of the third quarter, FY 2026 had seen around 6 more inches of rainfall than the prior year. However, by the end of the fiscal year, FY 2026 ended up showing around 1 inch less rainfall than FY 2025 with approximately 50 inches being recorded at the treatment plant in both years. Sewer service revenues are not as adversely affected by reduced consumption due to the residential sewer cap.

Total Operating Expenses: Total operating expenses are \$808,366 or 4.0% under budget. The following is a summary of material/selected variances for the Operating Expenses categories:

- Payroll & Related is under budget by \$468,131 or 8.4% mainly due to the GASB year-end net pension adjustment to bring pension expense to the SC PEBA actuarially determined amount. Without this 347,088 non-cash adjustment, payroll expense would have been under budget by around \$120,000 mostly due to the timing of filling open positions.
- Operations is over budget by \$121,485 or 3.4% which is mainly related to fuel and power expense. The January 2025 rate increase from the District's electricity provider had a larger impact than anticipated. Additionally, the District's own rate increase influenced this line item as more water was used at the District's treatment plant for maintenance activities in FY 2026 than FY 2025.
- Maintenance is under budget by \$172,855 or 10.4% which was related to lower lift station maintenance and well maintenance than budgeted. District staff spent less time in these areas than anticipated during FY 2026 while the large scale grant and FFA projects were progressing.
- Purchased Water is under budget by \$118,555 or 6.4% due to less water purchased related to lower billed water consumption.
- Sewer Connection Expenses are under budget by \$108,697 or 43.1%. This is offset by lower sewer connection revenue than budgeted.

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

Non-Operating Revenues and Expenses: Actual non-operating revenues are \$6,122,985 versus budgeted non-operating revenues of \$5,053,400 which results in a variance of \$1,069,585 or 21.2% over budget. Property taxes – GO and Operations came in more than budgeted due to a higher value of a mill than anticipated. Beaufort County had not provided an updated value of a mill at budget preparation time so an estimate of the current value with a small inflation component was used which amounted to around \$453,500. Based on year end operating results, it appears the actual value was around \$494,000. Additionally, Interest Income was \$710,924 over budget in line with continued higher market interest rates. Staff endeavors to keep all cash not needed for current operations in the SC Local Government Investment Pool (LGIP); while interest rates have been declining, the LGIP still is seeing rates over 3.75%. Interest was conservatively budgeted at 3.25%.

Capital Contributions: Capacity fees, capital grant income, and developer contributions of systems came in \$1,416,027 over budget. The District received a large capacity fee payment for the Northpoint project during the second quarter of the fiscal year. Additionally, assessment income related to the Old House Creek collector main project and developer contributions from a large-scale project were recorded during the last quarter of FY 2026.

Statements of Net Position

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

Statement of Net Position Highlights

As of June 30, 2026, total assets and deferred outflows of resources are \$125.7 million, exceeding liabilities and deferred inflows of resources by approximately \$78.9 million (See Table A-2, Pages 5-6).

Current Assets/Liabilities/Debt

Many of the increases and decreases in current assets and current liabilities are expected to be timing related. Some highlights include:

- Unrestricted cash may partially decline later as capital projects are completed. While favorable operating results, including more capacity fees and interest income than budgeted, led to increases in operating cash, these increases may be partially offset by the remaining funding required in coming years to complete the grant/debt funded projects.
- Grants receivable is dependent upon the monthly construction expenditures eligible for reimbursement and how quickly the granting agency makes reimbursement payments.
- Sewer and capacity assessments increased due to the addition of the Old House Creek sewer project.
- Accounts payable fluctuates based on the timing of purchases and the final check run of the reporting period. Accrued payroll increased due to the timing of the last paycheck date in the reporting period which resulted in an additional day to accrue in the reporting period.
- The large increases in nondepreciable assets (which includes construction in progress) and decreases in restricted cash are mainly related to the continuation of the construction phase of the grant/debt funded projects.

Table A-2
Hilton Head PSD
Statements of Net Position

	June 30	June 30
	2026	2025
Assets		
Current Assets		
Cash and Cash Equivalents Available for Operations	\$ 18,618,323	\$ 15,873,800
Cash and Cash Equivalents in Banks (Restricted)	11,871,568	19,208,123
Cash and Cash Equivalents Held by Beaufort County Treasurer (Restricted)	992,729	805,891
Accounts Receivable - Trade, net	2,084,373	1,813,834
Accounts Receivable - Grants	-	1,241,109
Accounts Receivable - Connection Grants	-	18,089
Accrued Interest Receivable	15,882	17,214
Lease Receivable, due within one year	455,889	484,041
Sewer and Capacity Assessments, due within one year	259,366	207,894
Inventory	693,045	582,825
Prepaid Expenses	432,302	418,651
Total current assets	35,423,477	40,671,471
Noncurrent Assets		
Property, Plant and Equipment		
Nondepreciable Assets	25,703,130	12,410,499
Depreciable Assets, net	59,922,374	59,753,190
Total Property, Plant and Equipment	85,625,504	72,163,689
Lease Receivable, due after one year	1,108,131	903,080
Sewer and Capacity Assessments, due after one year	2,406,998	1,752,864
Total Noncurrent Assets	89,140,633	74,819,633
Total Assets	124,564,110	115,491,104
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	1,111,321	833,094
Total Deferred Outflows of Resources	1,111,321	833,094
Total Assets and Deferred Outflows of Resources	\$ 125,675,431	\$ 116,324,198

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

	June 30	June 30
	2026	2025
Liabilities		
Current Liabilities		
Payable from Unrestricted Assets:		
Accounts Payable-Trade	\$ 614,983	\$ 523,576
Accounts Payable-Construction	451,749	470,761
Customer Deposits	284,851	226,028
Unearned Revenue	17,440	17,341
Accrued Payroll & Other Liabilities	661,871	612,989
Total Current Liabilities Payable from Unrestricted Assets	2,030,894	1,850,695
Payable from Restricted Assets:		
Accounts Payable - Construction	2,353,000	1,898,704
Interest Payable	159,688	155,320
Notes Payable, due within one year	255,082	251,380
Bonds Payable, due within one year	3,567,464	3,436,822
Total Current Liabilities Payable from Restricted Assets	6,335,234	5,742,226
Total Current Liabilities	8,366,128	7,592,921
Noncurrent Liabilities		
Notes Payable, due after one year	3,699,896	3,954,978
Bonds Payable, due after one year	27,875,575	30,693,040
Net Pension Liability	4,690,533	4,771,034
Total Noncurrent Liabilities	36,266,004	39,419,052
Total Liabilities	44,632,132	47,011,973
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	392,839	381,199
Deferred Inflows Related to Lease Revenue	1,790,986	1,597,522
Total Deferred Inflows of Resources	2,183,825	1,978,721
Total Liabilities and Deferred Inflows of Resources	46,815,957	48,990,694
Net Position		
Net Investment in Capital Assets	58,697,577	50,045,908
Restricted for Debt Service & Grants	1,429,770	1,270,790
Unrestricted	18,732,127	16,016,806
Total Net Position	78,859,474	67,333,504
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 125,675,431	\$ 116,324,198

Net Position

Changes in net position resulting from operating and non-operating revenues, expenses and capital contributions increased \$11,525,970 since June 30, 2025. Net position invested in capital assets has increased \$8,651,669 due to asset activity (including depreciation) and related debt activity, while net position restricted for debt service and grants has increased \$158,980 related to General Obligation tax collections and debt payment activity. Unrestricted net position has increased \$2,715,321.

Capital Assets

Table A-3 on the following page presents a comparison of capital expenditures to date against the FY 2026 capital budget.

Net property, plant and equipment has increased by \$13,461,815 during FY 2026. Total additions of \$19,010,157 were offset by depreciation of \$5,545,861 and \$2,481 of costs that were included in construction in progress at 06/30/2025 but were expensed in FY 2026 when the total project did not meet the District's capitalization threshold.

CIP Projects Carryovers to FY 2027

The following is a recap of projects staff expects to carry over into FY 2027 for completion:

Projects Carrying Over to FY 2027

Influent Screen	Backup to band screen	\$	85,300
Return Activated Sludge Building	Electrical cabinet carrying to WWTP SCADA		85,000
Holding Ponds	Install 2 aerators in Pond #3		14,900
WWTP System Rehab	Clarifier system rehab		157,400
Gravity Main Refurbishment	Gravity main line repairs and relining		371,600
Lift Stations - Control Panels	Replace lift station control panels		95,700
District Funded MSP Projects	District Funded MSP Projects		62,500
Water Line Replacement	Replace 12" Ribaut Island Rd line		162,900
SCADA Improvements	Wildhorse, Seabrook, & Ashmore upgrades		230,400
Admin Building	Building improvements, furniture, etc.		44,600
Vehicles	Fleet replacements		33,600
FY 2026 CIP Funding to be Carried Over into FY 2027			<u>\$ 1,343,900</u>

Table A-3

CIP Projects - Capital

		Expended as of 6/30/2026	2026 Approved Amount	Remaining/ Variance
WWTP				
WWTP Switch Gear for generator	Replace generator switch gear	\$ 242,187	\$ 255,500	\$ (13,313)
Influent Screen	Backup to band screen	664,673	750,000	(85,327)
Reuse Water System	Upgrades/improvements to reuse system	104,431	100,000	4,431
Return Activated Sludge Building	Electrical cabinet improvements	-	85,000	(85,000)
Clarifier	Clarifier #2-replace sweeper arm/suction line	139,595	150,000	(10,405)
Filter Building Blowers	6 new actuator (air) valves	59,040	75,000	(15,960)
CROM Tank	Install isolation valve on CROM tank line	-	55,000	(55,000)
Holding Ponds	Install 2 aerators in Pond #3	35,025	50,000	(14,975)
System Rehab	Replace equipment, valves and actuators	67,577	225,000	(157,423)
TOTAL WWTP		1,312,527	1,745,500	(432,973)
Collection System				
Gravity Main Refurbishment	Gravity main line repairs and relining	28,313	400,000	(371,687)
Lift Stations - Control Panels	Replace lift station control panels	79,287	175,000	(95,713)
Lift Stations - Rehab	Rehab and pumps	354,814	425,000	(70,186)
District Funded MSP Projects	District Funded MSP Projects	-	62,500	(62,500)
System Rehab	Replace pipes, manholes, laterals, etc.	62,445	225,000	(162,555)
LPS Changeouts	LPS Changeouts	38,798	65,000	(26,202)
Old House Creek Sewer Main	Sewer Collector Main	385,228	-	385,228
TOTAL COLLECTION SYSTEM		948,885	1,352,500	(403,615)
Distribution System				
Water Line Replacement	Replace 12" Ribaut Island Rd line	7,060	170,000	(162,940)
Metering System	Changing out meters & base stations	744,118	600,000	144,118
RO Plant	Replace actuator-booster pump #3	40,050	40,000	50
Fire Hydrants	New and replacement hydrants	53,582	90,000	(36,418)
System Rehab	Replace valves/equipmt/RO membranes etc	73,158	200,000	(126,842)
TOTAL DISTRIBUTION SYSTEM		917,968	1,100,000	(182,032)
Facilities and Equipment				
SCADA Improvements	Wildhorse, Seabrook, & Ashmore upgrades	36,566	267,000	(230,434)
Admin Building	Building improvements, furniture, etc.	5,364	50,000	(44,636)
Technology	General computer equipment	25,257	30,000	(4,743)
Vehicles	Fleet replacements	226,350	260,000	(33,650)
Ops Equipment - Water	Line locator equipment	20,113	18,000	2,113
Ops Equipment - Sewer	Camera to inspect gravity sewer lines	74,847	115,000	(40,153)
Operations Equipment	Enclosed trailer for safety equipment	12,479	10,000	2,479
TOTAL FACILITIES AND EQUIPMENT		400,975	750,000	(349,025)
TOTAL NON GRANT RATE FUNDED CIP PROJECTS		\$ 3,580,355	\$ 4,948,000	\$ (1,367,645)
Grant Projects - See recap on following page		15,096,968	6,500,000	
Less: Projects carried over from FY 2025			\$ (1,598,000)	
Total FY 2026 Additions/Budgeted Amount		\$ 19,010,157	\$ 9,850,000	

Capital Assets(continued)

SCIIP/ARPA Projects

The District is also moving forward with capital projects that will utilize the Beaufort County ARPA allocation, the SCIIP Grant, and the RIA State Grant. Please find below a recap of the status of those projects through June 30, 2026 as well as a recap of the project totals and funding sources to date. Staff will update the schedules below for any necessary change orders or miscellaneous project costs necessary as the projects progress. District staff will also be monitoring bond proceed funds for potential arbitrage earnings (earning more interest on bond proceeds than the stated rate of interest on the bonds) and has included a recommendation to use bond proceeds for eligible CIP projects as a separate item on the September agenda. With this recommendation, the District should remain on track to spend down the bond funds in accordance with the arbitrage deadlines even when considering the additional \$2 million SCIIP grant award. Complying with the arbitrage deadlines allows the District to retain and utilize all interest earned on the bond proceeds for bond project costs.

SCIIP/ARPA Projects	Spent As Of 06/30/2025	FY 2026 to date	Grand Total	Project Total	Remaining/ Variance
LOM Booster Pump	\$ 1,798,227	\$ 546,127	\$ 2,344,354	\$ 2,344,422	\$ (68)
RO Plant Expansion	2,467,888	9,247,916	11,715,804	12,306,559	(590,755)
RO Wells	3,142,722	2,043,630	5,186,352	7,083,840	(1,897,488)
ASR 2	3,428,878	2,815,208	6,244,086	10,718,054	(4,473,968)
Screw Pump	58,215	444,087	502,302	4,736,000	(4,233,698)
Grand Total	\$ 10,895,930	\$ 15,096,968	\$ 25,992,898	\$ 37,188,875	\$ (11,195,977)

Projects	Misc. Admin, Esmt, Legal, Etc. Expenses	Preliminary Engineering Contract	Construction Engineering Contract	Construction Contract	Construction C/O Contracts	Project Total
LOM Booster Pump	\$ 150	\$ 203,000	\$ 140,000	\$ 1,999,807	\$ 1,465	\$ 2,344,422
Water Supply Planning	226,126	-	-	-	-	226,126
RO Plant Expansion	-	693,000	1,026,000	10,523,000	64,559	12,306,559
RO Wells	26,005	401,000	799,450	5,857,385	-	7,083,840
ASR 2	38,116	723,000	860,550	9,096,388	-	10,718,054
Screw Pumps	-	178,000	188,000	4,370,000	-	4,736,000
Total	\$ 290,396	\$ 2,198,000	\$ 3,014,000	\$ 31,846,580	\$ 66,024	\$ 37,415,000
External Funding Sources						
SRF Loan, net	(252,796)	(1,829,204)	(296,429)	-	-	(2,378,429)
SCIIP Grant	-	-	-	(10,000,000)	-	(10,000,000)
BC ARPA	-	-	-	(1,000,000)	-	(1,000,000)
SC RIA Grant	-	-	-	(1,500,000)	-	(1,500,000)
Net of Grants/SRF	\$ 37,600	\$ 368,796	\$ 2,717,571	\$ 19,346,580	\$ 66,024	\$ 22,536,571
2024B Bond Proceeds, net of closing costs						(20,268,791)
2024B Bond Proceeds Interest Income through 06/30/2026						(1,227,299)
Remaining local match to be funded via FY 2027 Budget						\$ 1,040,481

The schedule above will be updated in the 1st quarter of FY 2027 to include the additional \$2 million awarded in September 2026, approved change orders, and the reimbursement of capital expenses noted above and included as a separate agenda packet item.

Statement of Cash Flow

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

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

Unrestricted cash available for operations increased \$3,744,524 from \$15,873,800 as of June 30, 2025 to \$18,618,324 as of June 30, 2026. The increase in unrestricted cash is primarily attributable to strong operating results, higher-than-budgeted interest income, and capacity fee collections. However, the increase is partly expected to be timing related as the District completes its current year CIP projects and finalizes the grant/debt funded projects.

Restricted cash in banks for debt service has decreased \$23,489 from \$620,219 as of June 30, 2025, to \$596,730 as of June 30, 2026, in accordance with revenue debt payment activity.

Restricted cash held at the SC Local Government Investment Pool has decreased \$7,313,065 from \$18,587,904 as of June 30, 2025, to \$11,274,839 as of June 30, 2026, due to construction payments from the 2024B bond proceeds account.

Restricted cash held by Beaufort County has increased \$186,838 from \$805,891 on June 30, 2025, to \$992,729 as of June 30, 2026, in accordance with GO debt activity.

Total combined unrestricted and restricted cash has decreased \$4,405,192 since June 30, 2025.

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

	June 30	June 30
	2026	2025
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 17,240,622	\$ 16,329,803
Cash Paid to Suppliers	(10,921,763)	(10,415,342)
Cash Paid to Employees	(3,085,080)	(2,919,547)
Other Revenues	52,404	49,577
Net Cash Provided by Operating Activities	3,286,183	3,044,491
Cash Flows from Investing Activities		
Interest Income	1,472,856	1,440,962
Net Cash Provided by Investing Activities	1,472,856	1,440,962
Cash Flows from Noncapital Financing Activities:		
Property Taxes Collected - Operations Levy	1,491,612	1,372,970
Sewer Assessments Collected	168,954	143,461
Sewer Assessments Financed	(673,260)	(62,872)
Net Cash Provided by Noncapital Financing Activities	987,306	1,453,559
Cash Flows from Capital and Related Financing Activities:		
Capacity Fees	605,544	170,944
Capacity Fee Assessments	60,381	64,864
Property Taxes Collected - G.O. Debt Levy	2,373,975	1,877,746
Interest Paid	(990,866)	(627,003)
Proceeds from Series 2024A GO SRF Loan	-	2,589,929
Proceeds from Series 2024B GO Bonds	-	20,400,000
Proceeds from Series 2026 FFA Bonds	750,000	-
Bond Issuance Costs	(52,427)	(175,243)
Principal Payments on Financed Purchase, Bonds and Notes	(3,688,202)	(3,641,308)
Rental and Tower Lease Income	759,784	737,165
Proceeds from Capital Grant	7,828,350	2,255,991
Proceeds from Sale of Property, Plant and Equipment	42,754	48,559
Purchases of Property, Plant and Equipment	(17,840,830)	(9,958,173)
Net Cash Used by Capital and Related Financing Activities	(10,151,537)	13,743,471
Net Increase (Decrease) in Cash	(4,405,192)	19,682,483
Cash and Cash Equivalents at Beginning of Year	\$ 35,887,814	\$ 16,205,331
Cash and Cash Equivalents at End of Year	\$ 31,482,622	\$ 35,887,814

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	June 30 2026	June 30 2025
Operating Income (Loss)	\$ (1,735,381)	\$ (2,385,468)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</i>		
Depreciation	5,545,861	5,420,424
Marrease in Allowance for Doubtful Accounts	-	-
Difference Between GASB 68 and Actual Contributions	(347,088)	(201,754)
<i>Changes in Assets and Liabilities</i>		
Accounts Receivable - Trade	(270,539)	71,748
Accounts Receivable - Project SAFE	18,089	108,704
Inventories	(110,220)	(87,236)
Prepaid Assets	(13,651)	(74,198)
Accounts Payable - Trade	91,407	113,329
Customer Deposits	58,823	41,332
Accrued Payroll & Other Liabilities	48,882	37,610
Net Cash Provided by Operating Activities	\$ 3,286,183	\$ 3,044,491

Schedule of Cash and Cash Equivalents

Available for Operations

Demand Deposits (interest and non-interest bearing)	\$ 1,450,849	\$ 1,475,132
Certificate of Deposit Cash Equivalent	3,000,000	3,000,000
SC Local Government Investment Pool	14,101,448	11,311,985
Held by Beaufort County Treasurer	66,027	86,683
Total Available for Operations	\$ 18,618,324	\$ 15,873,800

Restricted

Cash in Banks	\$ 596,730	\$ 620,219
SC Local Government Investment Pool	11,274,839	18,587,904
Held by Beaufort County Treasurer	992,729	805,891
Total Restricted	\$ 12,864,298	\$ 20,014,014

Total Cash and Cash Equivalents	\$ 31,482,622	\$ 35,887,814
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Supplemental Disclosures

Noncash Financing Activities:

Developer Contribution of Systems	\$ 332,834	222,500
Assessments	\$ 398,728	-

Financial Ratio Analysis

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

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

Financial Ratios				
	Benchmarks	June 2026 to June 2025	June 2026	June 2025
Current Ratio	> 6.00	Benchmark Met	11.11	11.10
Operating Ratio	1.00	Benchmark Met	0.72	0.75
Days Cash on Hand	>120	Benchmark Met	497	442
Accounts Receivable (days of revenue)	< 35	Benchmark Met	27	25
Long-Term Debt to Net Position	< 0.75	Benchmark Met	0.40	0.51
Debt Coverage Ratio Projection	>150%	Complies with Bond Covenants	341%	274%

Liquidity Ratios

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

The Current Ratio

The Current Ratio (current non-restricted assets over current liabilities to be paid from non-restricted assets) was 11.1 at June 30, 2026 which is greater than the benchmark of 6.0. Current non-restricted assets increased by \$2,009,590 and current liabilities to be paid from non-restricted assets increased by \$180,199 since June 30, 2025. The large increase in current assets is mostly related to increases in unrestricted cash.

The Operating Ratio

The operating ratio, total operating expenses less depreciation to operating revenues (including the operating property tax levy), indicates a company's level of operating expenses in comparison to operating revenue. As calculated in this section, a higher ratio indicates a higher level of expense in comparison to operating revenue. The current operating ratio is 0.72 compared to the June 30, 2025 ratio of 0.75. This is lower than the revised benchmark of 1.0 which indicates that the District's operating expenses less depreciation are being fully covered by operating revenues. Total operating expenses less depreciation increased \$553,533 while total operating revenues (including the operating property tax levy) increased \$1,447,699. The difference between the current benchmark and 1.0 generally relates to the percentage of operating funds available for revenue debt service and capital projects. As such, the lower this ratio, the more funding is available annually for capital projects.

Days Cash on Hand

The days cash on hand ratio measures how many days a company can pay its expenses. The formula for this ratio is current unrestricted cash and investments plus any restricted cash and investments available for general system purposes divided by operating expenditures minus depreciation, divided by 365. A higher days of cash on hand ratio is more desirable as it indicates that an entity has more cash to cover its expenses. The days cash on hand ratio exceeds its benchmark and is 497 as of June 30, 2026, compared to 442 as of June 30, 2025. This increase is expected to be partially timing related as the District carries out its CIP projects for FY 2026 and grant/debt funded projects.

The Accounts Receivable (Days of Revenue) Ratio

The Accounts Receivable (Days of Revenue) ratio indicates the level of accounts receivable in comparison to the level of revenues being collected over a 12-month period (last 12 months or LTM). As calculated in this section, a higher ratio may indicate that receivables are growing in disproportion to revenues. The ratio is calculated by dividing accounts receivable by the average days' operating revenues.² This ratio was 27 at June 30, 2026 and 25 at June 30, 2025. Both years meet the benchmark of lower than 35 and indicate that the District is carrying less than one month's worth of receivables which is in line with its monthly billing schedule.

Leverage Ratios

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

The Long-term Debt to Net Position Ratio

The Long-term Debt to Net Position ratio, long term debt divided by the net position, is 0.40, has decreased from the June 30, 2025, ratio of 0.51, and meets the benchmark of less than 0.75. Long-term debt decreased by \$3,072,546 while the net position has increased by \$11,525,969.

Debt Coverage

Bond covenants require that the District maintain and collect rates and charges that together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding. As of June 30, 2026, the debt service projection calculation is 341% which exceeds the fiscal year 2026 budgeted debt coverage ratio of 256%, the required ratio of 120%, and the target rate of 150%.

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

Customer Growth

Total water/irrigation service EDUs have increased by 278 since June 30, 2025, for a total of 20,204 EDUs. This is a 1.4% increase for FY 2026 compared to the 0.81% increase experienced during FY 2025. The current EDUs include 19,074 water service units, 1,042 irrigation service units, and 88 miscellaneous water units such as dock meters, hydrants, pool meters, and golf course water coolers.

<i>Water / Sewer Connection Growth 06/30/2026</i>						
Date	Water & Irr. EDU's	Only Water EDU's	Change in Water EDU's	Sewer EDU's	Change in Sewer EDU's	% Sewer to Water EDU's
06/30/25	19,926	18,805	N/A	18,049	N/A	95.98%
09/30/25	19,963	18,839	37	18,084	35	95.99%
12/31/25	19,988	18,863	25	18,120	36	96.06%
03/31/26	20,017	18,894	29	18,160	40	96.12%
06/30/26	<u>20,204</u>	<u>19,074</u>	187	<u>18,353</u>	193	96.22%
Change in EDU's			<u>278</u>		<u>304</u>	

Sewer service EDUs have increased by 304 since June 30, 2025, for a total of 18,353 EDUs. This is a 1.68% increase for FY 2026 compared to 1.04% for FY 2025. As shown in the above table, the sewer to water customer percentage has increased to 96.22%.

Fiscal Outlook

As of June 30, 2026, the District's financial condition remains strong. The District exceeded its budgeted change in net position, maintained liquidity well above benchmark levels, exceeded debt coverage requirements, and continued to make substantial progress on its major capital improvement program.

Staff looks forward to discussing the unaudited 2026 review of the District's financial condition at the September 23, 2026, Commission Meeting.

Preview of Restated Financial Statements

While finalizing the FY 2026 Front-Foot Assessment (FFA) process, management identified several accounting items that will result in adjustments to the presentation of the District's financial statements. The revised Statement of Revenues, Expenses, and Changes in Net Position and Statement of Net Position and Balance Sheet included in this report are provided as a preview of how these items are expected to be reflected in the final audited financial statements.

These adjustments do **not** impact the District's cash position, debt obligations, or overall financial health. Rather, they improve the timing, classification, and presentation of certain transactions to better align with generally accepted accounting principles (GAAP) and the new presentation requirements under GASB Statement No. 103.

Major Changes Reflected in the Revised Statements

Capitalization of Utility Assets

- Customer water meters and customer low-pressure sewer (LPS) pumps installed as part of new customer connections were previously expensed when installed.
- These assets are now capitalized and depreciated over their useful lives because they are owned and maintained by the District and are considered part of the utility system infrastructure.

Front-Foot Assessment Revenue Recognition

- Certain tap fees and capacity fees financed through the FFA program were previously recognized when the related assessments were finalized.
- These fees are now recognized when the customer connection is completed instead of when the assessment is finalized every three years.

Customer-Owned Gravity Sewer Connections

- Costs and reimbursements associated with customer-owned gravity sewer service line installations were previously reported as operating revenues and operating expenses.
- Because these assets are not owned or maintained by the District, the related reimbursements and contractor costs are now presented net and excluded from operating revenues and operating expenses.

Income Statement Impact

Compared to the original presentation, the revised statements primarily reflect:

- Removal of water tap-in and sewer connection costs from operating expenses as these District-owned assets are now capitalized.
- Additional depreciation expense associated with the newly capitalized assets.
- Recognition of FFA LPS connection fees, tap fees and capacity fees in the period the connection occurred rather than when the assessment financing was completed.
- Removal of customer-owned gravity sewer connection reimbursements and related contractor costs from both operating revenues and operating expenses.
- Reclassification of operating property tax revenues into a separate Noncapital Subsidies section in accordance with GASB 103 presentation requirements.

Statement of Net Position Impact

Compared to the original presentation, the revised statements primarily reflect:

- Increase in capital assets and related accumulated depreciation resulting from the capitalization of newly installed customer water meters and LPS pumps that were previously expensed when installed.
- Increase in Assessment Receivables related to FFA tap fees and capacity fees that are now recognized when the customer connection is completed rather than when the assessment financing process is finalized.
- Increase in Net Position resulting from the cumulative effect of these prior-period accounting corrections.

As a result, the revised statements report a larger investment in the District's utility infrastructure which more accurately reflects the assets owned and maintained by the District. Changes in the timing of FFA revenue recognition are expected to provide a more comparable and comprehensive picture of tap in and capacity revenue year over year. The final audited financial statements may differ slightly from the schedules presented herein as the audit is completed; however, management does not currently anticipate any material changes to the adjustments reflected in these revised statements.

Table A-1
Hilton Head PSD
Budgetary Comparison Schedule - As Restated
Fiscal Year to Date as of June 30, 2026

	Fiscal Year 2026		FY 26 Actual to FY 26 Budget	
			Comparison	
	Actual	Budget	Dollars Favorable (Unfavorable)	%
Operating Revenues				
Water Service	\$ 9,109,511	\$ 9,162,500	\$ (52,989)	-0.6%
Sewer Service	7,562,775	7,501,000	61,775	0.8%
Tap In Fees - Water	255,904	220,800	35,104	15.9%
Connection Fees - Sewer	410,205	270,000	140,205	51.9%
Golf Course Irrigation	267,249	180,300	86,949	48.2%
Service Fees	24,237	20,100	4,137	20.6%
Other Operating Revenues	52,404	22,300	30,104	135.0%
Total Operating Revenues	17,682,285	17,377,000	305,285	1.8%
Departmental Expenses				
Payroll & Related	5,109,569	5,577,700	468,131	8.4%
Administrative Expenses	1,171,322	1,176,600	5,278	0.4%
Operations	3,734,985	3,613,500	(121,485)	-3.4%
Maintenance	1,493,045	1,665,900	172,855	10.4%
Purchased Water	1,734,145	1,852,700	118,555	6.4%
Water Tap In Expenses	-	165,000	165,000	100.0%
Sewer Connection Expenses	-	252,000	252,000	100.0%
Professional Fees	113,782	177,000	63,218	35.7%
Total Departmental Expenses	13,356,848	14,480,400	1,123,552	7.8%
Depreciation	5,958,838	5,550,000	(408,838)	-7.4%
Total Operating Expenses	19,315,686	20,030,400	714,714	3.6%
Operating income (loss)	(1,633,401)	(2,653,400)	1,019,999	38.4%
Noncapital Subsidies				
Property taxes-Operations Levy	1,491,612	1,361,000	130,612	9.6%
Total Noncapital Subsidies	1,491,612	1,361,000	130,612	9.6%
Other Nonoperating Revenues				
Property taxes-G.O. Debt Levy	2,373,975	2,177,000	196,975	9.0%
Rental Income	89,481	89,400	81	0.1%
Tower Lease Income	619,132	615,900	3,232	0.5%
Interest Income - Leases	34,507	34,500	7	0.0%
Interest Income	1,471,524	760,600	710,924	93.5%
Gain (Loss) of disposal of equipment	42,754	15,000	27,754	185.0%
Total Other Nonoperating Revenues	4,631,373	3,692,400	938,973	25.4%
Other Nonoperating Expenses				
Interest expense	995,234	993,000	(2,234)	-0.2%
Bond Issuance Costs	52,427	45,000	(7,427)	-16.5%
Total Other Nonoperating Expenses	1,047,661	1,038,000	(9,661)	-0.9%
Income Before Capital Contributions and Capital Subsidies	3,441,923	(2,653,400)	6,095,323	229.7%
Water Capacity Fees	280,440	114,000	166,440	146.0%
Sewer Capacity Fees	436,704	156,000	280,704	179.9%
Capital Grant Income	6,587,241	6,500,000	87,241	1.3%
Front-Foot Assessment Contributions	398,728	-	398,728	100.0%
Developer Contributions of Systems	332,834	-	332,834	0.0%
Total Capital Contributions and Capital Subsidies	8,035,947	6,770,000	1,265,947	18.7%
Change in Net Position	\$ 11,477,870	\$ 4,116,600	\$ 7,361,270	178.8%
Net position, July 1, 2025, as previously reported	\$ 67,333,504			
Adjustment For:				
Capitalization of water meters and LPS pumps, net of accumulated depreciation	2,365,969			
Timing of recognition of tap fees and capacity fees under the front foot assessment program	204,780			
Total correction of prior-period errors	2,570,749			
Net position, July 1, 2025, as restated	\$ 69,904,253			
Net position, June 30, 2026	\$ 81,382,123			

Table A-2
Hilton Head PSD
Statements of Net Position - As Restated

		<i>Restated</i>
	June 30	June 30
	2026	2025
Assets		
Current Assets		
Cash and Cash Equivalents Available for Operations	\$ 18,618,323	\$ 15,873,800
Cash and Cash Equivalents in Banks (Restricted)	11,871,568	19,208,123
Cash and Cash Equivalents Held by Beaufort County Treasurer (Restricted)	992,729	805,891
Accounts Receivable - Trade, net	2,084,373	1,813,834
Accounts Receivable - Grants	-	1,241,109
Accounts Receivable - Connection Grants	-	18,089
Accrued Interest Receivable	15,882	17,214
Lease Receivable, due within one year	455,889	484,041
Sewer and Capacity Assessments, due within one year	259,366	207,894
Inventory	693,045	582,825
Prepaid Expenses	432,302	418,651
Total current assets	35,423,477	40,671,471
Noncurrent Assets		
Property, Plant and Equipment		
Nondepreciable Assets	25,703,130	12,410,499
Depreciable Assets, net	62,438,643	62,119,159
Total Property, Plant and Equipment	88,141,773	74,529,658
Lease Receivable, due after one year	1,108,131	903,080
Sewer and Capacity Assessments, due after one year	2,413,378	1,957,644
Total Noncurrent Assets	91,663,282	77,390,382
Total Assets	127,086,759	118,061,853
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	1,111,321	833,094
Total Deferred Outflows of Resources	1,111,321	833,094
Total Assets and Deferred Outflows of Resources	\$ 128,198,080	\$ 118,894,947

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

	June 30	Restated June 30
	2026	2025
Liabilities		
Current Liabilities		
Payable from Unrestricted Assets:		
Accounts Payable-Trade	\$ 614,983	\$ 523,576
Accounts Payable-Construction	451,749	470,761
Customer Deposits	284,851	226,028
Unearned Revenue	17,440	17,341
Accrued Payroll & Other Liabilities	661,871	612,989
Total Current Liabilities Payable from Unrestricted Assets	2,030,894	1,850,695
Payable from Restricted Assets:		
Accounts Payable - Construction	2,353,000	1,898,704
Interest Payable	159,688	155,320
Notes Payable, due within one year	255,082	251,380
Bonds Payable, due within one year	3,567,464	3,436,822
Total Current Liabilities Payable from Restricted Assets	6,335,234	5,742,226
Total Current Liabilities	8,366,128	7,592,921
Noncurrent Liabilities		
Notes Payable, due after one year	3,699,896	3,954,978
Bonds Payable, due after one year	27,875,575	30,693,040
Net Pension Liability	4,690,533	4,771,034
Total Noncurrent Liabilities	36,266,004	39,419,052
Total Liabilities	44,632,132	47,011,973
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	392,839	381,199
Deferred Inflows Related to Lease Revenue	1,790,986	1,597,522
Total Deferred Inflows of Resources	2,183,825	1,978,721
Total Liabilities and Deferred Inflows of Resources	46,815,957	48,990,694
Net Position		
Net Investment in Capital Assets	61,213,846	52,411,877
Restricted for Debt Service & Grants	1,429,770	1,270,790
Unrestricted	18,738,507	16,221,586
Total Net Position	81,382,123	69,904,253
Total Liabilities, Deferred Inflows of Resources & Net Position	<u>\$ 128,198,080</u>	<u>\$ 118,894,947</u>



Change Order Request



(843) 681-5525
Hhpsd.com

To: All Commissioners
From: Pete Nardi, General Manager
Re: RO Plant Expansion and ASR-2 Change Orders

Dear Commissioners, staff is recommending approval of two change orders associated with our S.C. Infrastructure Investment Program (SCIIP) projects: **RO Water Treatment Plant Expansion Change Order No. 3**, and **ASR-2 Well Site Project Change Order No. 2**. Both change orders have been reviewed by the District's engineer of record and have been determined to be reasonable, necessary, and consistent with the contractual requirements of the projects.

RO Water Treatment Plant Expansion – Change Order No. 3

Change Order No. 3 for the RO WTP Expansion addresses a combination of unforeseen field conditions, startup and commissioning modifications, programming revisions, equipment-related changes, electrical improvements, and other project betterments identified during construction and commissioning. The contractor provided advance notice of the additional work, and the engineer reviewed each cost item in detail.

The negotiated value of Change Order No. 3 is **\$66,338.93**, representing approximately **1.24% of the overall contract value to date**. The engineer's review resulted in substantial reductions from the original requested costs, including contractor-absorbed costs and owner credits. Additionally, the engineer will provide the District a future credit related to the replacement of the specified backflow prevention assembly. Based on this review, the engineer concluded that the final negotiated amount is justified and reasonable under the terms of the contract.

ASR-2 Well Site Project – Change Order No. 2

During construction of the ASR-2 Well Site, unforeseen subsurface conditions required additional drilling and geophysical investigation activities to ensure proper well construction and long-term performance. Based on recommendations from the project hydrogeologist, additional drilling depths were necessary within the Upper Floridan Aquifer Monitoring Well, Middle Floridan Aquifer Monitoring Well, and the ASR-2 Production Well. Additional geophysical logging was also recommended to verify aquifer and confining unit boundaries and ensure accurate placement of open-hole intervals. **This change order is in no way related to the contractor's drilling errors and subsequent abandonment of its first attempt at the Middle Floridan Aquifer Monitoring Well.**

The engineer reports that these services were communicated in advance by the contractor, were necessary to address field conditions encountered during construction, and will contribute to the overall quality and reliability of

the completed facility. The engineer further determined that the change order pricing is justified and within reason under the contract requirements.

Staff Recommendation

Staff has reviewed the supporting documentation and agrees with the engineer's recommendations. Both change orders address construction conditions, maintain project functionality and performance, and support the successful completion of these critical long-term infrastructure projects. Payments will be funded with proceeds from the District's General Obligation debt issued for its SCIP projects. Staff recommends that the Commission authorize:

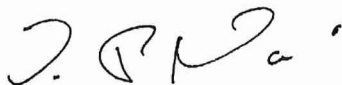
1. **ASR-2 Well Site Project Change Order No. 2;** and
2. **RO Water Treatment Plant Expansion Change Order No. 3.**

Recommended Motion:

Move to approve ASR-2 Well Site Change Order No. 2 and RO Water Treatment Plant Expansion Change Order No. 3 as presented by staff.

As always, please do not hesitate to contact me with any questions.

Best regards,



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



MEMO

To: Pete Nardi, General Manager, Hilton Head Public Service District
From: Ryan Morgan
cc: Bill Young, Amy Graybill, Bill Davis
Date: 09/05/2026
Re: RO WTP Change Order No. 03: Engineer Letter of Recommendation

Pete,

During construction at the RO WTP Expansion, there were unforeseen changes in the work that were necessary and items that were implemented as betterments to the project. The Contractor was forthcoming and communicated these additional services prior to them taking place and has submitted Change Order No.03 for these additional services. The Engineer has reviewed and provided the attached breakdown of each cost with a detailed description associated with each line item. The Engineer will credit the Owner in an upcoming invoice for the cost associated with Item 5, 2" reduced pressure zone backflow preventer (RPZ BFV) that replaces the specified double check backflow preventer assembly. The fees associated with Change Order No.03 cover the Contractor's bond and builders risk insurance. They also account for the Contractor's additional labor, material and equipment and to oversee their Subcontractors while they perform additional services. Based on the General Conditions of the Contract, the Engineer finds the Change Order No.03 to be justifiable and within reason.

Kindly,

Ryan Morgan, P.E.

*Coastal/Midlands SC Water & Wastewater
Project Manager*

O: 843.588.1114 | **M:** 321.626.6176

4105 Faber Pl Dr, Suite 410, North Charleston, SC 29405

rmorgan@wkdickson.com | www.wkdickson.com

RO WTP Expansion Change Order Summary									
Change Order #	Received Date	Executed/Not Executed Date	Payment Requested Amount						
1	5/3/2025	Yes	\$0.00						
2	12/1/2026	Yes	\$64,558.85						
3	6/30/2026	No	\$66,338.93						
TOTAL TO DATE:									
Percent of Contract			\$130,897.78						
			1.24%						
Line Item 1	CE #49	Final Change Order No. 03		Original Cost	Negotiated Cost Savings	Harper Absorbing	HHPSD Total Cost		
Line Item 2	CE #55	Electrical Changing Conditions - RO Feed and Chem Fee		\$ 44,026.04		\$ 2,000.00	\$ 42,026.04		
Line Item 3	CE #56	Veolia Scope Changes		\$ 17,480.00		\$ 7,360.00	\$ 10,120.00		
Line Item 4	CE #57	Veolia Realized Tariffs		\$ 15,278.72	\$ 12,157.67		\$ 3,121.05		
Line Item 5	CE #58	Clearwater LCP 1-4 and SH-P-2 additional programming		\$ 5,878.00		\$ 2,870.00	\$ 3,210.00		
Line Item 6	CE #59	2" RPZ BFP Replacement (Ardurra will credit HHPSD on future invoice)		\$ 1,105.76			\$ 1,105.76		
Line Item 7	CE #60	Eaton Generator Exercise Function addition		\$ 16,000.00	\$ 5,076.00	\$ 5,462.00	\$ 5,571.24		
Line Item 8	CE #63	Clearwater panel Auto Fill function HMI Modifications		\$ 3,103.00			\$ 3,103.00		
Line Item 9		Veolia Credit for PC Panel		\$ (8,158.08)			\$ (8,158.08)		
		Palmetto Invoice to relocate transformer		\$ 2,892.48		\$ 2,892.48			
		TOTAL		\$ 97,605.92	\$ (17,233.67)	\$ (17,692.00)	\$ 60,099.01		
		Description of each electrical additional service per Line Item 1				With Fees Included	\$ 66,338.93		
13		Add high pressure signal to T206 and incorporate onto SCADA system		\$ 5,121.00					
11		Based on collaboration between HHPSD, Veolia, Clearwater Ardurra and Harper, electrical modifications were implemented to LCP-1-4 and Clearwater panels.		\$ 7,226.00					
10		Due to existing transformer not meeting code, electrician had to make modifications to existing transformer pad and extend conduit and wiring		\$ 11,833.00					
9		In order for the plasmatic valve to function as intended, a TSP cable needed to be added per the manufacturer recommendations.		\$ 1,480.00					
8		Additional wiring to allow status for valves on existing trains be added to SCADA.		\$ 7,106.00					
7		Electrician moved existing switches for fans and lights outside day tank room		\$ 2,400.00					
6		Electrician removed HOA switches and plugged holes with SS plugs		\$ 542.00					
5		Electrician added CAT 6 cable from LCP-1-4 to MCP-100 for SCADA Integration		\$ 1,366.00					
4		Electrician replaced existing wiring to valves on Booster Pump 4		\$ 1,019.00					
3		Electrician replaced existing wiring to valves on Booster Pumps 1,2 & 3		\$ 3,109.00					
		Subcontractor bond		\$ 824.04					
		Total		\$ 42,026.04					

Harper General Contractors, Inc.
602 Front St
Summerville, South Carolina 29486
Phone: (864) 527-2500

Project: 24-509-Hilton Head RO Expansion
Project Manager: Joe Capriola
(815) 601-0722
joe.capriola@harpergc.com

**CHANGE NOTIFICATION #007: ELECTRICAL CHANGING CONDITIONS
- RO FEED AND CHEM FEED | VEOLIA SCOPE CREEP AND DELAYS |
VEOLIA REALIZED TARIFFS | CLEARWATER PANEL PROGRAMMING
| 2" RPZ BFP | LCP1-4 AND SH-P-2 REVISIONS | EATON HMI
MODIFICATIONS**

DATE: 8/03/2026

TO:

ATTENTION:

INITIATED BY: Joe Capriola

SCHEDULE IMPACT: 0 days

SOURCE:

DESCRIPTION:

CE #049 - Electrical Changing Conditions - RO Feed and Chem Feed

Attached are the cost impacts for out-of-scope electrical modifications that were required to be made to the RO feed and chemical feed during startup and commissioning.

CE #055 - Veolia Scope Creep and Delays

Please see attached for Veolia's labor breakout for impacts to the start-up and commissioning of the new RO skids, electrical and SCADA equipment.

CE #056 - Veolia Realized Tariffs

Please see attached for the final value of the realized tariffs for Veolia's RO equipment.

CE #057 - Clearwater Panel Programming

HMI modifications to FCP-SH-2 for auto fill function and additional set points.

CE #058 - 2" RPZ BFP

Removal of 2" BFP and install of new 2" RPZ BFP.

CE #059 - Eaton Generator Routine Programming

Programming and startup costs for Eaton to modify their HMI to allow generator routine function.

CE #060 - Clearwater - LCP-1-4 and SH-P-2 Revisions

Impacts from Clearwater programming and startup support due to LCP-1-4 and SH-P-2 revisions. Harper is proposing to absorb \$2,870.00 of the total cost.

CE #063 - Veolia Credit for PC Panel

Credit issued to HHPDS to procure a new PC Panel to update MCP-100 to the latest cybersecurity requirements.

ATTACHMENTS:

[Veolia PC Panel Credit.pdf](#), [Palmetto Invoice - Paid by Harper.pdf](#), [COR 014 Generator Exercise Program.pdf](#), [Clearwater Reprogramming and Field Tech for LCP-1-4.pdf](#), [2in RPZ BFP.png](#), [FCP-SH-2 HMI Modifications Request.pdf](#), [Veolia Claim Breakout - FINAL.pdf](#), [512610 - Hilton Head - Tariffs CO Request Letter#2.pdf](#), [COR 011 Rework LCP 1 4 and Clearwater Panel - Less 2000.pdf](#), [COR 013 T206 conduit path and Cable.pdf](#), [COR 010 New transformer pad and extended conduit and wire.pdf](#), [COR 009 Add TSP to Plastomatic Valve at bulk tank.pdf](#), [COR 008 On skids 1^J2^J3 ^0 4 add status to valves and replace power wiring spliced inside of conduit.pdf](#), [COR 007 Relocate switches for fan and light in daytank room.pdf](#), [COR 006 Remove](#)

[HOA switches in T106 ^0 T206 and plug holes with SS plugs.pdf](#), [COR 005 Add Cat 6 cable from LCP-1-4 to MCP-100.pdf](#), [COR 004 Replace wiring at booster pump valves 4.pdf](#), [COR 003 Replace wiring at booster pump valves 1^J2 ^0 3.pdf](#)

#	Cost Code	Description	Type	Amount	Labor Burden (63.62% Includes Cost Type (3))	Subcontractor Bond (2% of SUB) (2.00% Includes Cost Type (1))	Fuel & Oil (55% of EQT) (55.00% Includes Cost Type (2))	Misc Tools (5% of Labor) (5.00% Includes Cost Type (3))	Safety (3% of Labor) (3.00% Includes Cost Type (3))	Punchlist (3% of Labor) (3.00% Includes Cost Type (3))	Clean Up (2% of Labor) (2.00% Includes Cost Type (3))	Sales Tax (7% of MAT'L) (7.00% Includes Cost Type (3))	Subtotal
1	16-002 - Electrical		SUBCONTRACT	\$ 41,202.00	\$ 0.00	\$ 824.04	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$42,026.04
2	21-001 - RO Membrane Equip		OTHER	\$ 10,120.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$10,120.00
3	21-001 - RO Membrane Equip		OTHER	\$ 3,121.05	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$3,121.05
4	11-785 - Feed System-Chemical		MATERIAL	\$ 2,900.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 203.00	\$3,103.00
5	15-604 - PVC Pipe & Fittings	2" RPZ BFP - Material	MATERIAL	\$ 1,033.42	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 72.34	\$1,105.76
6	16-002 - Electrical	Eaton Programming	SUBCONTRACT	\$ 5,462.00	\$ 0.00	\$ 109.24	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$5,571.24
7	11-785 - Feed System-Chemical	LCP-1-4 and SH-P-2	MATERIAL	\$ 3,000.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 210.00	\$3,210.00
8	21-001 - RO Membrane Equip	PC Panel Credit	OTHER	(\$8,158.08)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	(\$8,158.08)
Subtotal:				\$ 58,680.39	\$ 0.00	\$ 933.28	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 485.34	\$60,099.01
Quotation Estimate (\$50/HR): 0.00% Includes Cost Type (11)													\$ 0.00
Submittal Preparation (\$50/HR): 0.00% Includes Cost Type (11)													\$ 0.00
Procurement (\$50/HR): 0.00% Includes Cost Type (11)													\$ 0.00
Field Coordination: 0.00% Includes Cost Type (11)													\$ 0.00
Direct Supervision (\$50/HR): 0.00% Includes Cost Type (11)													\$ 0.00
As-Built Documents (\$50/Sheet): 0.00% Includes Cost Type (11)													\$ 0.00
AGC Fee (.05% of Total): 0.05% Includes Cost Type (11)													\$ 30.05
Insurance (0.50% of Total): 0.50% Includes Cost Type (11)													\$ 300.65
Builders Risk Insurance (Coastal 0.5% or Non-Coastal 0.25%): 0.50% Includes Cost Type (11)													\$ 302.15
Licenses & Permits (1% of Total): 1.00% Includes Cost Type (11)													\$ 607.32
Harper Bond (1% of Total): 1.00% Includes Cost Type (11)													\$ 613.39
Fee (15% of L,M,E,OTH): 15.00% Includes Cost Type (10)													\$ 1,933.10
Fee (5% of SUB): 5.00% Includes Cost Type (1)													\$ 2,453.26
Grand Total:													\$66,338.93

Unless otherwise noted herein, pricing is based on the work occurring and being completed between the date of this Potential Change Order and contract substantial completion. Any variance to schedule would require an adjustment to this Potential Change Order in time and money to account for additional direct costs required to procure, install and/or manage this scope of work. Pricing is valid for 30 days from the date of this Potential Change Order.



MEMO

To: Pete Nardi, General Manager, Hilton Head Public Service District

From: Ryan Morgan

cc: Bill Young, Amy Graybill, Bill Davis

Date: 09/05/2026

Re: ASR-2 Well Site Change Order No. 02: Engineer Letter of Recommendation

Pete,

During construction at the ASR-2 Well Site, there were unforeseen subsurface circumstances where the Contractor implemented additional services for well drilling operations of the Upper Floridan Aquifer Monitoring Well, Middle Floridan Aquifer Monitoring Well and the Middle Floridan Aquifer ASR-2 Production Well.

For the Upper Floridan Aquifer Monitoring Well, it was at the hydrogeologist's recommendation to drill the 5.75-inch nominal hole an additional 16 feet based on review of the geophysical logs taken.

For the Middle Floridan Aquifer Monitoring Well, it was at the hydrogeologist's recommendation to drill the 12-inch nominal hole an additional 30 feet and drill the 5.75-inch nominal hole an additional 30 feet based on review of the geophysical logs taken.

For the Middle Floridan Aquifer ASR-2 Production Well, it was at the hydrogeologist's recommendation to drill the 20-inch open hole an additional 15 feet based on review of the geophysical logs taken.

Additionally, it is of the utmost importance to confirm aquifer and confining unit tops and bottoms. This ensures accurate placement of the open hole intervals within the MFA Aquifer. To achieve this, an additional 11 geophysical logs were recommended by the hydrogeologist to be certain of each well's integrity, which included electric log, a video log and a final caliper log after each borehole.

Attached is a spreadsheet depicting every geophysical log that was taken on each of the three wells throughout the drilling operations for reference.

As the Hydrogeologist is the Engineers' representative, we took no exception to these recommendations as it would provide a better-quality project overall for the Owner.

In all instances, the Contractor was forthcoming and communicated these additional services prior to them taking place and has submitted Change Order No.02 for these costs. Based on the general conditions of the contract, the Engineer finds the Change Order costs to be justifiable and within reason.

Logging Date	Email Date	Log Name	Number of Logs by Well
5/7/2025	5/7/2025	UFA MW Electric to 183.4'	1
5/15/2025	5/15/2025	UFA MW Electric to 222'	2
5/20/2025	5/21/2025	UFA MW Electric to 250'	3
5/21/2025	5/29/2025	UFA MW Video Log to 252'	4
5/21/2025	5/29/2025	UFA MW Caliper Log to 250'	5
2/18/2026	2/18/2026	MFA MW2 Electric Log to 205'	1
2/23/2026	2/23/2026	MFA MW2 Caliper Log to 210'	2
2/26/2026	2/28/2026	ASR2 Electric Log to 204'	1
3/4/2026	3/4/2026	MFA MW2 Electric Log to 519'	3
3/10/2026	3/10/2026	MFA MW2 Electric Log to 539'	4
3/11/2026	3/11/2026	MFA MW2 Caliper to 502'	5
3/30/2026	3/30/2026	ASR2 Caliper Log to 199'	2
3/31/2026	4/6/2026	MFA MW2 Electric Log to 604'	6
4/15/2026	4/16/2026	ASR2 Electric Log to 509'	3
6/25/2026	6/29/2026	ASR2 Electric Log to 603'	4
7/8/2026	7/16/2026	MFA MW2 Video Log to 603.75'	7
7/9/2026	7/16/2026	ASR2 Video Log to 599'	5
7/20/2026	7/21/2026	ASR2 Caliper Log to 597'	6

Kindly,

Ryan Morgan, P.E.

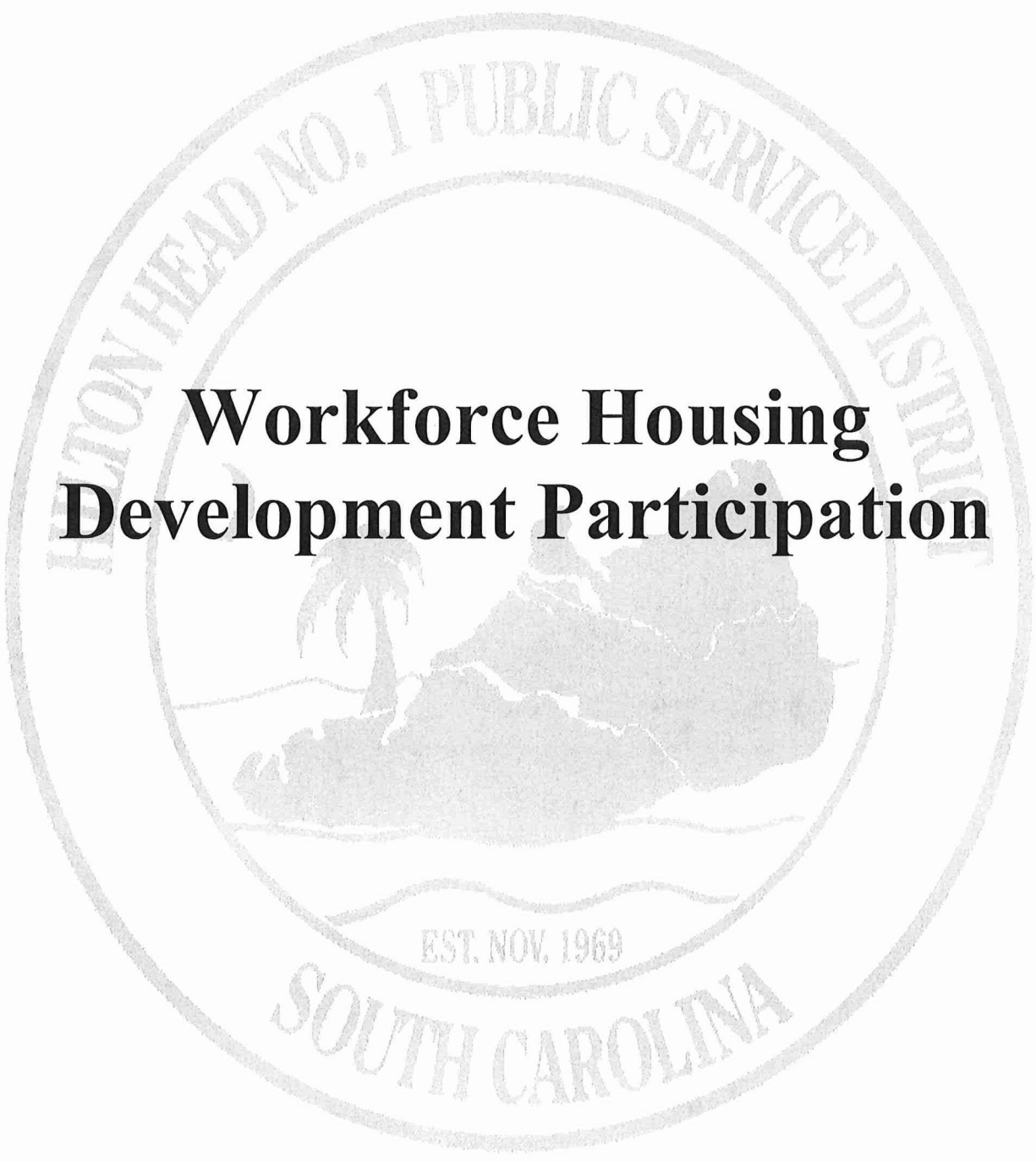
Coastal/Midlands SC Water & Wastewater

Project Manager

O: 843.588.1114 | M: 321.626.6176

4105 Faber Pl Dr, Suite 410, North Charleston, SC 29405

rmorgan@wkdickson.com | www.wkdickson.com



Workforce Housing Development Participation

September 2026

Hilton Head PSD Housing Assistance Programs

Summary of SAFE 2.0 and Large-Scale Workforce Housing Funding

Why Changes Are Needed

Project SAFE (Sewer Access for Everyone), a charitable fund of the Community Foundation of the Lowcountry, was launched in 1999 to provide the local match for a Community Development Block Grant project.

In subsequent years, SAFE succeeded in expanding sewer access for low-and moderate-income homeowners. About \$200,000 is currently available in SAFE funding. Many remaining customers who could connect but have not yet done so fall outside original eligibility but still face affordability barriers.

Sewer connection costs often range from \$13,000–\$18,000.

Why Changes Are Needed

The PSD has been in discussion with multiple community partners regarding the need for expanded sewer connection assistance including workforce housing.

Staff has developed some concepts they would like to share with the Commission. Staff would like to seek Commission input on these ideas and any other priorities or considerations the Commission may have before exploring further with these potential partners.

As the PSD is not a granting agency, any program that moves forward would be a program of a granting agency and not the PSD. These partners have been intaking applications for similar programs for many years and may have additional suggestions.

SAFE 2.0 Expanded Eligibility

Some PSD Staff Ideas:

- Households up to 200% AMI (see next slide)
- Income-based contribution structure
- Rental properties serving income-qualified tenants
- Continued water-fund assistance subject to funding availability
- Focus on eliminating remaining septic systems

SAFE 2.0 Funding Structure

Some PSD Staff Ideas:

Scale grants to applicants at 100 – 200% AMI with a focus on affordability

- ≤100% AMI: Full connection grant
- 101–150% AMI: Customer contribution required based on 3% of 125% AMI (typically \$3,000–\$5,000 based on household size)
- 151–200% AMI: Customer contribution based on 6% of 175% AMI (typically \$8,300–\$13,800 based on household size)
- Remaining eligible costs covered by assistance

SAFE 2.0 Rental Requirements

Some PSD Staff Ideas:

- Generally limited to non-commercial owners with 5 units or fewer
- Applicants must meet AMI thresholds and are subject to the same contribution requirements as owner occupied applicants.
- Rent affordability protected
- Rental commitment required
- Supports workforce housing while preserving affordability

New Dedicated Large-Scale Workforce Housing Program

- Target: Multi-unit developments generally greater than 5 units
- Eligible projects must be 100% income restricted.
- Appropriate AMI rent cap requirements.
- Affordability period: minimum 20 years

Large-Scale Program Funding Model

- No PSD fee waivers
- Assistance provided through a third-party grant program
- Up to \$1,000 per unit
- Annual cap of \$100,000
- First-come, first-served basis
- Funded from non-operating revenues (tower leases, interest income)

How the Programs Work Together

Creates clear, non-overlapping assistance pathways and focuses funding where it is most effective.

Program	Target	Project Type
SAFE 2.0	Individual households	Owner-occupied & small-scale rentals
Workforce Housing Program	Multi-unit developments	Developer-driven rental housing

Key Benefits & Staff Recommendation

Benefits:

- Consistent policy framework
- Supports affordable and workforce housing
- Improves sewer connection rates
- Advances public health and water quality goals
- Takes pressure off FFA program and paves the way for elimination of this administratively burdensome process

Recommendation:

- Seek input and sponsorship of third-party program partners

GM Monthly Report





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

September 16, 2026

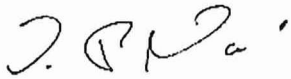
Dear Commissioners, please see below the following updates:

- We are experiencing current demand of approximately 7 million gallons a day (mgd). Recent rainfall continues to shave peak demand.
- S.C. Infrastructure Investment Program (SCIIP) Projects Update:
 - **PSD awarded additional \$2 million in SCIIP grant funding.** The PSD has been awarded an additional \$2 million in SCIIP funding from the S.C. Rural Infrastructure Authority (RIA), **bringing our total SCIIP grant to \$12 million.** The RIA contacted the PSD and informed us that due to unspent SCIIP awards from other projects around the state becoming available, the status of our SCIIP projects, and our relative utility size, the state decided to award the additional funding to the PSD. The funds will reimburse the PSD's prior SCIIP projects' expenditures.
 - **RO Plant Expansion:**
 - Project is substantially complete.
 - A final change order for the project is on the September Commission meeting agenda. The project will conclude well below average change order impact for construction in the 8-14% range.
 - **RO Well #4:**
 - Site work for permanent equipment installation has begun and is expected to conclude by December.
 - The well is expected to begin supplying water in the first quarter of 2027, pending delivery of the electrical equipment for the submersible pump.
 - **ASR Well #2:**
 - Well construction is complete.
 - A geologging change order is on the September Commission agenda.
 - Site work is on track to start this fall.
 - Current ASR #2 Finish Date: December 2027.
- **U.S. 278 Corridor Project:**
 - On Sept. 22, we will meet with SCDOT officials to discuss protecting our drinking water pipeline during construction and demolition and our position that its relocation is eligible for funding under Act 36.
 - We have corresponded to the Beaufort County Legislative Delegation, Beaufort County Council, and Town Council, regarding our concerns and our reliance on funding provided via joint resolution of the two councils in 2025.

- **PSD tagline ideas:**
 - At the August 2026 board meeting, the board discussed creating a new tagline for the PSD that includes the word “water.” Attached are several taglines suggested by the board and by our marketing consultants at Bragg Media. We look forward to Commission discussion of these ideas.
- **Annual free chlorine + line flushing program**
 - The annual free chlorine and line flushing program will be Oct. 16 – Nov. 13, in conjunction with Beaufort-Jasper Water & Sewer Authority and Broad Creek PSD. This year, an extra week is being added in order to help BJWSA achieve free chlorine throughout its system.
- **Letter of Consent request**
 - Please see attached draft Letter of Consent to allow Clearview Homes to seek an encroachment permit from Santee Cooper for a roadway over the powerline easement on the PSD’s parcel that contains our Wild Horse Elevated Storage Tower. The roadway would serve a proposed development, “Wrights Place” that is planning to have some workforce housing in order to achieve density bonus. Also attached is a letter from the Town describing the development project as it presently stands proposed, as well as exhibits showing the proposed roadway location and the PSD’s parcel. The letter does not convey an easement to the developer; it is necessary for the developer to provide to Santee in order to have their encroachment request considered by the power utility. We look forward to discussing this with the Commission.

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

All my best,



Pete Nardi
General Manager
Hilton Head PSD

Harry M. Lightsey III
Chairman



Bonnie Ammons
Executive Director

South Carolina
Rural Infrastructure Authority

September 2, 2026

The Honorable Frank Turano
Chairman
Hilton Head Public Service District
Post Office Box 21264
Hilton Head Island, South Carolina 29925

Re: SCIIP Grant #A-23-C095 - Reverse Osmosis Water Treatment, Aquifer Storage and Recovery: Grant Award Increase

Dear Chairman Turano:

On behalf of the South Carolina Rural Infrastructure Authority, I am pleased to inform you that a grant award increase of \$2,000,000 has been approved for use on the above-referenced South Carolina Infrastructure Investment Program (SCIIP) project. This will bring the total award amount to \$12,000,000.

The agreement necessary to accept the grant award increase has been mailed to your chief administrative official.

Please note that all SCIIP program requirements, including expenditure deadlines, apply to the increased grant award.

If you have any questions or need assistance, please do not hesitate to contact your RIA Grant Manager, Cothea Scott, at 803-605-2184 or cscott@ria.sc.gov.

Sincerely,

A handwritten signature in cursive script, reading "Bonnie Ammons".

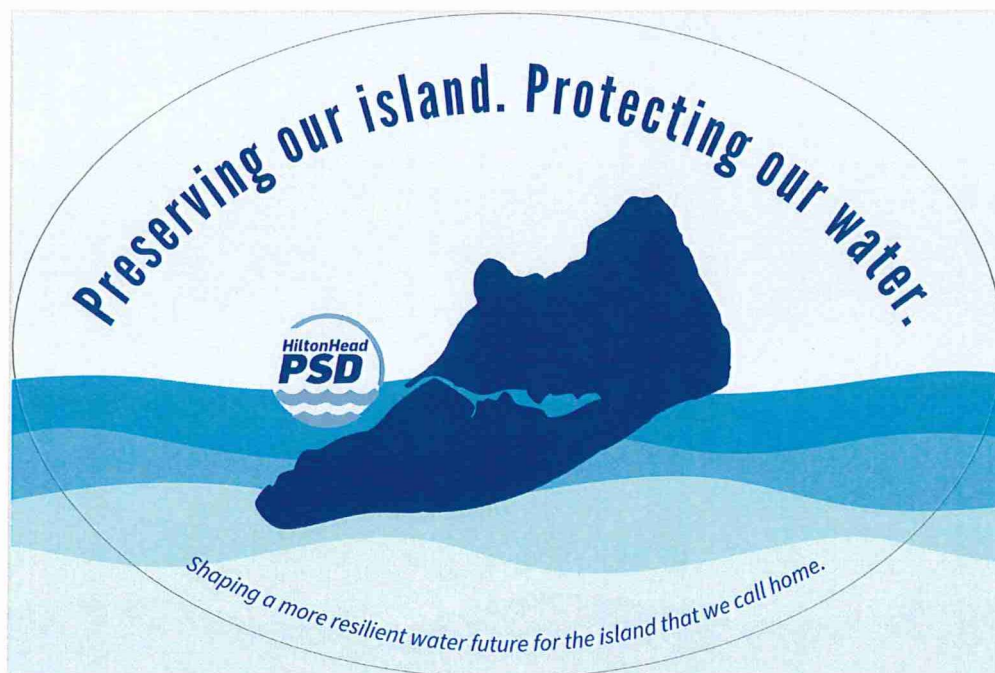
Bonnie Ammons

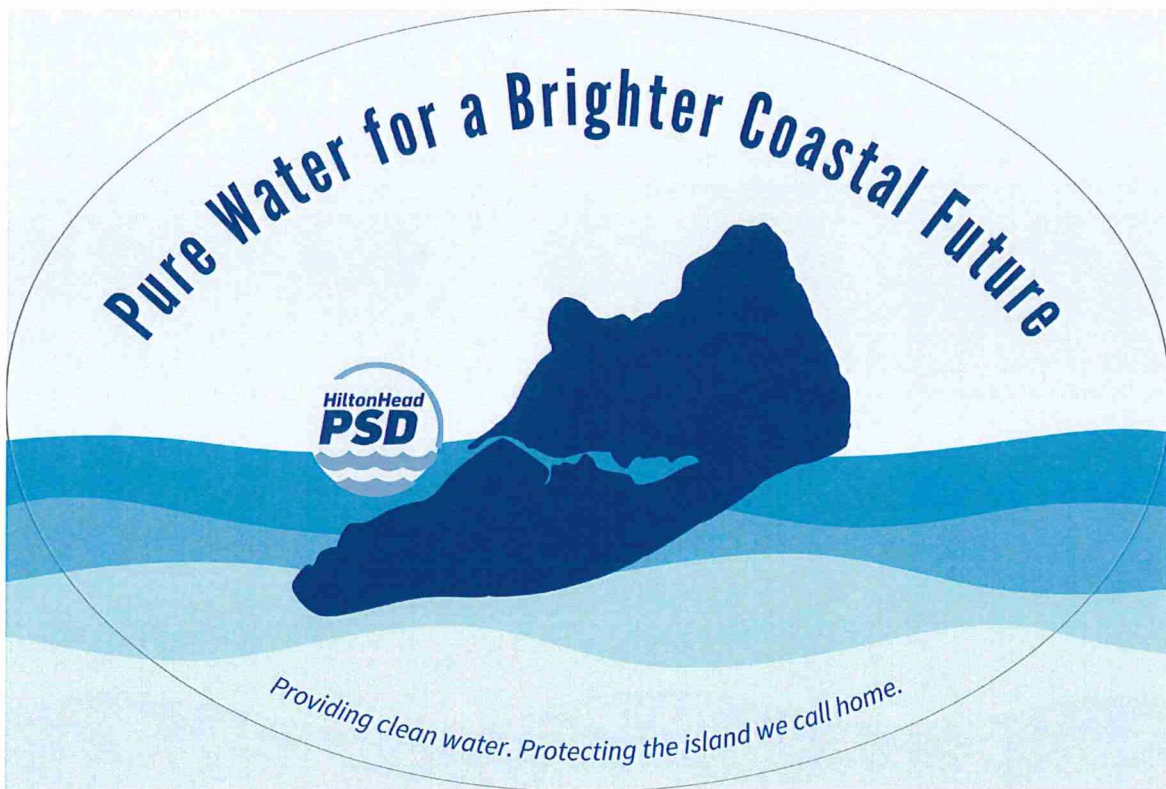
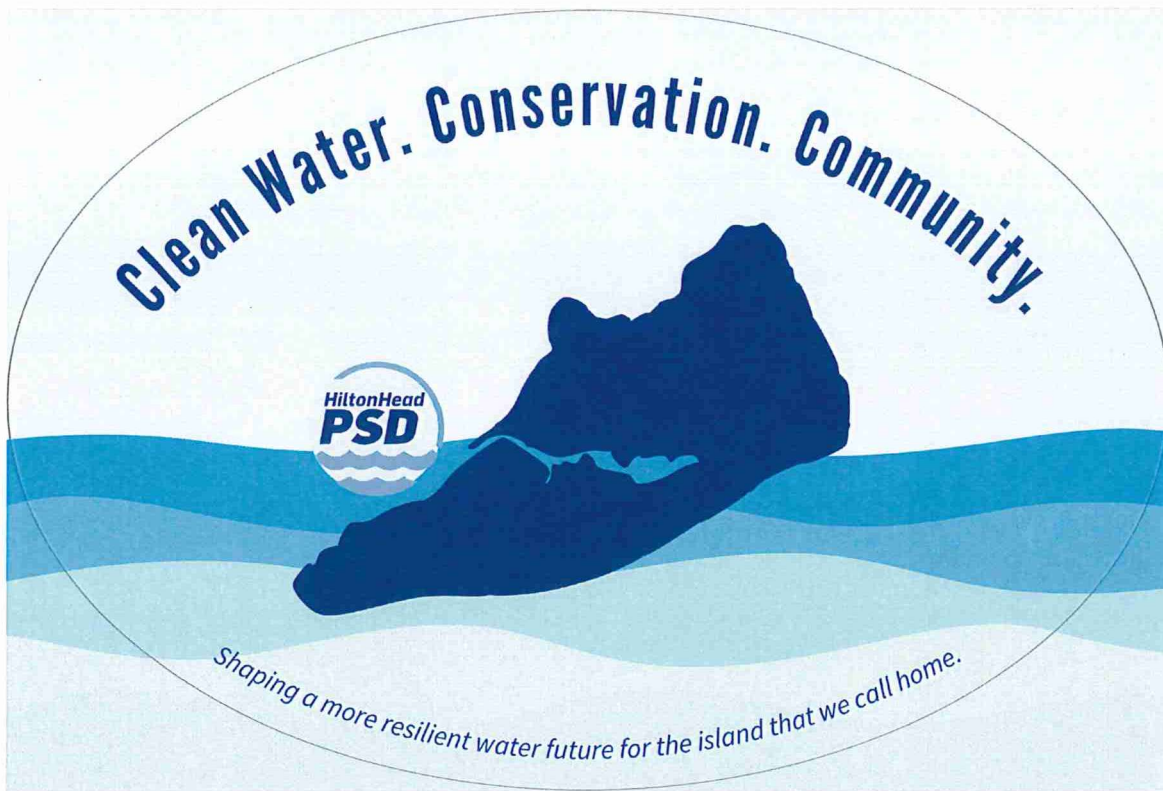
cc: Mr. Pete Nardi

Hilton Head PSD Tagline Options

The idea: Create a tagline that customers would want to put on reusable water bottles, Stanleys, etc. Should show "island pride" and what the PSD stands for.

Tagline options:

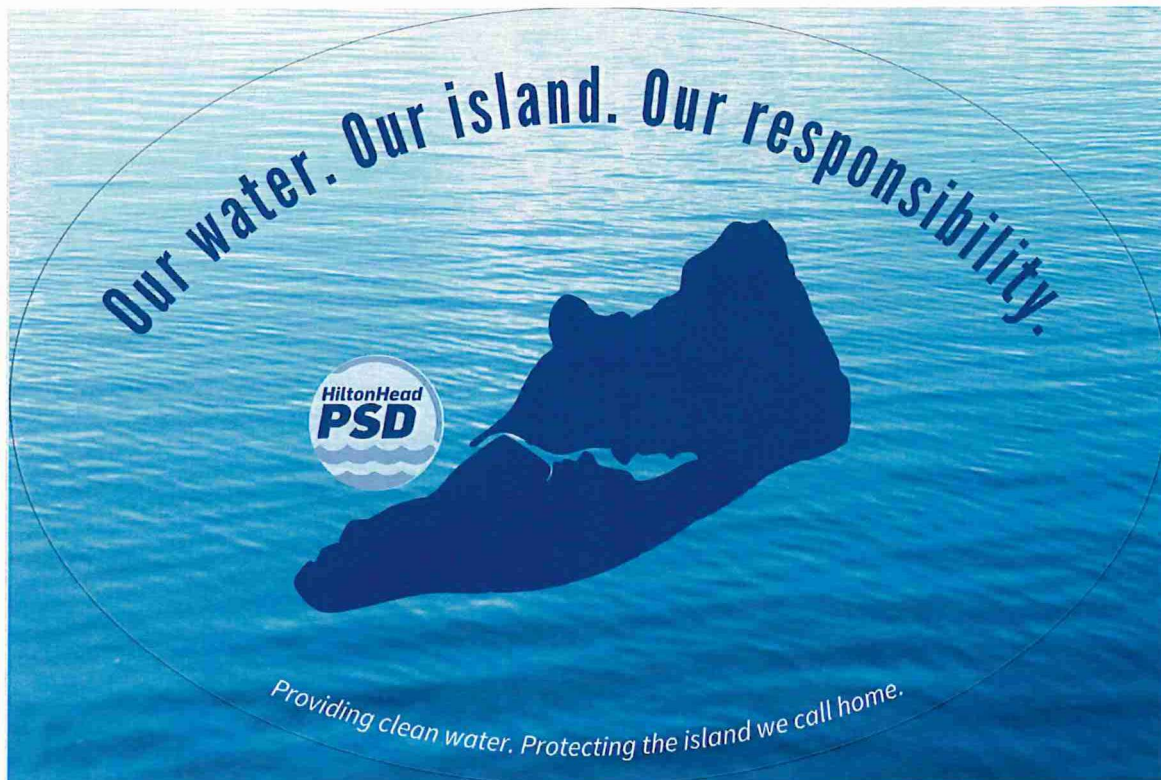


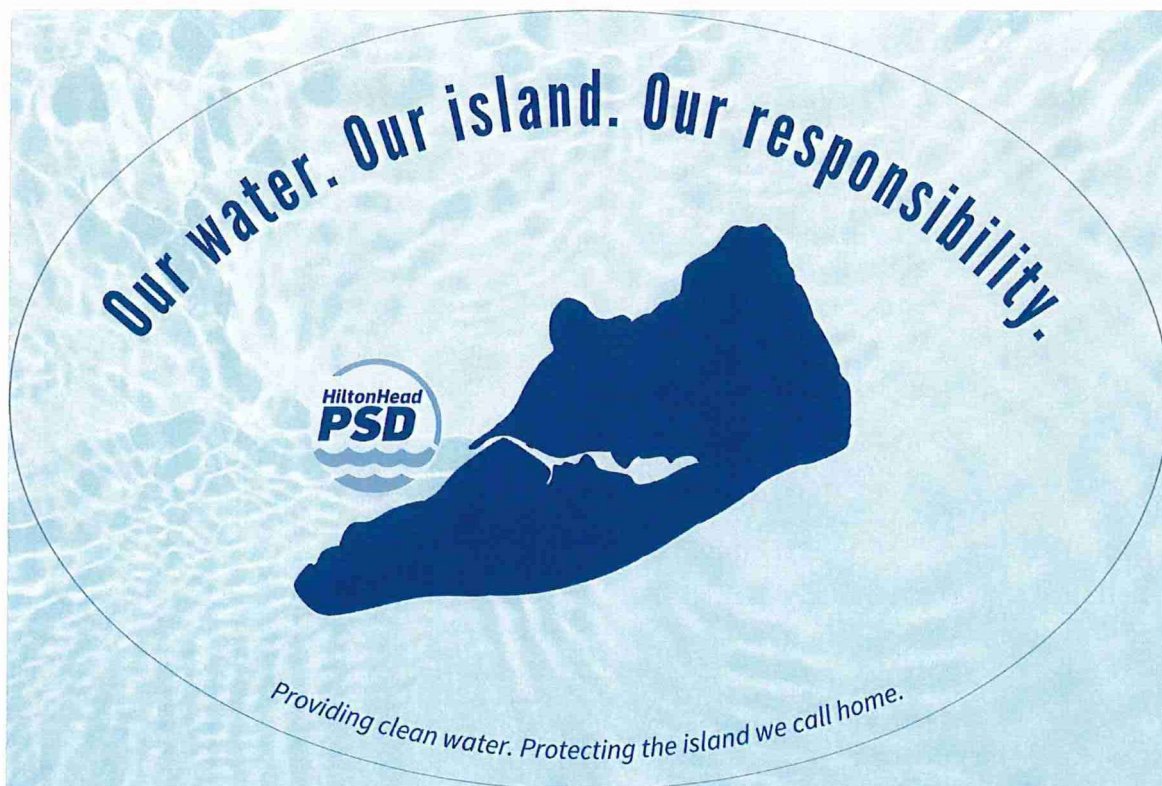


General shape of the sticker/sticker example:



Other design/background options:





COMMISSIONERS

Frank Turano, Chair
Jerry Cutrer, Vice-Chair
Stuart Bell, Treasurer
Patti Soltys, Secretary
Andy Paterno
Ibrahim Abdul-Malik
Michael Marks

**EXECUTIVE STAFF**

J. Pete Nardi, General Manager
Amy Graybill, Finance Manager
William C. Davis, Operations Manager

HILTON HEAD PUBLIC SERVICE DISTRICT

September 23, 2026

Re: Santee Cooper Encroachment Requests "Letter of Consent" for Review Purposes ONLY for R510 007 000
0468 0000, Legal Address Por Cotton Hope Plantation PB78 PG194, PB101 P131 11/04 0.01 AC Bike Path Esmt
DB

To Whom it May Concern:

This letter is to serve as a "Letter of Consent" for the applicant, Clearview Homes LLC/ Davis & Floyd Engineers, to submit an encroachment request application to Santee Cooper for a future 50' access easement to traverse the above-referenced parcel owned by HHPSD. This Letter of Consent is provided solely for the purpose of Santee's Encroachment Requests application requirements and does not constitute or create any grant, approval, commitment or guarantee by HHPSD to the applicant regarding any easement or right of access pertaining to any property or easement right owned or held by HHPSD.

Best regards,

Pete Nardi
General Manager
Hilton Head PSD
(843) 681-0525
pnardi@hhpsd.com

TOWN OF HILTON HEAD ISLAND

One Town Center Court, Hilton Head Island, S.C. 29928
(843) 341-4600 Fax (843) 842-7728
www.hiltonheadislandsc.gov

Alan R. Perry
Mayor

Via Email

Alexander Brown, Jr.
Mayor Pro Tempore

Council Members

Patsy Brison
Steve DeSimone
Tamara Becker
Steve Alfred
Melinda Tunner

Marc Orlando
Town Manager

Date: September 10, 2026
To: Richard Schwartz, Manager
Clearview Homes LLC
9 Loomis Ferry Road
Hilton Head Island, SC 29928
From: Trey Lowe
Interim Planning Director and LMO Official
CC: Shawn Leininger, AICP
Deputy Town Manager

RE: Wrights Landing – Proposed Workforce Housing Neighborhood

Dear Mr. Schwartz:

The purpose of this letter is to confirm under the current Land Management Ordinance of the Town of Hilton Head Island (“LMO”) the zoning status, workforce-housing eligibility, and pre-application status for the real property known as Wrights Landing, located on parcels with Beaufort County Tax ID Numbers R510 007 000 0033 0000, R511 007 000 0056 0000, and R511 007 000 0062 0000; collectively hereinafter the “Property”. The Property is currently zoned RM-4 and eligible for participation in the Town’s Workforce Housing Program as defined in LMO Section 16-4-105.

Zoning & Workforce Housing Eligibility

1. Zoning District - RM-4 (Low to Moderate Density Residential).
2. Eligible for Workforce Housing Incentive Program (LMO Sec. 16-4-105).
3. Density is calculated based on 8 units/acre. From the information provided to the Town this results in up to 159 units on the Property (8 units/acre on 19.89 net acres).
4. Workforce Housing Density - Up to 238 units (with 50% density bonus) provided there are a minimum of 79 workforce housing units (25% of total units).
5. Rental Workforce Housing Units - Eligible household income between 60% and 80% of Area Median Income (AMI) and must meet employment requirements working within the town of Hilton Head Island.

Proposed Development Summary

1. According to a conceptual plan that was provided to the Town the Property’s Total Acreage consists of 28.30 acres (19.89 acres upland; 8.41 acres wetlands).

2. Proposed Units - 237 multifamily units.
3. Workforce Housing Units - 59 units.
4. Building Types – Mix of 3-story multifamily buildings and 2-story townhome buildings with a maximum height of 35 feet.
5. Impervious Coverage Limit - 35%.

Pre-Application Status

A pre-application meeting has been completed, and Town staff issued comments in June 2024. These items, including the provision of utilities and access, must be addressed in the Development Plan Review submission.

Pending Development Plan Review

The project is pending submittal of a Major Development Plan Review application, which must demonstrate compliance with the LMO, provision of sufficient access and utilities, and adherence to Workforce Housing Program requirements. The project is also pending submittal of a Major Corridor Review application and the Workforce Housing Program application.

Summary

The Wrights Landing parcels are confirmed as RM-4 zoning and are eligible for Town Workforce Housing Program incentives upon approval of requisite applications demonstrating compliance with applicable regulations and program requirements. As currently proposed, the project will add 57 workforce housing units serving eligible residents working on Hilton Head Island.

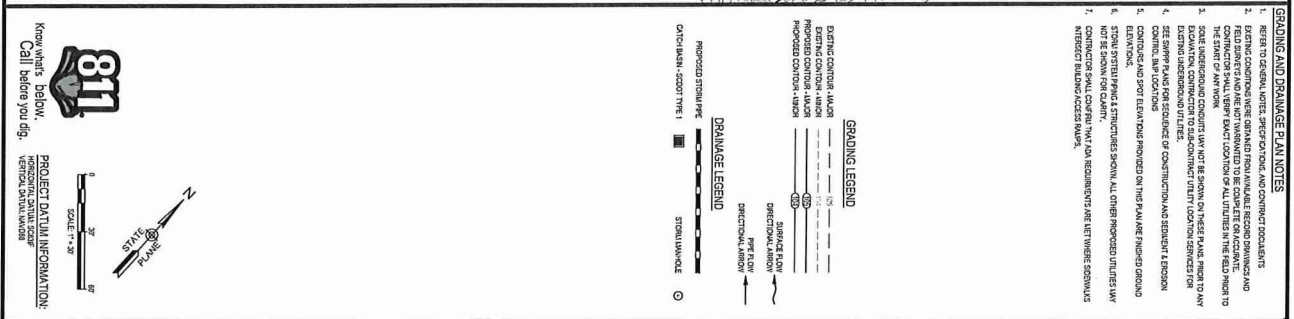
This letter should not be received or interpreted as an approval of any portion of the desired project nor is it creating any vested rights in development. The numbers, measurements, and calculations contained in this letter are subject to change based on the receipt of surveys and plans by the Town. All plans will need to be reviewed and receive approval from the applicable authority. The intention and sole purpose of this letter is to confirm that the current LMO, as of the date of this letter, does allow for those uses on the Property as discussed herein. Submittal of all the required plans and documentations is necessary to receive the approvals for development.

If you have any questions regarding this proposed development or the Town Workforce Housing Program, please contact me at (843) 341-4690 or trey1@hiltonheadislandsc.gov.

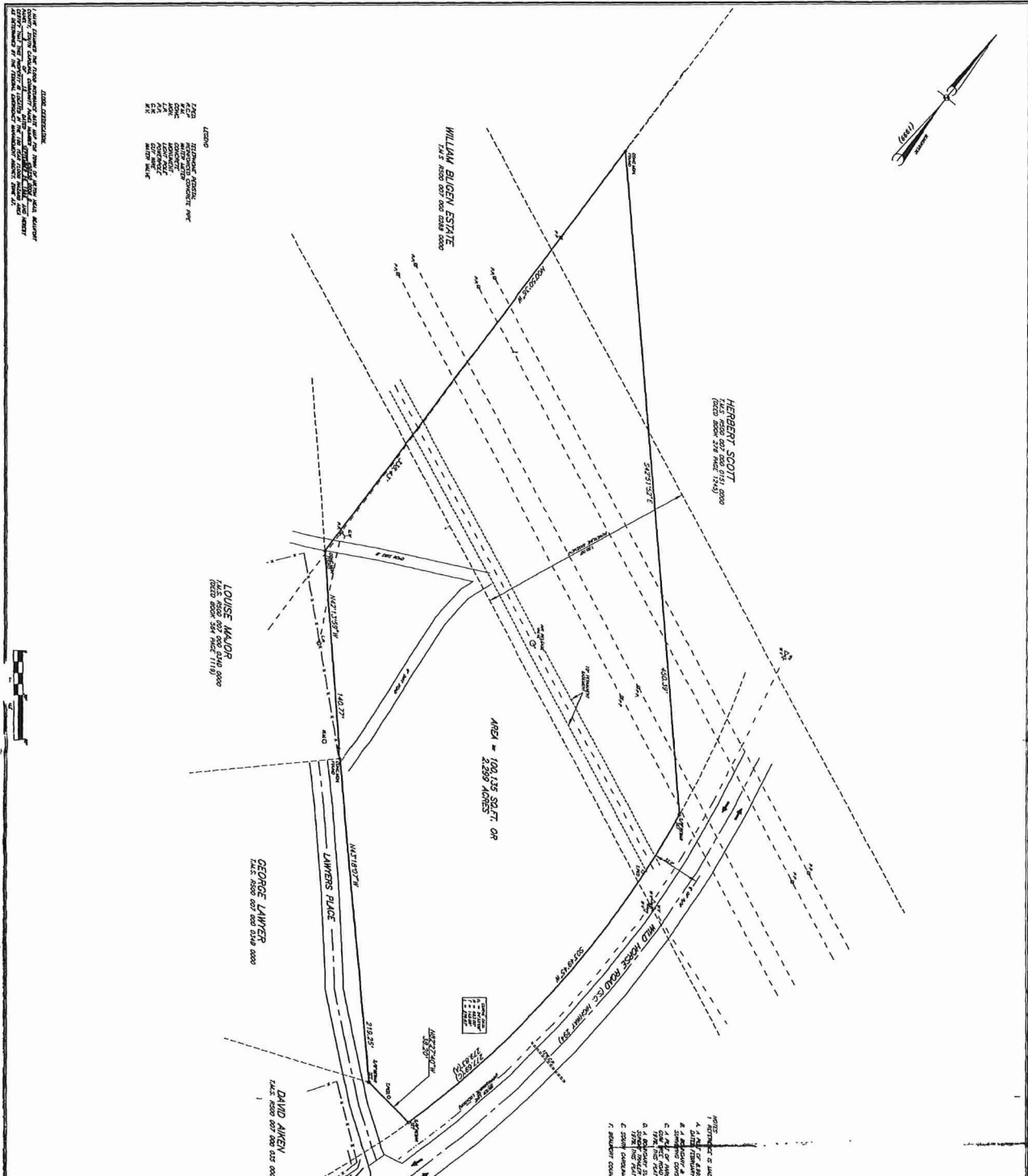
Sincerely,



Trey Lowe
Interim Planning Director and LMO Official

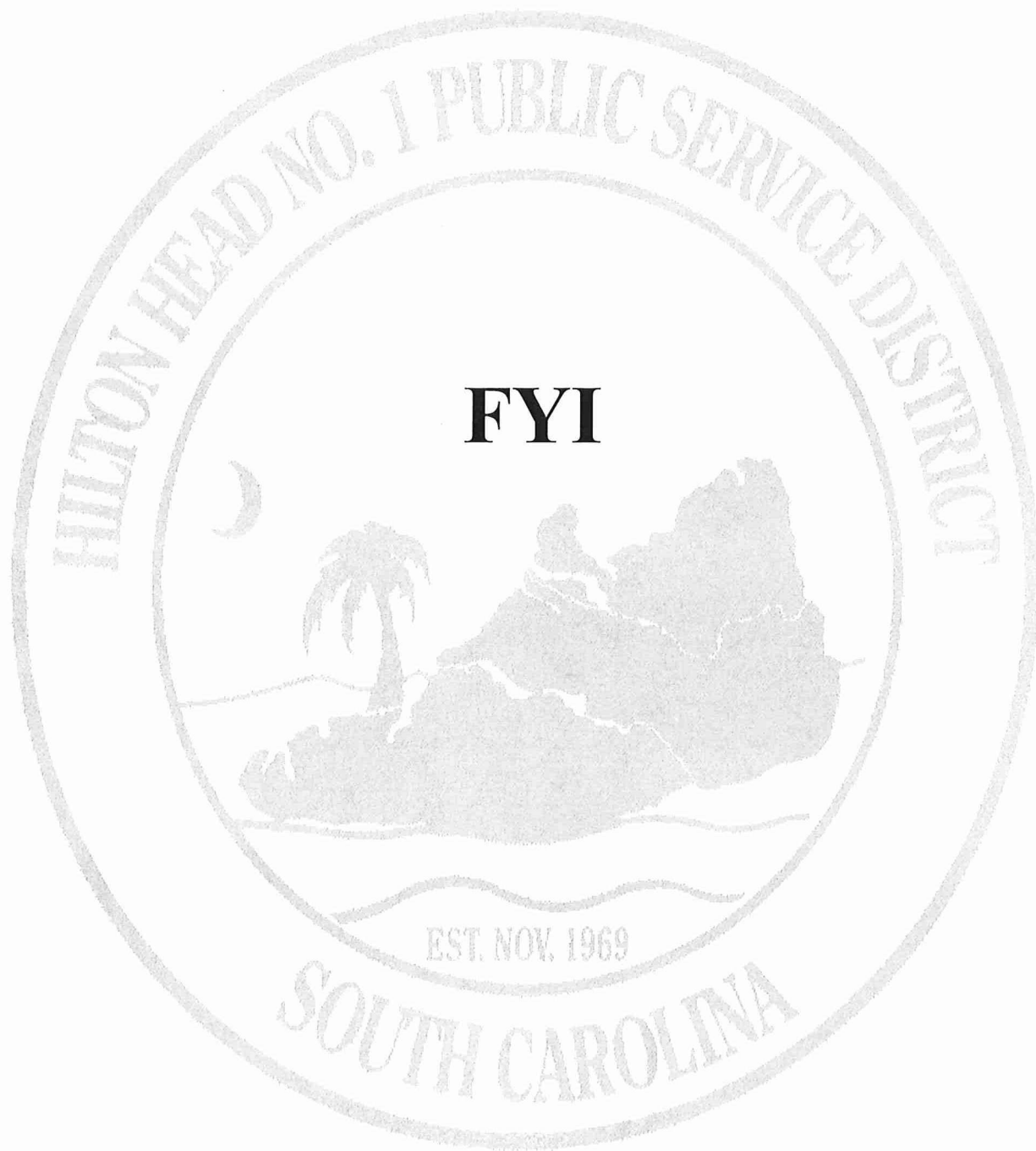


C300	PLAN NO.	113-00	SHEET NO.	1	GRADING PLAN	RICHARD SCHWARTZ HILTON HEAD ISLAND, SOUTH CAROLINA MUSTANG LANE SUBDIVISION	DAVIS & FLOYD PLAN DESIGN ENGINEER 2712 BULL STREET - SUITE A BEAUFORT, SC 29902 (843) 373-2222		
	DATE	05/06/2024							
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THIS SURVEY WAS PREPARED FOR THE HILTON HEAD PUBLIC SERVICE DISTRICT NO. 1 BY THE HILTON HEAD PUBLIC SERVICE DISTRICT NO. 1 ENGINEER. THE ENGINEER HAS REVIEWED THE SURVEY AND HAS FOUND IT TO BE ACCURATE AND CORRECT. THE ENGINEER HAS ALSO REVIEWED THE SURVEY AND HAS FOUND IT TO BE ACCURATE AND CORRECT. THE ENGINEER HAS ALSO REVIEWED THE SURVEY AND HAS FOUND IT TO BE ACCURATE AND CORRECT.

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FYI



Date: August 27, 2026

The Honorable Alice Howard
Chair, Beaufort County Council
100 Ribaut Road
Beaufort, SC 29902

The Honorable Alan Perry
Mayor, Town of Hilton Head Island
One Town Center Court
Hilton Head Island, SC 29928

Re: U.S. 278 Eastbound Bridges Replacement Project, PSD Utility Relocations, Act 36 Funding, and Local Funding Commitments

Dear Chair Howard and Mayor Perry:

On behalf of the Boards of Commissioners of Hilton Head Public Service District and Broad Creek Public Service District, we are writing regarding the relocation of critical drinking water and wastewater infrastructure associated with the South Carolina Department of Transportation's U.S. 278 Eastbound Bridges Replacement Project.

First, we wish to thank both Beaufort County Council and Hilton Head Island Town Council for their leadership in advancing a viable and affordable transportation solution for the U.S. 278 corridor. In particular, we appreciate the adoption of the 2025 Joint Resolution redefining the project scope and the recognition within that resolution of the need to address the relocation of the PSDs' jointly owned 24-inch drinking water transmission pipeline. The Joint Resolution specifically identified \$6.5 million in local funding for PSD relocations and recognized that utility relocation costs would be funded pursuant to S.C. Act 36, the Utility Relocation Act.

As you know, Hilton Head PSD and Broad Creek PSD jointly own the primary transmission pipeline that delivers drinking water from the mainland to Hilton Head Island. This pipeline is critical to life safety and public health on the island. It is a critical component of the island's potable water system and serves residents, businesses, visitors, healthcare facilities, schools, public safety facilities, the Hilton Head Island Airport, and other essential community functions.

The PSDs have provided SCDOT with engineering designs and cost estimates for the relocation of this jointly owned transmission main, as well additional Hilton Head PSD-owned water and wastewater facilities impacted by the bridge project. According to our current engineering estimates, the total cost of all required relocations is approximately \$18.1 million, including approximately \$14.9 million associated with the jointly owned water transmission pipeline.

Our engineering analysis concludes that **relocation of the transmission pipeline beneath Mackay Creek is necessary because continued reliance upon the existing pipeline location during bridge construction and demolition activities creates significant and unacceptable risk to the drinking water supply serving Hilton Head Island.** Accordingly, the PSDs have proposed installation of a new bored pipeline crossing beneath Mackay Creek as part of the utility relocation effort.

At a meeting with SCDOT, and attended by the Beaufort County Engineer, on July 28, 2026, SCDOT expressed its view that the existing pipeline may remain in place and that construction of a new bored crossing beneath Mackay Creek therefore constitutes a "betterment" not eligible for reimbursement under the S.C. Utility Relocation Act (Act 36). The PSDs respectfully disagree with that interpretation. The proposed relocation is not intended to improve service levels, expand capacity, or provide redundancy beyond existing system requirements. Rather, it is a prudent and necessary measure to protect a critical public utility from risks directly attributable to the transportation project itself.

The S.C. Utility Relocation Act was enacted to ensure that public utility providers are not unfairly burdened with the costs of relocating facilities made necessary by transportation projects. The PSDs believe that the relocation of the facilities affected by the U.S. 278 bridge project falls squarely within both the letter and spirit of Act 36 and should be eligible for reimbursement accordingly. Based upon our understanding of the Act, reimbursement rates of approximately 4.5% for the jointly owned facilities and 4.0% for Hilton Head PSD-owned facilities are applicable to this project.

The PSDs proceeded with engineering and design efforts in reliance upon the commitments embodied in the Joint Resolution adopted by Beaufort County Council and Hilton Head Island Town Council on February 24, 2025. In that Joint Resolution, the County and Town expressly provided:

"The Project will fund the replacement of the 24" waterline up to the limits defined in State Act 36, plus the allocated \$6.5 million in Local Funds. Costs for the waterline relocation not covered by the combination of State Act 36 and Local Funds will be funded using Reserve Funds as the top priority."

The PSDs understand this language to represent a clear commitment by the County and Town that: (1) utility relocation costs associated with the 24-inch transmission main would be reimbursed to the fullest extent available under Act 36; (2) the allocated \$6.5 million in local funding would remain available for the project; and (3) any remaining costs not covered through Act 36 and the allocated local funding would be addressed through Reserve Funds as the top priority identified in the adopted resolution. The PSDs have relied upon that commitment while advancing engineering, design, and coordination efforts necessary to support the U.S. 278 Eastbound Bridges Replacement Project.

Accordingly, we respectfully request that Beaufort County and the Town of Hilton Head Island:

1. **Reaffirm the commitments contained in the Joint Resolution adopted on February 24, 2025, including that (a) the Project will fund replacement of the 24-inch waterline up to the limits defined in State Act 36, (b) the allocated \$6.5 million in local funding remains available for PSD utility relocations, and (c) costs not covered by the combination of Act 36 and local funding will be funded using Reserve Funds as the top priority.**
2. Confirm that the County and Town continue to support application of Act 36 funding to the full extent permitted by law for utility relocation costs associated with the bridge project.
3. Advocate jointly with the PSDs before SCDOT and other state decision-makers for a determination that the Mackay Creek pipeline relocation is a necessary project-related relocation rather than a discretionary betterment.
4. Work collaboratively with the PSDs to ensure that no interruption or degradation of drinking water service results from the construction of this critical transportation project.

The PSDs remain committed to working constructively with Beaufort County, the Town of Hilton Head Island, the Beaufort County Legislative Delegation, SCDOT, and our state partners to achieve both objectives that all parties share: replacement of aging transportation infrastructure and protection of the island's essential drinking water system.

We appreciate your continued partnership and would welcome any opportunity to brief both governing bodies on the relocation design, associated risks, and funding issues at an upcoming meeting.

Respectfully,



Frank Turano

Chairman

Hilton Head Public Service District Board of Commissioners



Tom Hopkins

Chairman

Broad Creek Public Service District Board of Commissioners

cc: Beaufort County Council Members

cc: Hilton Head Island Town Council Members

cc: Beaufort County Legislative Delegation Members

cc: Michael Moore, County Administrator

cc: Marc Orlando, Town Manager

cc: Hilton Head Public Service District Board of Commissioners

cc: Broad Creek Public Service District Board of Commissioners



TO: Public Water Systems
FROM: Hope Mizzell, Ph.D., S.C. State Climatologist, SCDNR
DATE: September 14, 2026
SUBJECT: S.C. Drought Response Committee Drought Declaration Status

Memorandum

The S.C. Drought Response Committee met via conference call on September 8, 2026. (See attached press release from Drought Response Committee meeting). There were 9 counties downgraded and 3 upgraded in drought status.

Seven counties were downgraded to **incipient** drought: Cherokee, Darlington, Dillon, Greenville, Marlboro, Spartanburg, and Union.

Two counties were downgraded to **moderate** drought status: Charleston and Florence.

Three counties were upgraded to **moderate** drought status: Abbeville, Anderson, and McCormick

There was no change in drought status for all other counties.

Over the past month, several counties saw improvements in ongoing dry conditions, while others continued to experience higher levels of drought. Summer rainfall provided much-needed relief in some areas; it was unevenly distributed across the state. Despite the rainfall, above-normal temperatures throughout the summer meant most counties saw limited recovery from long-term drought impacts.

The S.C. Department of Natural Resources (SCDNR) and the S.C. Drought Response Committee urge all water systems to review, update, and activate their Drought Ordinance and Plan as needed. Please send any ordinance or plan updates to drought@dnr.sc.gov. The SCDNR must review and approve all ordinance and plan updates.

The SCDNR collaborated with the SC Rural Water Association (SCRWA), and several water systems around the State, to develop a Drought Planning Guidebook that shares best practices and resources to help water systems update their plans and ordinances. You can access the guidebook at http://scdrought.com/pdf/Drought_Planning_Guidebook.pdf.

Please contact the S.C. Department of Environmental Services (SCDES) and the SCDNR if you activate your Drought Plan.

Contacts:

Joe Koon, Director of the Water Resources, SCDES, joseph.koon@des.sc.gov, 803-898-4210

Hope Mizzell, S.C. State Climatologist, SCDNR, drought@dnr.sc.gov, 803-734-9568

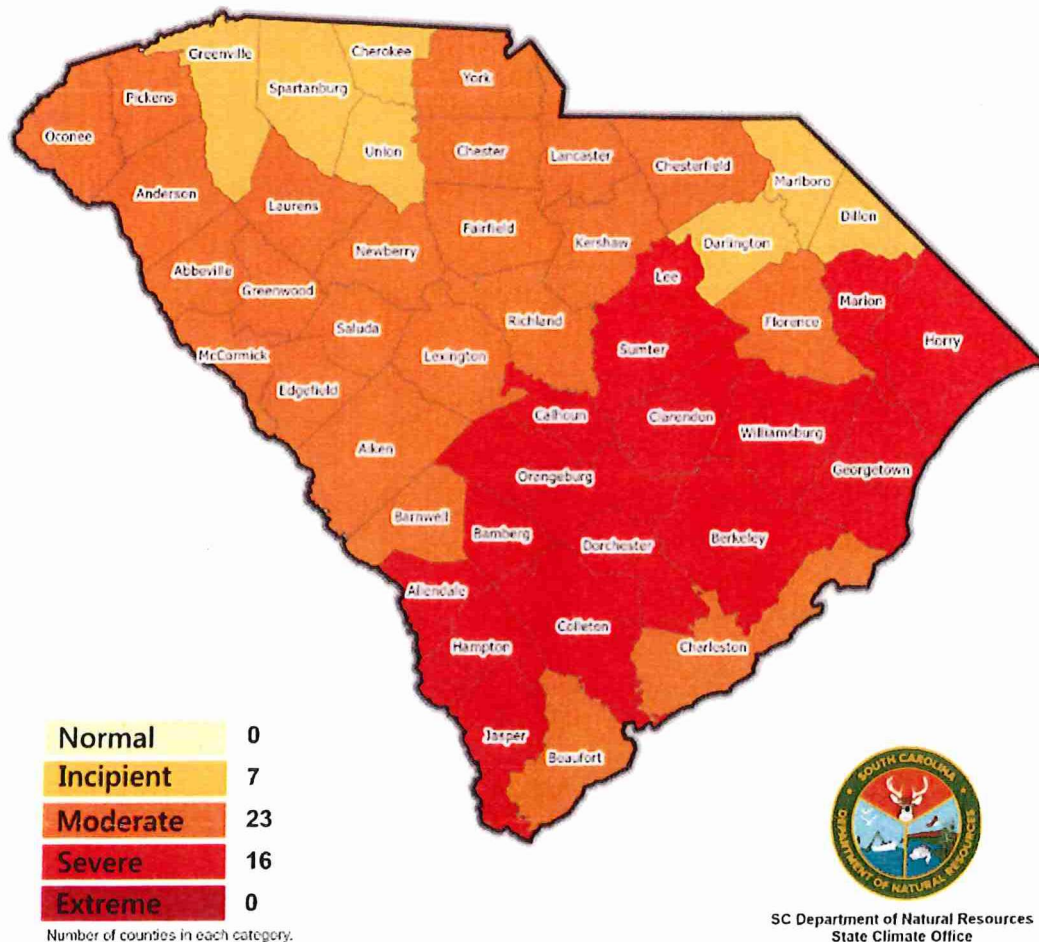
The S.C. Drought Response Committee will meet again on Tuesday, October 13, 2026, to examine drought conditions. Additional drought information and resources are available at www.scdrought.com.

cc: Thomas S. Mullikin, PhD, JD, SCDNR Director
Tyler Brown, SCDNR Deputy Director, Land, Water and Conservation Division
Joe Koon, SCDES, Director of the Water Resources, Bureau of Water

Drought Continues to Impact South Carolina

The South Carolina Drought Response Committee (DRC) met on September 8, 2026, to evaluate drought conditions statewide. The DRC is the state's major drought decision making entity and determines drought severity as defined by the S.C. Drought Response Act to protect the state's natural resources. The act establishes four levels of drought: incipient, moderate, severe, and extreme. For more information about the DRC and the SC Drought Response Program, visit scdrought.com.

Drought Status: 09-08-2026



The Drought Response Committee (DRC) reviewed all drought indicators and voted to change the drought status of twelve counties. The drought status improved for nine counties and deteriorated for three counties. There was no change in drought status for all other counties.

- Abbeville, Anderson, and McCormick were upgraded from Incipient to Moderate Drought
- Cherokee, Darlington, Dillon, Greenville, Marlboro, Spartanburg, and Union were downgraded from Moderate to Incipient Drought
- Charleston and Florence were downgraded from Severe to Moderate Drought

According to the South Carolina State Climatology Office, summer rainfall has been beneficial, but not enough to completely recover from the long-term drought impacts. Over the past month, some counties saw improvement, while others slipped back into a higher level of drought. Approximately, one-third of the State continues to deal with severe drought conditions.

Above normal temperatures are contributing to the drought by increasing evaporation from soil, lakes, and rivers. Soils are drying out faster, leaving less moisture available for crops and plants. This has led to an increase in water demand for homeowners and agriculture. During the hot summer months, at least one inch of rainfall is needed per week to offset losses from evaporation. Therefore, the heat and scattered rainfall continue to take a significant toll on agriculture statewide.

Some locations are reporting the top ten driest and warmest summer (June – August) on record.

June – August 2026 Temperature and Precipitation Rankings*

Station	Precipitation Rank	Temperature Rank	Period of Record
Charleston Airport	10 th driest	3 rd warmest	97 years
Columbia Airport	7 th driest	6 th warmest	79 years
Greenville	3 rd driest	8 th warmest (tied)	127 years
South Carolina Statewide Average	8 th driest	4 th warmest (tied)	131 years

*Data is preliminary until final quality control and review by NCEI

Summer showers are highly variable with some locations within the same county receiving 3.00” of rain from one thunderstorm and no rain reported just a few miles away. From August 1st to September 9th, rainfall in Orangeburg County ranges from 3.03” at Orangeburg 0.4 NNW to 11.57” at North 5.2 E. Rainfall amounts were higher, with widespread coverage, in areas where the drought status improved. For the three counties (Abbeville, Anderson, and McCormick) that slipped back into a higher level of drought, August rainfall was less than 30% of normal.

The SC Department of Environmental Services provided an overview of hydrologic conditions across the State. Below normal streamflow levels and continued declines in reservoir storage volumes for Lake Hartwell and Lake Thurmond supported an upgrade in drought status from Incipient to Moderate for the counties of Anderson, Abbeville, and McCormick in the Western Drought Management Area. The upper counties of the Central Drought Management Area have experienced sustained improvement in streamflow levels which supported the improvement in drought status from Moderate to Incipient for the counties of Spartanburg, Greenville, Union, and Cherokee Counties. In the Northeast Drought Management Area, modest improvements in streamflow conditions supported an improvement in drought status from Moderate to Incipient for Dillon and Marlboro counties and improvements from Severe to Moderate for Florence County.

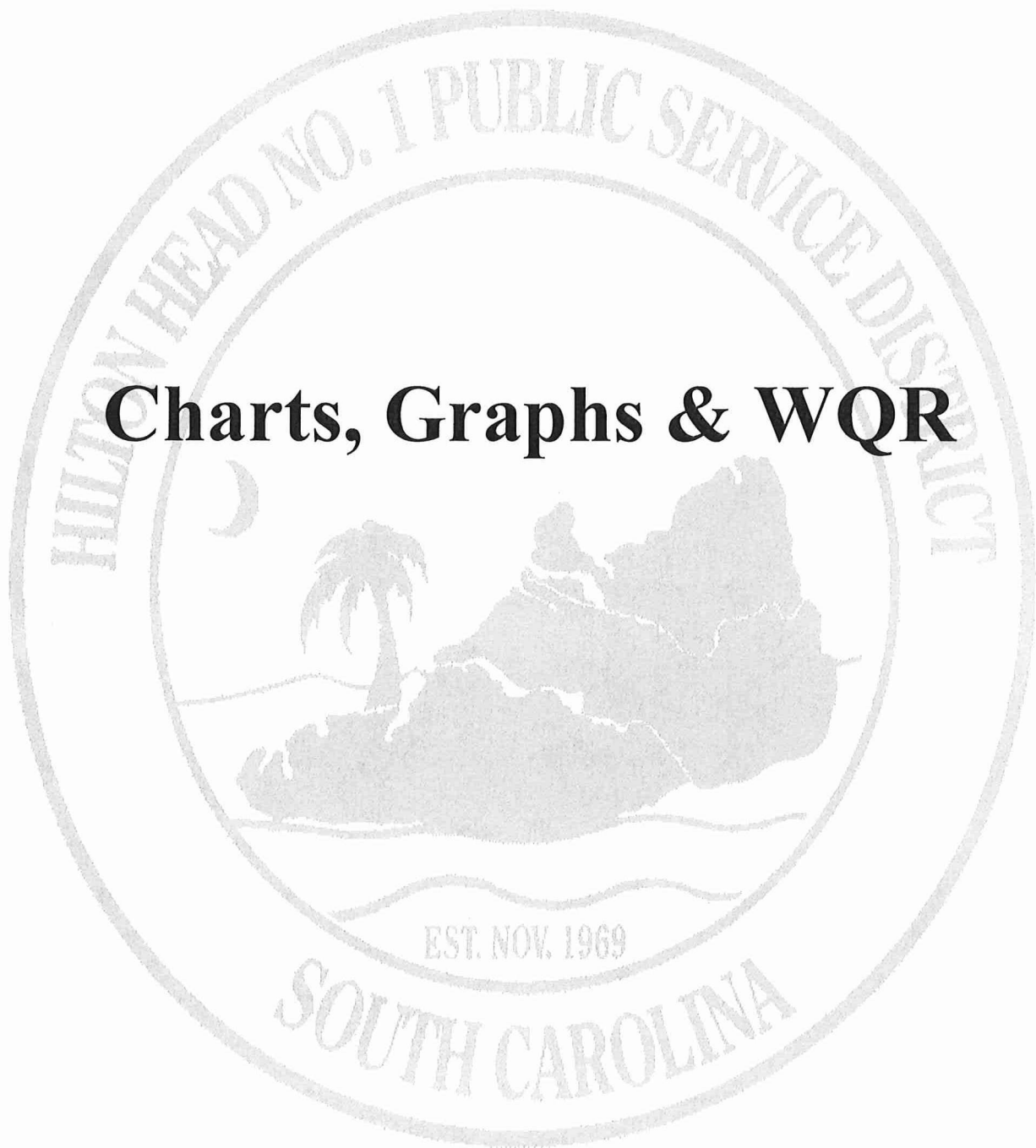
According to the Forestry Commission, during August wildfire occurrence across the state was substantially above normal, with the number of wildfires 56% above the five-year average. Acres burned in wildfires were 202% above the five-year average, but high relative humidity moderated fire conditions somewhat. As we enter what is usually a dry period of the year in the fall, when plants transition into dormancy, conditions could quickly become more favorable for an increased wildfire threat, and everyone should be careful when conducting any outdoor burning and make sure they adhere to applicable laws and regulations.

The S.C. Drought Response Committee will continue to closely monitor conditions and reconvene on October 13, 2026.

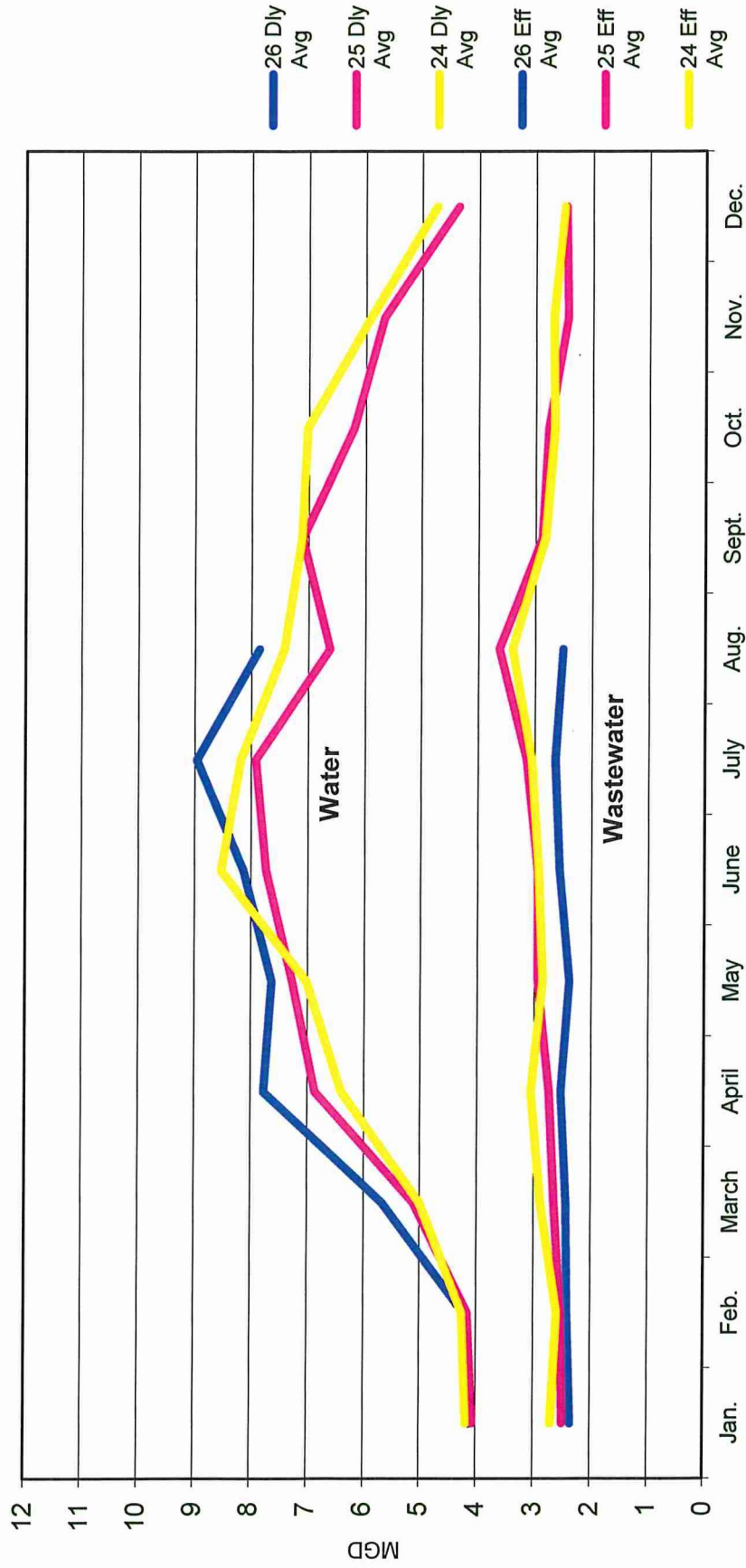
South Carolina Department of Natural Resources

260 D Epting Ln, West Columbia, SC 29172

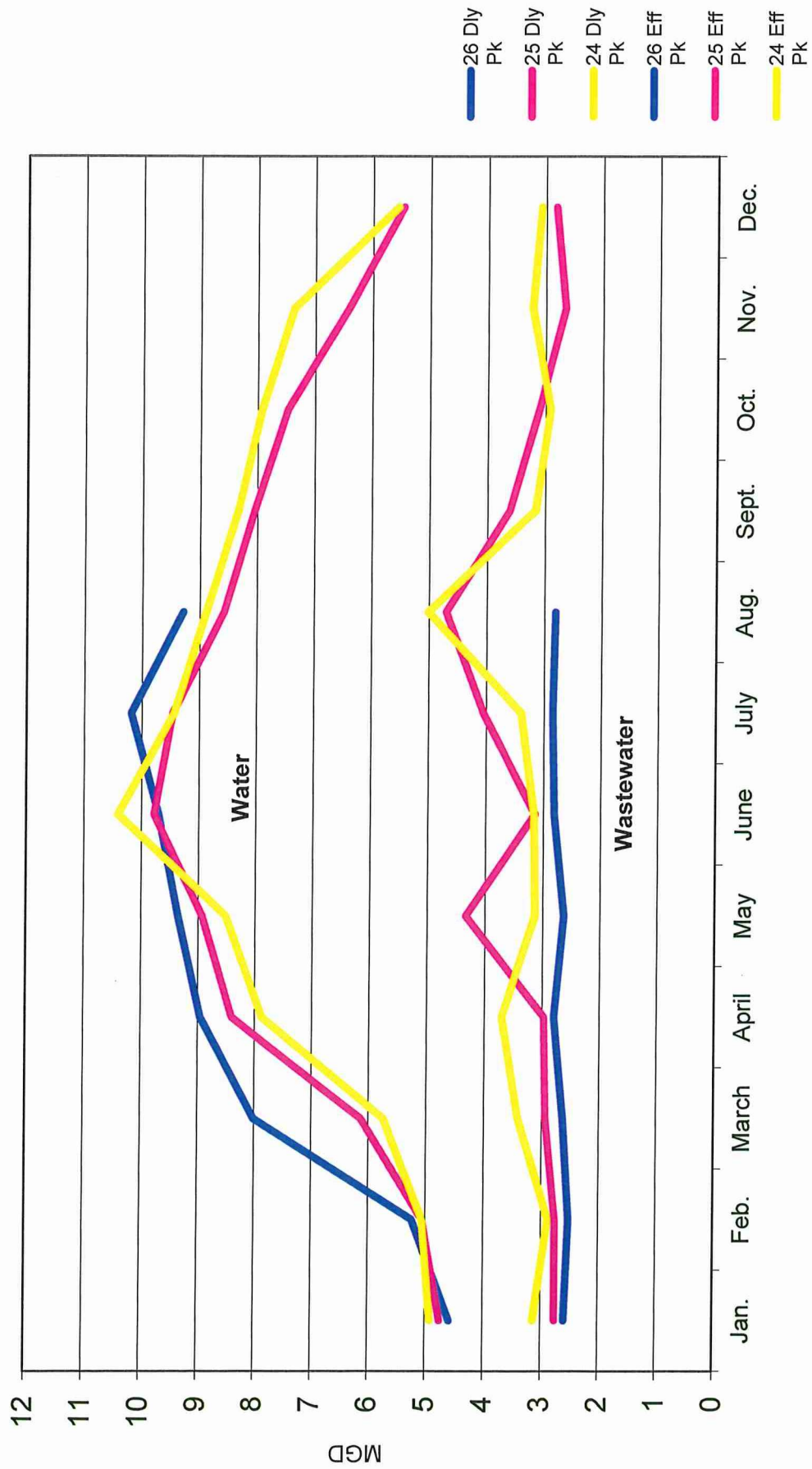
Charts, Graphs & WQR



Water and Wastewater Average Flows



Water and Wastewater Peak Flow





Aug-26
Monthly Water Quality Report

Water Supply														
Source	MG Per Month													
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	YTD	% of Supply YTD
Purchased	0.00	2.42	40.80	64.28	37.44	49.15	64.05	63.29					321.43	20.0%
RO Plant	110.92	104.11	97.90	86.82	116.57	112.78	116.09	123.08					868.27	54.0%
UFA Wells	14.05	14.18	26.93	36.72	33.73	34.95	41.97	34.76					237.29	15.0%
ASR Recovery	0.00	0.00	5.60	35.97	42.51	40.32	43.91	15.81					184.12	11.0%
Total	124.97	120.71	171.23	223.79	230.25	237.20	266.02	236.94					1611.11	100.0%

System-wide Water Quality Testing

Type of Test	Results by Month												In Compliance	In Compliance	In Compliance
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			
Bacteriological	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS							
Chlorine (avg)	2.1	2.26	2.35	1.97	2.10	1.44	1.35	1.73							
Ph (avg)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A							
Disinfection By-products (DBPs) (qtrly.)															
Hardness (range)	11 - 121 (WINTER - NO WELLS)			In Compliance			In Compliance			In Compliance			In Compliance		
	11 - 121 (WINTER - NO WELLS)			14 - 260 (SUMMER - WELLS/ASR ON)			(WINTER)								

Supply-specific Water Quality Ranges for This Month				
Supply	Average Chlorine Residual	Within Acceptable Range? (Y/N)	Average Chloride Level (ppm)	Average Hardness (ppm)
BJWSA (supply)	2.01	Y		
RO Raw Water MFA Wells (range)	n/a	Y		
Finished RO Water	2.95	Y		
Fire Station UFA	1.80	Y		
Leg O' Mutton UFA	2.30	Y		
Wild Horse UFA	1.40	Y		
Seabrook UFA	1.84	Y		
Union Cemetery UFA	1.50	Y		
ASR (recharged)	1.55	Y		

Customer Inquiries

Type of Inquiry	Number of Inquiries	Resolved?	Comments
Low Pressure	9	y	
Customer break/leak	19	y	
PSD break/leak	19	y	
Water Outage	2	y	
Odor/Taste/Color	4	y	
Miscellaneous	72	y	
Sewer issues & Inspections	16	y	
Total	141		

Other Water Quality Notes for This Month
8/06/2026 - Changed cartridge filters