



FY'23 Budget

Prepared by the Finance Department

April 2022

A RESOLUTION OF THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT COMMISSION ADOPTING AN OPERATING BUDGET FOR THE HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA, FOR THE FISCAL YEAR BEGINNING JULY 1, 2022 AND ENDING JUNE 30, 2023; AND OTHER MATTERS RELATING THERETO.

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

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

WHEREAS, the Finance Manager of the District has prepared an estimate of revenues and expenditures for the fiscal year beginning July 1, 2022 and ending June 30, 2023; and

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

WHEREAS, the Commission has reviewed the proposed operating budget and in accordance with Section 6-1-80 held a public hearing, after due notice and publication, on the District’s proposed budget on June 22, 2022.

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

1. That the District’s budget, a copy of which is attached hereto as Exhibit A, and which details the revenues and expenditures of the District for the fiscal year beginning July 1, 2022 and ending June 30, 2023, is hereby adopted as the official operating budget for the District for said fiscal year.
2. The Commission hereby directs the Finance Manager to notify the County Auditor of Beaufort County of the millage rate provided for by in the budget and to undertake any such additional actions as necessary to timely ensure the proper levy and collection of the District’s taxing millage.

[Remainder of Page Intentionally Left Blank]

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

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

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

DONE IN A MEETING DULY ASSEMBLED, this 22nd day of June, 2022.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT,
SOUTH CAROLINA



Chair
Hilton Head No.1 Public Service District Commission

(SEAL)

Attest:



Secretary
Hilton Head No.1 Public Service District Commission



FY'23 Budget

Exhibit A

Prepared by the Finance Department

April 2022



FY'23 Budget

Prepared by the Finance Department

April 2022

Table of Contents

Executive Summary	1
FY'23 Operations and Maintenance Budget.....	13
FY'23 Capital Improvement Plan.....	35
Cash Flow and Future Projections	42
FY'23 Schedule of Rates, Fees, and Deposits	44

Executive Summary

A. Letter of Transmittal

The Hilton Head PSD staff is pleased to present to the PSD Commissioners the fiscal year 2023 (FY'23) Operating & Maintenance (O&M) Budget and the FY'23 Capital Improvement Plan (CIP). Staff believes the budgets are consistent with the Commission's budget directives and strategic planning efforts.

During fiscal year 2022, the COVID pandemic continued to affect the world and create challenges as well as potential opportunities. While vaccination efforts worldwide led to a decline in infections and a return to more normal operating schedules, this was accompanied by significant inflationary pressures, a real estate boom, and worldwide supply chain issues. The PSD has felt these inflationary pressures particularly in vehicle fuel, biosolids disposal, and chemical costs. However, the PSD's service area continued to see new construction development, redevelopment, and growth with staff accommodating increased real estate closings along with a steady flow of new service applications and taps. This growth along with savings in payroll and administrative expenses are expected to counterbalance the inflationary overages and staff expects to end fiscal year 2022 in a positive cash flow position.

At this time, it is unknown how inflation, supply chain challenges, and the real estate market boom will ultimately settle. This FY'23 Budget provides for current, known inflationary increases as well as anticipating additional inflationary increases at a lower level during the next year, generally in the 2-3% range. This Budget also endeavors to ensure that staff compensation is competitive given the current economic environment and challenging housing market in our area. In line with the District's policy of fiscal conservatism, revenues are projected at levels that do not rely on significant additional customer growth. Weather is the one major factor that the District cannot predict or plan for. Cool and rainy weather will generally negatively affect the District's revenues while warm and dry weather will often have the opposite effect. Consumption levels are projected at the most recent 12 months.

During fiscal year 2022, the District continued to work on the major initiatives of asset management and future water supply planning. The results of these initiatives can be seen in the maintenance section of the O&M Budget and in the CIP budget. This budget continues to reinvest the majority of the cash flow freed up by the November 2020 debt refinancing back into the system with a rate funded CIP budget of just over \$3 million. As with all asset intensive operations, asset management is an ongoing endeavor for the District which becomes more essential and challenging each year as our infrastructure, property, plant, and equipment totaling over \$160,000,000 ages.

One of the opportunities that arose out of the COVID pandemic that the District is carefully monitoring is the recent influx of infrastructure funding. In addition to the rate funded CIP budget, several other larger preventative maintenance projects have been identified that staff believes should be completed in the next five to ten years. The District has already sent requests to be considered for American Rescue Plan Act (ARPA) funding for some of these projects and plans to closely monitor other funding opportunities under the Infrastructure Investment and

Jobs Act (IIJA). While there is no concrete guidance yet on how these funds will be distributed, staff expects that a 25% or higher match may be required.

In relation to future water supply planning, the short-term recommendations of the District's consultants included hydraulic modeling and construction of additional Aquifer Storage and Recovery (ASR) wells. The District has allowed for a hydraulic modeling study in the FY'23 O&M professional fees budget. During fiscal year 2023, staff intends to monitor the ARPA and IIJA funding for any opportunities to apply for funding for one or both of the recommended ASR wells. In conjunction with this and the upcoming U.S. 278 bridge replacement project, staff also intends to seek opportunities to work with its neighboring utilities to further the area's overall water supply plan. As noted above, staff expects that this may involve a match. Additionally, there may be a need to consider funding an upsizing of the main 24" line or to exercise existing purchased water capacity options.

While the direct effects of the COVID pandemic appear to be fading, many new unknowns have come to the forefront. The FY'23 operating and capital budgets seek to conservatively project our revenue and expenditure needs for the upcoming year in light of the current inflationary environment while minimizing rate increases to our customers. The availability of and final matching structure of infrastructure funding will play a key role in how the District proceeds in its asset management and future water supply project planning in upcoming years.

B. Organization Information

Hilton Head PSD is a special purpose district created by the South Carolina General Assembly in 1969 to provide water and sewer services to Hilton Head Island. The PSD serves more than 19,000 customer accounts in the north- and mid-island areas of Hilton Head Island where many of the Island's full-time residents reside. The PSD can provide a maximum water demand of 13 million gallons a day (mgd) and experiences an average demand of 7 mgd which is provided through its Reverse Osmosis (RO) water treatment plant, Upper Floridian wells, Aquifer Storage and Recovery (ASR) well, and wholesale water which is purchased from Beaufort Jasper Water & Sewer Authority (BJWSA). In addition to its RO plant, ASR, and Upper Floridian wells, the PSD maintains over 230 miles of water distribution mains, 200 miles of sewer collection mains, 5 elevated storage tanks, 3 ground-level storage tanks, 1,500 hydrants, 126 sewer lift stations, 13,250 customer water meters, 250 customer Low Pressure Sewer (LPS) systems, and a 6.4 mgd tertiary-treatment, return activated sludge (RAS) recycled water wastewater treatment plant.

C. Commission Directives

The Hilton Head Public Service District Commission has directed staff to create O&M budgets and a CIP for FY'23 with the following assumptions:

1. General Rate Review – Rates, charges and fees underwent a comprehensive Cost of Service Analysis (COSA) as part of the FY'23 budgeting process to ensure rates are sufficient to provide revenues to meet the District's FY'23 operating expenses and debt coverage ratios.
2. Operating and Maintenance Budget – As defined in the District's Finance Policies, operating expenses excluding depreciation will not exceed operating revenues.
3. Efficiency – Continued efforts to improve District efficiency and employee productivity.
4. Staff Compensation – Is to be adequate compensation for responsibilities, recognize individual productivity and be competitive with the labor market.
5. Customer Service - Maintain or improve current Operations and Customer Service levels;
6. Adequate Cash Flow – Maintain a positive cash flow and resources to meet anticipated events and increase overall cash reserves.

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

	FY'23 Budget	FY'22 Projected	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
Total Operating Revenue	\$ 14,638,100	\$ 14,433,600	\$ 204,500	1.4%	\$ 13,976,500
Total Operating Expenses with Depreciation	17,081,800	16,469,200	612,600	3.7%	16,299,820
Change in Net Position from Operations	(2,443,700)	(2,035,600)	(408,100)	20.0%	(2,323,320)
Total Non-Operating Revenue	3,361,700	3,324,600	37,100	1.1%	3,251,500
Total Non-Operating Expenses	693,100	678,000	15,100	2.2%	679,880
Non-Operating Income/Expenses - Net	2,668,600	2,646,600	22,000	0.8%	2,571,620
Increase / Decrease in Net Position before Capital Contributions	224,900	611,000	(386,100)	-63.2%	248,300
Total Capital Contributions	320,000	603,200	(283,200)	-46.9%	262,000
Change in Net Position	<u>\$ 544,900</u>	<u>\$ 1,214,200</u>	<u>\$ (669,300)</u>	<u>-55.1%</u>	<u>\$ 510,300</u>
Total CIP Budget Cash Flow	(3,048,000)	(2,496,000)	(552,000)	22.1%	(2,496,000)
Add: Non Cash Depreciation Expense	5,190,000	5,189,000	1,000	0.0%	5,200,000
Less: Debt Service Payments	(4,008,200)	(3,901,200)	(107,000)	2.7%	(3,901,200)
Other Debt Related Adjustments	648,100	672,500	(24,400)	-3.6%	672,500
FFA Assessments, net	455,000	136,200	318,800	234.1%	202,000
Total Non-CIP Other Cash Flow Adjustments	2,284,900	2,096,500	188,400	9.0%	2,173,300
Projected Change in Cash Flow	<u>\$ (218,200)</u>	<u>\$ 814,700</u>	<u>\$ (1,032,900)</u>	<u>-126.8%</u>	<u>\$ 187,600</u>

D. Budget Highlights

The FY'23 Budget highlights are:

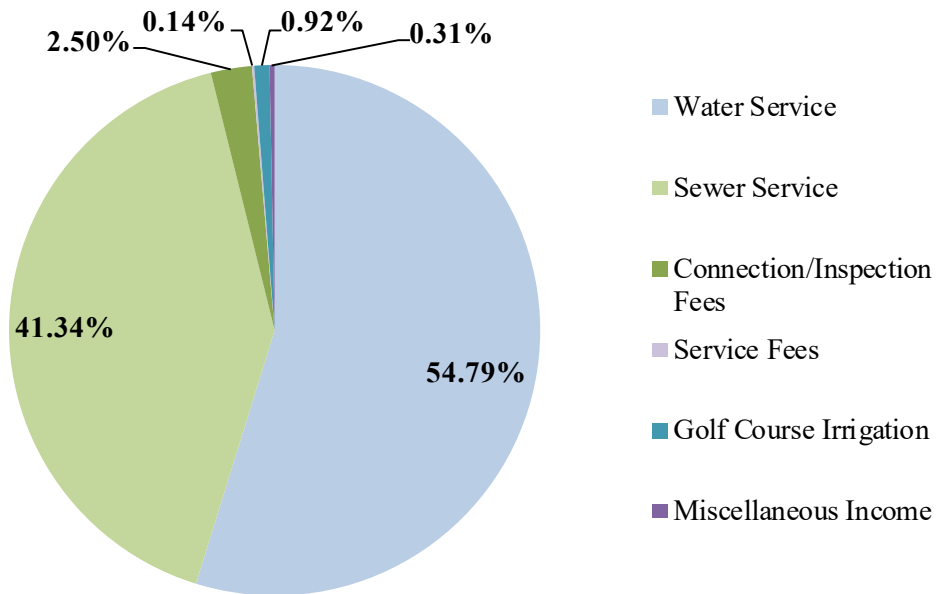
1. Operating Revenues are budgeted at \$14,638,100 which is a \$204,500 or 1.4% increase from FY'22 projections. This increase is the result of customer growth during FY '22 and volumetric increases in the upper tiers.
2. Operating Expenses are budgeted at \$17,081,800 which is a \$612,600 or 3.7% increase from FY'22 projections. Some key highlights include:
 - Staff level remains at the FY'22 budgeted level of 39 with a 6% merit pool. Both the state health plan and retirement plans are moving forward with increases that were delayed during COVID: 18.1% on the employer health insurance premiums and 1% additional in employer retirement contributions.
 - Inflationary increases anticipated in most areas but particularly in biosolids disposal which experienced a 40% landfill rate increase effective January 2022, chemicals which increased as much as 25% - 33% in some areas, vehicle fuel, and purchased water which is projected to increase 5% for FY'23.
3. Non-Operating Revenues are budgeted at \$3,361,700 which is a \$37,100 or 1.1% increase from FY'22 projections. This category primarily includes the District's GO Debt and Operations property tax levies as well as rental and tower lease contracts which are expected to grow based on assessed values and contract escalators.
4. Non-Operating Expenses are budgeted at \$693,100 which is a \$15,100 or 2.2% increase from FY'22 projections. This category relates to debt service and is based on current debt schedules. FY'23 includes anticipated FY'23 FFA bond issuance costs.
5. Capital Contributions are budgeted conservatively. FY'22 projections include the receipt of capacity fees for several larger development projects. The District does not budget in anticipation of any large development projects as the timing on these is often tenuous and unpredictable; until the fees are paid, there is no guarantee any anticipated project will actually occur as planned.
6. Change in Net Position – The overall change in net position for FY'23 is budgeted at \$544,900 versus a projection of \$1,214,200 and a prior year budget of \$510,300.
7. CIP Budget Cash Flow – The CIP budgeted cash flow for FY'23 is \$3,048,000 which is a \$552,000 or 22.1% increase from the prior year CIP budgeted cash flow of \$2,496,000. The District is seeking to use the cash flow freed up in the November 2020 refinance to re-invest in the system and further its asset management program.

8. System Debt – Total FY'23 debt payments of \$4,008,200 consist of \$3,685,800 of principal and \$322,400 of interest (Interest expense is calculated on an accrual basis).
9. Cash Flow is projected to decrease approximately \$218,200 as a result of this budget. The District is anticipating that the current year will result in an increase in cash of approximately \$814,700.

E. Operating Revenues

The FY'23 budgeted operating revenues are listed below:

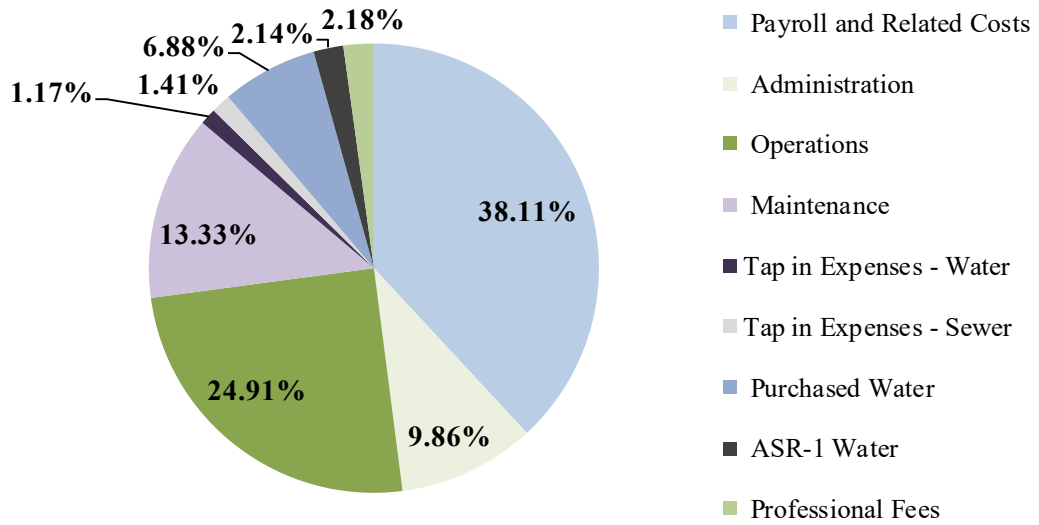
Operating Revenues	FY 2023	% Total
Water Service	\$ 8,020,000	54.79%
Sewer Service	6,052,000	41.34%
Connection/Inspection Fees	366,000	2.50%
Service Fees	20,100	0.14%
Golf Course Irrigation	135,000	0.92%
Miscellaneous Income	45,000	0.31%
Total Operating Revenues	\$ 14,638,100	100%



F. Operating Expenses

The FY'23 operating expenses excluding depreciation are listed below:

Total Operating Expenses before Depreciation	FY 2023	% Total
Payroll and Related Costs	\$ 4,531,400	38.11%
Administration	1,172,500	9.86%
Operations	2,962,800	24.91%
Maintenance	1,585,200	13.33%
Tap in Expenses - Water	139,500	1.17%
Tap in Expenses - Sewer	168,000	1.41%
Purchased Water	818,700	6.88%
ASR-1 Water	254,800	2.14%
Professional Fees	258,900	2.18%
Total Operating Expenses before Depreciaton	\$ 11,891,800	100%



G. Debt Service Coverage

Bond covenants require that the District maintain and collect rates and charges that together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding. As shown in the following table, the District's FY'23 budget is in compliance with the necessary requirement and estimated at 209%.

	FY'22 Projected	FY'23 Budget
Net Income (loss) before capital contributions per Financial Statements	\$ 611,000	\$ 224,900
Capacity Fees	559,300	270,000
Add: Depreciation	5,189,000	5,190,000
Amortization	325,500	325,500
Bond Issuance Cost	-	45,000
Interest Expense (Bonds)	347,000	310,600
Assessments - Debt Service	202,000	210,000
Less: Property Taxes – GO Debt Service	<u>(1,478,300)</u>	<u>(1,475,000)</u>
Net Earnings Available for Debt Service	5,755,500	5,101,000
 Debt Service on Revenue Bonds	 2,440,300	 2,437,980
 Coverage of Debt Service by Net Earnings	 236%	 209%
 Debt Coverage without Capacity Fees	 213%	 198%

H. Bond Debt Service

As of June 30, 2022, the District's total future debt service requirement will be \$27,721,880. The District is anticipating adding \$463,974 additional debt service during FY'23 with the issuance of the series 2023 FFA revenue bonds. For FY'23, the principal payments will total \$3,685,768 while the interest payments will be \$322,439.

Fiscal Year 2023 Debt Service				
Revenue Debt	Interest	Principal	Total P&I	Revenue Source
SCJEDA - Notes Payable*	\$ -	\$ 7,939	\$ 7,939	User Fees
Series SRF 2014 B	20,175	141,172	161,347	User Fees
Series 2017A	9,776	32,157	41,933	FFA
Series 2020 B	166,012	1,215,000	1,381,012	User Fees/ FFA
Series 2020 C	23,688	830,000	853,688	User Fees
Revenue Sub Total	219,651	2,226,268	2,445,919	
Finance Purchase Vehicles	11,600	74,500	86,100	User Fees
Series 2020 GO Bonds	91,188	1,385,000	1,476,188	GO Funded
Total Principal & Interest	\$ 322,439	\$ 3,685,768	\$ 4,008,207	

Future Debt Service as of June 30, 2022				
Revenue Debt	Interest	Principal	Total P&I	Interest Rates
SCJEDA - Notes Payable*	\$ -	\$ 7,939	\$ 7,939	0.00%
Series SRF 2014 B	148,180	2,070,343	2,218,523	1.00%
Series 2017 A	55,906	363,421	419,328	2.69%
Series 2020 B	809,188	13,720,000	14,529,188	1.21%
Series 2020 C	47,564	2,520,000	2,567,564	0.94%
<i>New Debt - Series 2023 FFA</i>	<i>113,974</i>	<i>350,000</i>	<i>463,974</i>	<i>3.75%</i>
Revenue Sub Total	1,174,812	19,031,703	20,206,516	
Finance Purchase Vehicles	42,900	349,000	391,900	Various
Series 2020 GO Bonds	292,438	7,295,000	7,587,438	1.25%
Total Debt	\$ 1,510,150	\$ 26,675,703	\$ 28,185,854	

* SCJEDA is not parity debt for purposes of the debt coverage calculation.

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

Future Annual Debt Service Payments:

<u>Fiscal Year</u>	<u>Annual Debt Service Requirements</u>			<u>Total</u>
	<u>Revenue</u>	<u>GO</u>	<u>FP - Vehicles</u>	
2023	2,445,919	1,476,188	86,100	4,008,207
2024	2,466,407	1,513,875	86,100	4,066,382
2025	2,473,689	1,300,875	131,100	3,905,664
2026	2,440,635	1,340,312	88,600	3,869,547
2027	2,435,406	1,379,063	-	3,814,469
2028	2,439,936	577,125	-	3,017,061
2029	2,159,102	-	-	2,159,102
2030	2,086,354	-	-	2,086,354
2031	234,211	-	-	234,211
2032	234,211	-	-	234,211
2033	192,279	-	-	192,279
2034	192,280	-	-	192,280
2035	192,279	-	-	192,279
2036	151,943	-	-	151,943
2037	30,933	-	-	30,933
2038	30,933	-	-	30,933
	<u>\$ 20,206,516</u>	<u>\$ 7,587,438</u>	<u>\$ 391,900</u>	<u>\$ 28,185,854</u>

Revenue Debt:

SCJEDA - The District is obligated under a note dated November 30, 1988, payable to the South Carolina Jobs-Economic Authority (Authority). The proceeds of the note were for expansion of water lines within the District. The note is without interest, payable at \$1,500 per month through December 2023.

Series 2014 SRF – On July 23, 2014, the District executed a loan with the South Carolina State Revolving Loan Fund (SRF) in the amount of \$2,922,430 at an interest rate of 1% per annum. The proceeds of this loan were used to pay the costs of constructing the Automated Metering Infrastructure project. Principal and interest of \$40,336.78 are payable quarterly beginning April 1, 2015 through January 1, 2036.

Series 2017A Revenue Bond - On August 22, 2017, the District issued \$515,000 of Series 2017A revenue bonds for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds are an obligation of the District, bear interest at the rate of 2.69% per annum and are payable in annual principal and semi-annual interest payments of \$41,932.75 starting June 2018 through June 2032. The bonds are payable from revenues derived from operations of the District’s systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer.

Series 2020B Revenue Bonds - On November 2, 2020, the District issued \$14,925,000 of Series 2020B revenue bonds for purposes of refunding the District's 2014 FFA, 2015A, 2015B, 2017B SRF, and 2020 FFA revenue bonds. The bonds are an obligation of the District and bear interest at the rate of 1.22% per annum. These bonds are due in semi-annual interest payments due beginning June 2021 and annual principal payments starting June 2022 through June 2030. The bonds are payable from revenues derived from operations of the District's systems and are secured by a lien upon these revenues and the collection of annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the Beaufort County Treasurer. The original purpose of the refunded bonds are as follows:

- 2014 FFA: Funding sewer connections in previously unserved areas.
- 2015A: Refunded previous bond issues used for the construction of the BJWSA Segment 3, acquisition of utility systems, and front foot assessment bonds.
- 2015B: Refunded previous bond issues used for wastewater treatment plant expansions and upgrades, sewer lift stations, and front foot assessment bonds.
- 2017B SRF: Construction of new sewer lift stations.
- 2021 FFA: Funding sewer connections in previously unserved areas.

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

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

General Obligation Debt:

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

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

Proposed Revenue Debt:

Series 2023A Revenue Bonds – The District must issue revenue bonds every three years to finance front foot sewer connection costs accumulated during that period. The last issuance occurred in March 2020 so another will be needed in March 2023. The District expects to have accumulated approximately \$200,000 in front foot assessment costs by the end of FY'22 so it is projected that this issuance will provide cash flow of \$245,000 (the accumulated connection costs and the expected bond issuance costs) in FY'23. Any connection costs incurred through the fall of 2022 will also be included in this issuance. For the purposes of the above table and the projections in this budget, a projected total issuance amount of \$350,000 and an estimated interest rate of 3.75% has been used.

I. Capital Improvement Plan (CIP)

The CIP for FY'23 is divided into separate categories for ease of explanation. These categories are not ranked according to importance. Non-recurring, non-routine projects have been ranked in priority order. As a part of asset management planning, the projects in the FY'23 column have been identified which staff believes should be completed within the next 12 months. The Commission is only approving the projects for FY'23 as a part of this budget. Years 2024 through 2027 are provided as a high-level guide of expected projects in upcoming years to aid in evaluation of the District's long term financial position.

I. Capital Improvement Plan (CIP) (continued)

Rate funded FY'23 projects total \$3,048,000 as follows:

<u>FY'23 CIP Rate Funded Projects</u>	
Wastewater Treatment Plant	\$ 1,255,000
Collection System	853,000
Distribution System	770,000
Facility & Equipment	<u>170,000</u>
Total Rate Funded CIP Projects	<u>\$ 3,048,000</u>

The FY'23 CIP plan also shows potential projects for which the District intends to pursue ARPA, IJJA, or any other infrastructure funding should those programs become available and future water supply projects. There is too much uncertainty at this time to predict how much the District may have to expend on these projects to take advantage of any opportunities that arise in the form of a match or partnership opportunity. These projects and match estimates are presented to aid in the evaluation of the District's long term financial position including potential five year cash needs. Should an opportunity arise to pursue these at a cost to the District during FY'23, it would be brought the Commission for consideration separately.

J. Cash Flow and Five-Year Projections

Projected FY'22 cash flow is anticipated to increase by \$814,700 which will bring unrestricted cash from \$9,609,000 to \$10,423,700. The FY'23 budget projects a cash decrease of \$218,200. A five-year projection based on FY'23 rates with no consideration of future rate increases and moderate growth projections shows the PSD remaining well over its 120 days cash on hand minimum and its 120% debt coverage requirement. The Commission is only approving the FY'23 budget at this time. Projections for years 2024 through 2027 are only provided to show a high-level review of the District's current expected long term financial position.

Statement of Revenues, Expenses, and Changes in Net Position
FY'23 Operating & Maintenance Budget

	FY'23 Budget	FY'22 Projected	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
TOTAL OPERATING REVENUES					
Water Service	\$ 8,020,000	\$ 7,822,100	197,900	2.5%	\$ 7,640,000
Sewer Service	6,052,000	6,008,600	43,400	0.7%	5,780,000
Tap in Fees - Water	186,000	181,700	4,300	2.4%	181,500
Connection Fees - Sewer	180,000	191,100	(11,100)	-5.8%	150,000
Availability Fees	-	27,300	(27,300)	-100.0%	-
Service Fees	20,100	23,800	(3,700)	-15.5%	30,000
Golf Course Irrigation	135,000	124,800	10,200	8.2%	150,000
Disaster Recovery	-	7,900	(7,900)	-100.0%	-
Miscellaneous Income	45,000	46,300	(1,300)	-2.8%	45,000
Total Operating Revenue	14,638,100	14,433,600	204,500	1.4%	13,976,500
OPERATING EXPENSES					
Payroll and Related Expenses					
Salaries	3,007,500	2,843,400	164,100	5.8%	2,980,000
Commission Honorarium	81,000	79,500	1,500	1.9%	81,300
FICA	233,700	218,300	15,400	7.1%	231,700
Group Insurance	544,500	477,100	67,400	14.1%	487,800
Retirement	504,500	434,100	70,400	16.2%	462,700
Workman's Comp	60,000	52,200	7,800	14.9%	60,700
Contract Labor	15,000	18,600	(3,600)	-19.4%	5,000
Training/Continuing Education	60,000	55,200	4,800	8.7%	40,000
Uniforms	25,200	24,000	1,200	5.0%	21,600
Total Payroll and Related Expenses	4,531,400	4,202,400	329,000	7.8%	4,370,800
Administration					
Bad Debts	30,000	30,000	-	0.0%	45,000
Bank/Bond Administration Fees	127,800	123,600	4,200	3.4%	116,500
Billing and Accounting	48,000	46,600	1,400	3.0%	48,000
Telecommunication Systems	126,600	124,100	2,500	2.0%	120,000
Dues and Subscriptions	16,600	16,100	500	3.1%	16,000
Commission Support	12,000	7,000	5,000	71.4%	5,000
Insurance other than group or vehicle	345,000	317,900	27,100	8.5%	368,100
License and Permits	69,900	67,900	2,000	2.9%	65,000
Office Supplies	26,400	22,900	3,500	15.3%	30,000
Computer Software and Supplies	141,900	130,700	11,200	8.6%	140,600
Personnel Support	24,900	24,100	800	3.3%	16,000
Postage	77,400	75,100	2,300	3.1%	74,000
Public Education	36,000	31,900	4,100	12.9%	30,000
Recruitment	5,400	4,800	600	12.5%	5,000
Special Functions	30,000	14,200	15,800	111.3%	12,200
Travel and Meals	6,000	3,100	2,900	93.5%	6,000
Utilities	48,600	47,200	1,400	3.0%	43,400
Total Administration	1,172,500	1,087,200	85,300	7.8%	1,140,800

HiltonHeadPSD
FY'23 Budget

Operations	FY'23 Budget	FY'22 Projected	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
Biosolids Disposal	444,000	390,900	53,100	13.6%	258,500
Operations Chemicals	897,700	865,900	31,800	3.7%	875,000
Lab Chemicals	18,600	15,500	3,100	20.0%	19,200
Fuel, Power and Utility	1,322,400	1,307,800	14,600	1.1%	1,284,000
Other Supplies and Materials	19,500	19,300	200	1.0%	14,000
Quality Analysis	5,100	4,000	1,100	27.5%	10,000
Safety	45,000	44,500	500	1.1%	25,000
SCADA Communications (Alarms)	33,000	30,600	2,400	7.8%	29,000
Tools and Small Equipment	33,300	31,900	1,400	4.4%	30,000
Fuel - Vehicles	90,600	86,000	4,600	5.3%	67,100
Insurance - Vehicles	25,800	24,100	1,700	7.1%	25,000
Vehicle Lease Management	5,400	2,900	2,500	86.2%	4,620
Vehicle Maintenance	22,400	20,500	1,900	9.3%	22,400
Total Operations	2,962,800	2,843,900	118,900	4.2%	2,663,820
Maintenance					
ASR Maintenance	10,200	9,400	800	8.5%	-
Biosolids Maintenance	5,100	5,500	(400)	-7.3%	4,500
Meter Device Maintenance	30,600	29,500	1,100	3.7%	15,000
Effluent System Maintenance	31,500	21,500	10,000	46.5%	45,000
Equipment Maintenance	31,500	30,300	1,200	4.0%	26,800
Facilities Maintenance	96,900	94,300	2,600	2.8%	87,000
Generator Maintenance	24,000	23,400	600	2.6%	20,000
Operations Grounds Maintenance	69,900	62,000	7,900	12.7%	64,500
Hydrant Maintenance	66,000	64,900	1,100	1.7%	55,600
Lift Station Maintenance	318,000	302,800	15,200	5.0%	250,000
Plant Maintenance - WWTP	122,400	120,100	2,300	1.9%	100,000
RO Maintenance	126,000	123,000	3,000	2.4%	123,600
SCADA Maintenance	21,600	20,900	700	3.3%	21,200
Water System Maintenance	219,000	278,200	(59,200)	-21.3%	250,000
Sewer System Maintenance	231,000	209,700	21,300	10.2%	260,000
Tower Maintenance	133,500	130,200	3,300	2.5%	122,700
Well Maintenance	48,000	30,600	17,400	56.9%	60,000
Total Maintenance	1,585,200	1,556,300	28,900	1.9%	1,505,900
Tap in and Connection Expenses					
Tap in Expenses - Water	139,500	150,900	(11,400)	-7.6%	136,100
Connection Expenses - Sewer	168,000	179,300	(11,300)	-6.3%	140,000
Total Connection Expenses	307,500	330,200	(22,700)	-6.9%	276,100
Water Expenses					
Purchased Water	818,700	779,700	39,000	5.0%	664,000
ASR Water	254,800	240,400	14,400	6.0%	224,800
Total Water Expenses	1,073,500	1,020,100	53,400	5.2%	888,800

HiltonHeadPSD
FY'23 Budget

	FY'23 Budget	FY'22 Projected	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
Professional Fees					
Professional Fees - Accounting	30,000	24,200	5,800	24.0%	25,000
Professional Fees - Engineering	170,100	194,500	(24,400)	-12.5%	175,000
Professional Fees - Legal	33,600	13,800	19,800	143.5%	33,600
Professional Fees - Other	25,200	7,600	17,600	231.6%	20,000
Total Professional Fees	258,900	240,100	18,800	7.8%	253,600
Total Operating Expenses before Depreciation	11,891,800	11,280,200	611,600	5.4%	11,099,820
Operating Income before Depreciation	2,746,300	3,153,400	(407,100)	-12.9%	2,876,680
Depreciation	5,190,000	5,189,000	1,000	0.0%	5,200,000
Total Operating Expenses with Depreciation	17,081,800	16,469,200	612,600	3.7%	16,299,820
Change in Net Position from Operations	(2,443,700)	(2,035,600)	(408,100)	20.0%	(2,323,320)
Non-Operating Revenue					
GO Bond Levy	1,475,000	1,478,300	(3,300)	-0.2%	1,445,000
Operations Levy	1,060,000	1,056,100	3,900	0.4%	1,040,000
Gain on Disposition of Assets	30,000	38,500	(8,500)	-22.1%	30,000
Interest Income	60,000	24,900	35,100	141.0%	35,000
Interest Income - Assessments	56,200	70,100	(13,900)	-19.8%	59,000
Rental Income	85,000	84,600	400	0.5%	82,500
Tower Lease Income	595,500	572,100	23,400	4.1%	560,000
Total Non-Operating Revenue	3,361,700	3,324,600	37,100	1.1%	3,251,500
Non-Operating Expenses					
Interest Expense - Vehicles	12,000	5,500	6,500	118.2%	7,380
Interest Expense - Bonds	310,600	347,000	(36,400)	-10.5%	347,000
Bond Defeasance Amortization	325,500	325,500	-	0.0%	325,500
Bond Issuance Cost	45,000	-	45,000	0.0%	-
Total Non-Operating Expenses	693,100	678,000	15,100	2.2%	679,880
Non-Operating Income/Expenses - Net	2,668,600	2,646,600	22,000	0.8%	2,571,620
Increase / Decrease in Net Position before Capital Contributions	224,900	611,000	(386,100)	-63.2%	248,300
Capital Contributions					
Sewer Capacity Fees	156,000	363,800	(207,800)	-57.1%	152,000
Water Capacity Fees	114,000	195,500	(81,500)	-41.7%	110,000
Developer Contributions of Systems	50,000	43,900	6,100	0.0%	-
Total Capital Contributions	320,000	603,200	(283,200)	-46.9%	262,000
Change in Net Position	\$ 544,900	\$ 1,214,200	\$ (669,300)	-55.1%	\$ 510,300

Operating Revenues

	FY'23 Budget	FY'22 Projected 8+4	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
TOTAL OPERATING REVENUES					
Water Service	\$ 8,020,000	\$ 7,822,100	197,900	2.5%	\$ 7,640,000
Sewer Service	6,052,000	6,008,600	43,400	0.7%	5,780,000
Tap in Fees - Water	186,000	181,700	4,300	2.4%	181,500
Connection Fees - Sewer	180,000	191,100	(11,100)	-5.8%	150,000
Availability Fees	-	27,300	(27,300)	-100.0%	-
Service Fees	20,100	23,800	(3,700)	-15.5%	30,000
Golf Course Irrigation	135,000	124,800	10,200	8.2%	150,000
Disaster Recovery	-	7,900	(7,900)	-100.0%	-
Miscellaneous Income	45,000	46,300	(1,300)	-2.8%	45,000
Total Operating Revenue	14,638,100	14,433,600	204,500	1.4%	13,976,500

Operating revenues consist of water services, sewer services, connection/inspection fees, service fees, golf course irrigation, and miscellaneous income. The total operating revenues are budgeted at \$14,638,100. Major/selected variances are as follows:

1. Water Service revenues are based on current customer counts and the most recent rolling 12 months of consumption of approximately 2.071 billion gallons. This consumption estimate is possibly the most variable estimate in this budget document. Weather patterns can greatly affect consumption due to irrigation demand so a particularly rainy year could lead to the PSD missing budgeted numbers while a very dry year could lead to us exceeding the numbers. This budget includes the following volumetric rate and fee increases:

Residential Water	FY 2022	FY 2023	Residential Irrigation	FY 2022	FY 2023
Rates per 1,000 Gallons:	Current	Revised Rate	Rates per 1,000 Gallons:	Current	Revised Rate
Block 1 - 0 to 10,000 Gal	1.47	1.47	Block 1 - 0 to 10,000 Gal	1.82	1.91
Block 2 - 10,001 to 20,000 Gal	1.82	1.91	Block 2 - 10,001 to 20,000 Gal	1.82	1.91
Block 3 - 20,001 to 30,000 Gal	2.27	2.36	Block 3 - 20,001 to 30,000 Gal	2.27	2.36
Block 4 - All Over 30,000 Gal	2.79	2.98	Block 4 - All Over 30,000 Gal	2.79	2.98
Commerical Water & Irrigation	FY 2022	FY 2023	Meter Install Fees	FY 2022	FY 2023
Rates per 1,000 Gallons:	Current	Revised Rate	(Existing Service Line)	Current	Revised Rate
Block 1 - 0 to 10,000 Gal	1.69	1.69	3/4" Meter	1,020.00	1,180.00
Block 2 - 10,001 to 20,000 Gal	2.04	2.06	1" Meter	1,280.00	1,500.00
Block 3 - 20,001 to 30,000 Gal	2.52	2.53	2" Meter & Backflow	2,720.00	3,440.00
Block 4 - All Over 30,000 Gal	3.07	3.18	Any other size	Time and Materials	
Meter Install Fees	FY 2022	FY 2023		FY 2022	FY 2023
(No Existing Service Line)	Current	Revised Rate	Fees	Current	Revised Rate
3/4" Meter	1,210.00	1,390.00	Hydrant Meter Set Fee	-	200.00
1" Meter	1,450.00	1,710.00			
Any other size	Time and Materials				

2. Sewer Service revenues are based on current customer counts and the most recent rolling 12 months of billed consumption, approximately 1.096 billion gallons. While this number is also subject to fluctuation, it is not as negatively impacted by usage since irrigation only customers are not charged sewer and residential customer usage is capped at 10,000 gallons a month.

Operating Revenues (continued)

3. Connection Fees – Water and sewer connection fees are budgeted at 120 connections. Water connection fees include the updated fees shown in the table on the previous page based on current costs. These fees are partially offset by water tap in expenses; the residual is estimated District employee labor cost recovery. Sewer connection fees are offset by sewer connection expenses less a \$100 inspection fee.
4. Availability Fees are budgeted at zero related to the sunset of this fee for FY'22.
5. Service Fees are budgeted at \$20,100 which is a decrease from current projections. Increased efforts on communications with non-payors has led to a decrease in penalties. This line item would also contain the new \$200 hydrant meter set fee.
6. Golf Course Irrigation is budgeted conservatively between current year projections and the prior year budget. Increased rainfall in the fall of FY'22 negatively impacted projected revenue.
7. Disaster recovery is not budgeted. FY'22 projections include reimbursement for the South Carolina portion of Hurricane Dorian costs.
8. Miscellaneous Income is budgeted at \$45,000 and consists mostly of capital credits from the District's electricity provider.

Payroll and Related Expenses

	FY'23 Budget	FY'22 Projected 8+4	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
Payroll					
1 Salaries	3,007,500	2,843,400	164,100	5.8%	2,980,000
2 Commission Honorarium	81,000	79,500	1,500	1.9%	81,300
3 FICA	233,700	218,300	15,400	7.1%	231,700
4 Group Insurance	544,500	477,100	67,400	14.1%	487,800
5 Retirement	504,500	434,100	70,400	16.2%	462,700
6 Workman's Comp	60,000	52,200	7,800	14.9%	60,700
7 Contract Labor	15,000	18,600	(3,600)	-19.4%	5,000
8 Training/Continuing Education	60,000	55,200	4,800	8.7%	40,000
9 Uniforms	25,200	24,000	1,200	5.0%	21,600
Total Payroll	4,531,400	4,202,400	329,000	7.8%	4,370,800

Line Item Definitions – Payroll and Related Expenses

Payroll and Related Expenses

- | | |
|----------------------------------|--|
| 1. Salaries | Salaries, on-call, overtime, and goal payments for 39 employees including a potential 6.0% pool for merit increases and one-time payments. |
| 2. Honorarium | Stipends paid to the commissioners. |
| 3. FICA | FICA/Medicare is calculated at 7.65% of total projected salaries and Commission honorariums. |
| 4. Group Insurance | State Health Plan which includes a 18.1% employer rate increase effective January 2023. |
| 5. Retirement | Retirement is calculated at 17.41% of total projected salaries which includes a 1.0% increase from the 16.41% FY '22 rate. |
| 6. Workman's Comp | Based on expected premiums calculated by the state based on the prior calendar year's salary and claims. |
| 7. Contract Labor | Fees associated with temporary employees. |
| 8. Training/Continuing Education | Continuing education for entire staff (Seminars, Operator/ Technician Exams, GIS, AWWA, etc.) including travel, meals, lodging and associated costs. |
| 9. Uniforms | Shirts, pants, shorts, jackets, and caps. |

**FY'23 Budget
Variance Summary**

Payroll and Related Costs:

The budgeted FY'23 staffing level is 39 full time employees (FTEs) which remains the same as the FY'22 budget. Board compensation is also included in this category. The total budget for payroll and related costs is \$4,531,400 reflecting a \$329,000 increase compared to the FY'22 projections. Selected/major variances are as follows:

1. Salaries for the FY'23 budget are \$3,007,500. This is a \$164,100 increase compared to the FY'22 projection of \$2,843,400. For FY'23, there is a proposed 6.0% merit pool available for increases and one-time payments. Staff is not guaranteed to receive a salary rate adjustment; salary rate adjustments are merit based and are determined on an individual basis. Additionally, this line item includes anticipated overtime and on call compensation which can vary based on customer after hour calls and disaster related events.
4. Group insurance for the FY'23 budget is \$544,500. This is a \$67,400 increase compared to the FY'22 projection of \$477,100 primarily due to an anticipated 18.1% employer rate increase starting January 2023.
5. Retirement for the FY'23 budget is \$504,500 which is a \$70,400 increase compared to the FY'22 projection of \$434,100. This line item is based on budgeted salaries at the required employer contribution rate. This rate will increase 1% from 16.41% in FY'22 to 17.41% in FY'23.

Administration Expenses

	FY'23 Budget	FY'22 Projected 8+4	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
Administration					
10 Bad Debts	30,000	30,000	-	0.0%	45,000
11 Bank/Bond Administration Fees	127,800	123,600	4,200	3.4%	116,500
12 Billing and Accounting	48,000	46,600	1,400	3.0%	48,000
13 Communications	126,600	124,100	2,500	2.0%	120,000
14 Dues and Subscriptions	16,600	16,100	500	3.1%	16,000
15 Commission Support	12,000	7,000	5,000	71.4%	5,000
16 Insurance other than group or vehicle	345,000	317,900	27,100	8.5%	368,100
17 License and Permits	69,900	67,900	2,000	2.9%	65,000
18 Office Supplies	26,400	22,900	3,500	15.3%	30,000
19 Computer Software and Supplies	141,900	130,700	11,200	8.6%	140,600
20 Personnel Support	24,900	24,100	800	3.3%	16,000
21 Postage	77,400	75,100	2,300	3.1%	74,000
22 Public Education	36,000	31,900	4,100	12.9%	30,000
23 Recruitment	5,400	4,800	600	12.5%	5,000
24 Special Functions	30,000	14,200	15,800	111.3%	12,200
25 Travel and Meals	6,000	3,100	2,900	93.5%	6,000
26 Utilities	48,600	47,200	1,400	3.0%	43,400
Total Administration	1,172,500	1,087,200	85,300	7.8%	1,140,800

Line Item Definitions – Administration Expenses

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

Line Item Definitions – Administration Expenses (continued)

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

**FY'23 Budget
Variance Summary**

Administration Expense:

This category covers those items necessary to handle the administration of the day-to-day operations. Such items as insurance other than group health insurance, computer software, utilities, public education, billing and accounting are included. Total budget for administration is \$1,172,500 reflecting a \$85,300 increase compared to the FY'22 projections. Major/selected variances are as follows:

**FY'23 Budget
Variance Summary (Continued)**

Administration Expense (continued):

16. Insurance other than group or vehicle is budgeted at \$345,000 for FY'23. This is a \$27,100 increase from the FY'22 projections. While the insurance reserve fund (IRF) is not anticipating a rate increase for FY'23, the PSD is expecting an increase in its cyber insurance policy. Additionally, staff is in the process of investigating the cost of obtaining a policy to provide coverage to its newer underground assets which the IRF does not cover.
19. Computer supplies is budgeted at \$141,900 for FY'23. This is a \$11,200 increase from the FY'22 projection of \$130,700 due to an allowance for asset management software maintenance fees.
22. Public Education is budgeted at \$36,000 which is a \$4,100 increase from the FY'22 projection to allow for additional public outreach on water conservation and irrigation.
24. Special Functions is budgeted at \$30,000 which is a \$15,800 increase from the FY'22 projection of \$14,800. This includes \$10,000 for community support of the Barnwell Tabby Project, \$5,000 for other community support, and \$15,000 for PSD meetings and functions.

Operations Expenses

	FY'23 Budget	FY'22 Projected 8+4	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
Operations					
27 Biosolids Disposal	444,000	390,900	53,100	13.6%	258,500
28 Operations Chemicals	897,700	865,900	31,800	3.7%	875,000
29 Lab Chemicals	18,600	15,500	3,100	20.0%	19,200
30 Fuel, Power and Utility	1,322,400	1,307,800	14,600	1.1%	1,284,000
31 Other Supplies and Materials	19,500	19,300	200	1.0%	14,000
32 Quality Analysis	5,100	4,000	1,100	27.5%	10,000
33 Safety	45,000	44,500	500	1.1%	25,000
34 SCADA Communications (Alarms)	33,000	30,600	2,400	7.8%	29,000
35 Tools and Small Equipment	33,300	31,900	1,400	4.4%	30,000
36 Fuel - Vehicles	90,600	86,000	4,600	5.3%	67,100
37 Insurance - Vehicles	25,800	24,100	1,700	7.1%	25,000
38 Vehicle Lease Management	5,400	2,900	2,500	100.0%	4,620
39 Vehicle Maintenance	22,400	20,500	1,900	9.3%	22,400
Total Operations	2,962,800	2,843,900	118,900	4.2%	2,663,820

Line Item Definitions – Operations Expenses

- | | |
|-----------------------------------|--|
| 27. Biosolids Disposal | Hauling and disposal of sludge. |
| 28. Operations Chemicals | Sodium hypochlorite, granular chlorine, ammonia, re-agent pillows, lime, sulfur dioxide, polymers, degreasers. |
| 29. Lab Chemicals | Chemicals and supplies, such as beakers, stirrers, sample bottles, culture cups, colored buffers, chemical standards for quality analysis use, forceps, filters, rubber gloves, etc., necessary for laboratory operations and water quality testing. |
| 30. Fuel, Power and Utility | Electricity, diesel, propane for treatment plants, wells, lift stations, RO Plant, ASR, etc. |
| 31. Other Supplies and Materials | Miscellaneous operating expense items such as batteries, marking paint, tape, cleaner, etc. |
| 32. Quality Analysis | Quality analysis testing. |
| 33. Safety | Mandatory staff meetings on topics such as forklift safety, lock-out/tag-out safety, driver safety, etc. Also, sanitation products, personal protection equipment (PPE) such as safety glasses, vests, boots, gloves, etc. and worksite safety equipment such as traffic cones, barricades, flashers, etc. |
| 34. SCADA Communications (Alarms) | Monthly cost of network service for SCADA (Supervisory Control and Data Acquisitions System) communications equipment. |

Line Item Definitions – Operations Expenses (continued)

- | | |
|-------------------------------|---|
| 35. Tools and Small Equipment | Shovels, water meter pit pumps, flags, locator probes, manhole pullers, PVC pipe saws, miscellaneous hand tools (wrenches, screw drivers, pliers, etc.) and miscellaneous power tools (cordless drills, cut-off saws, rechargeable flashlights, etc.) under \$5,000.00. |
| 36. Fuel – Vehicles | Gasoline and diesel fuel for PSD's fleet of vehicles. |
| 37. Insurance – Vehicles | Liability, collision and comprehensive insurance for fleet vehicles. |
| 38. Vehicle Lease Management | Management fees on vehicle leases. |
| 39. Vehicle Maintenance | Repairs to fleet vehicles such as oil changes, brakes, tires, batteries, windshield wipers, tire rotation, belts, fuel filters, alternators, water pumps, wheel alignment, major tune-ups, diesel injectors, engine and transmission repairs. |

**FY'23 Budget
Variance Summary**

Operations Expense:

This category covers the direct costs of operating the water distribution system, sewage collection system, wastewater treatment plant, and vehicle fleet. Such items as bio-solids disposal, chemicals, power, and lab support are included. The total budget for operations is \$2,962,800 reflecting a \$118,900 increase compared to the FY'22 projections. Major/selected variances include:

- 28. Biosolids disposal is budgeted at \$444,000 for FY'23 which is a \$53,100 increase from the FY'22 projection of \$390,900 due to a January 2022 landfill rate increase of 40%.
- 29. Operations chemicals are budgeted at \$897,700 for FY'23. This is a \$31,800 increase from the FY'22 projection of \$865,900. Chemical costs have seen significant inflationary increases during the fiscal year.
- 30. Fuel, power & utility is budgeted at \$1,322,400 for FY'23 which is a \$14,600 increase from the FY'22 projection of \$1,307,800 to allow for increased consumption related to growth.
- 36. Vehicle fuel is budgeted at \$90,600 for FY'23. This assumption assumes that fuel prices will remain around February 2022 levels.

Maintenance Expenses

	<u>FY'23 Budget</u>	<u>FY'22 Projected 8+4</u>	<u>Increase (Decrease)</u>	<u>% Change</u>	<u>FY'22 Budget</u>
Maintenance					
40 ASR Maintenance	10,200	9,400	800	8.5%	-
41 Biosolids Maintenance	5,100	5,500	(400)	-7.3%	4,500
42 Meter Device Maintenance	30,600	29,500	1,100	3.7%	15,000
43 Effluent System Maintenance	31,500	21,500	10,000	46.5%	45,000
44 Equipment Maintenance	31,500	30,300	1,200	4.0%	26,800
45 Facilities Maintenance	96,900	94,300	2,600	2.8%	87,000
46 Generator Maintenance	24,000	23,400	600	2.6%	20,000
47 Hydrant Maintenance	66,000	64,900	1,100	1.7%	55,600
48 Operations Grounds Maintenance	69,900	62,000	7,900	12.7%	64,500
49 Lift Station Maintenance	318,000	302,800	15,200	5.0%	250,000
50 Plant Maintenance - WWTP	122,400	120,100	2,300	1.9%	100,000
51 RO Maintenance	126,000	123,000	3,000	2.4%	123,600
52 SCADA Maintenance	21,600	20,900	700	3.3%	21,200
53 Water System Maintenance	219,000	278,200	(59,200)	-21.3%	250,000
54 Sewer System Maintenance	231,000	209,700	21,300	10.2%	260,000
55 Tower Maintenance	133,500	130,200	3,300	2.5%	122,700
56 Well Maintenance	48,000	30,600	17,400	56.9%	60,000
Total Maintenance	<u>1,585,200</u>	<u>1,556,300</u>	<u>28,900</u>	<u>1.9%</u>	<u>1,505,900</u>

Line Item Definitions –Maintenance Expenses

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

Line Item Definitions – Maintenance Expenses (continued)

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

**FY'23 Budget
Variance Summary**

Maintenance:

This category covers preventative maintenance and emergency repairs to water and sewer mains, ASR wells, RO system, generators, pump stations, wells, elevated water tanks, and the wastewater treatment plant that do not meet the District's property, plant, and equipment capitalization policy. Items greater than \$5,000 which extend the useful life of the asset are capitalized and included in the CIP budget. The total FY'23 budget is \$1,585,200 reflecting a \$28,900 increase compared to the FY'22 projections.

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

**FY'23 Budget
Variance Summary (continued)**

Maintenance (continued):

Major/selected variances include:

- 43. Effluent system maintenance is budgeted at \$31,500 for FY'23. This is a \$10,000 increase from the FY'22 projection of \$21,500. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.
- 45. Lift station maintenance is budgeted at \$318,000 for FY'23. This is a \$15,200 increase from the FY'22 projection of \$302,800 to allow for additional preventative maintenance.
- 48. Water system maintenance is budgeted at \$219,000 for FY'23 which is a \$59,200 decrease from the FY'22 projection of \$278,200. FY'22 included a satellite leak detection project which will not reoccur in FY'23.
- 49. Sewer system maintenance is budgeted at \$231,000 for FY'23 which is a \$21,300 increase from the FY'22 projection of \$209,700. Staff anticipates performing additional clean and camera work to maintain the system and identify potential repair issues in the upcoming fiscal year as a part of its preventative maintenance program.
- 51. Well maintenance is budgeted at \$48,000 for FY'23. This is a \$17,400 increase from the FY'22 projection of \$30,600. Discussions with operations management and a review of five-year history indicate that this is a reasonable budget amount for this line item.

Tap in and Water Expenses

	<u>FY'23 Budget</u>	<u>FY'22 Projected 8+4</u>	<u>Variance Increase (Decrease)</u>	<u>% Change</u>	<u>FY'22 Budget</u>
Tap in and Connection Expenses					
57 Tap in Expenses - Water	139,500	150,900	(11,400)	-7.6%	136,100
58 Connection Expenses - Sewer	168,000	179,300	(11,300)	-6.3%	140,000
Total Connection Expenses	307,500	330,200	(22,700)	-6.9%	276,100
Water Expenses					
59 Purchased Water	818,700	779,700	39,000	5.0%	664,000
60 ASR Water	254,800	240,400	14,400	6.0%	224,800
Total Water Expenses	1,073,500	1,020,100	53,400	5.2%	888,800

Line Item Definitions – Tap in and Water Expenses

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

**FY'23 Budget
Variance Summary**

Tap in and Water Expenses:

57/58. Tap in/connection expenses are budgeted based on a conservative estimate of new connections. They are offset by connection/inspection fee revenue. The difference between water tap in revenues and expenses is related to staff labor. The difference between sewer connection revenues and expenses are sewer inspection fees.

59/60. Purchased Water / ASR Water – BJWSA purchased water has been budgeted at \$818,700, a \$39,000 increase from FY'22 projections. ASR water has been budgeted at \$254,800, a \$14,400 increase from FY'22 projections. Water Expenses for FY'23 consist of two line items: Purchased Water Expense and ASR Water Expense. Purchased water expense consists of water that is purchased from BJWSA and not used to fill the ASR.¹ ASR water expense is for water that has been drawn out of the ASR well for sale to customers. Purchased water can also be affected by periods of down time at the RO Plant or Wells.

The current wholesale rate charged by BJWSA is \$1.97 per thousand gallons of water purchased during peak periods. BJWSA has provided an estimated 5.0% increase which equates to a rate of \$2.07. The off-peak rate for FY'23 (October through March) is \$0.91 cents per 1,000 gallons of water purchased in excess of contracted requirements. The off-peak rate is adjusted annually based on the July Consumer Price Index and BJWSA will provide 60 days' notice of their intent to adjust the rates. At this point in time the off-peak rate is estimated to increase to \$0.96 per 1,000 gallons for FY'23 based on an estimated 6.0% increase.

¹ Water purchased and used to fill the ASR well for eventual resale is initially booked to Prepaid Water Expense (Balance Sheet line item). When this water is drawn from the ASR for resale the associated expense then becomes ASR-1 Water expense on the income statement.

Professional Fees and Depreciation Expense

	FY'23 Budget	FY'22 Projected 8+4	Variance Increase (Decrease)	% Change	FY'22 Budget
Professional Fees					
61 Professional Fees - Accounting	30,000	24,200	5,800	24.0%	25,000
62 Professional Fees - Engineering	170,100	194,500	(24,400)	-12.5%	175,000
63 Professional Fees - Legal	33,600	13,800	19,800	143.5%	33,600
64 Professional Fees - Other	25,200	7,600	17,600	231.6%	20,000
Total Professional Fees	<u>258,900</u>	<u>240,100</u>	<u>18,800</u>	<u>7.8%</u>	<u>253,600</u>
Total Operating Expenses	<u>11,891,800</u>	<u>11,280,200</u>	<u>611,600</u>	<u>5.4%</u>	<u>11,099,820</u>
Operating Income before Depreciation	<u>2,746,300</u>	<u>3,153,400</u>	<u>(407,100)</u>	<u>-12.9%</u>	<u>2,876,680</u>
65 Depreciation	5,190,000	5,189,000	1,000	0.0%	5,200,000
Total Operating Expenses with Depreciation	<u>17,081,800</u>	<u>16,469,200</u>	<u>612,600</u>	<u>3.7%</u>	<u>16,299,820</u>
Change in Net Assets from Operations	<u>(2,443,700)</u>	<u>(2,035,600)</u>	<u>(408,100)</u>	<u>20.0%</u>	<u>(2,323,320)</u>

Line Item Definitions – Professional Fees and Depreciation

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

**FY'23 Budget
Variance Summary**

Professional Fees:

This category covers fees paid to professionals for legal, accounting, engineering, and other consulting assistance in the operation and administration of the District. The total FY'23 budget of \$258,900 reflects a \$18,800 increase compared to the FY'22 projections. Major/selected variances include:

- 62. Professional fees engineering is budgeted at \$175,000 for FY'23 in anticipation of completing the recommended hydraulic modeling study from the future water supply cost benefit analysis and further asset management condition assessments.
- 63. Professional fees legal is budgeted at \$33,600 in consideration of prior five-year history and in consideration of potential ARPA or other infrastructure funding and/or future water supply legal needs.
- 64. Professional fees other is budgeted at \$25,200 in consideration of prior five-year history and potential ARPA or other infrastructure fund consulting needs.

Depreciation:

This category covers depreciation of the District's water and sewer systems as well as buildings and support equipment. Although this is a non-cash item, it is an expense to the District. Staff has performed an analysis of depreciation expense including a review of expected additions and assets reaching the end of their depreciable lives. The total budgeted depreciation for FY'23 is \$5,190,000, a decrease of \$1,000 from the FY'22 projections.

Non-Operating Revenue

Non-Operating Revenue	FY'23 Budget	FY'22 Projected 8+4	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
66 GO Bond Levy	1,475,000	1,478,300	(3,300)	-0.2%	1,445,000
67 Operations Levy	1,060,000	1,056,100	3,900	0.4%	1,040,000
68 Gain on Disposition of Assets	30,000	38,500	(8,500)	-22.1%	30,000
69 Interest Income	60,000	24,900	35,100	141.0%	35,000
70 Interest Income - Assessments	56,200	70,100	(13,900)	-19.8%	59,000
72 Rental Income	85,000	84,600	400	0.5%	82,500
73 Tower Lease Income	595,500	572,100	23,400	4.1%	560,000
Total Non-Operating Revenue	3,361,700	3,324,600	37,100	1.1%	3,251,500

**FY'23 Budget
Variance Summary**

Non-Operating Revenue:

- The FY'21 assessed values were estimated by the County at \$361.4 million. The County does not anticipate being able to provide an update of the estimated value until at least May 2022. No significant changes are expected in the estimated values, so the most current estimated value provided for FY'21 of \$361.4 million has been used with a 97.5% collection rate estimate.
- The General Obligation (GO) Debt Levy is estimated at \$1,475,000 for FY'23 to meet our general obligation debt payment requirements. The GO Debt millage rate is estimated at 4.1 mills, which is lower than the FY'22 rate of 4.2. The Operations Levy is set at 3.0 mills, the same level as FY'22, and is estimated at \$1,060,000 for FY'23. These rates are calculated directly from the estimated values discussed above. Both the GO and Operations levies are collected annually via Beaufort County property tax bills.
- Gain on Disposition of Assets is related to the replacement of vehicles under the vehicle leasing program. Although no new leases are proposed in this budget due to the current interest rate environment, the sales of the vehicles replaced by the six FY'22 approved leases are not expected to take place until FY'23 due to delays in vehicle manufacturing.
- Interest Income is based on balances of our operating and trusts accounts invested in interest bearing investments. Interest is estimated at between 0.25% and 0.75%.
- Assessment Interest Receivable: Annual front foot assessments are billed and collected through Beaufort County property tax bills. These funds are collected to pay the District's front foot assessment revenue debt and are based on set amortization schedules.
- Rental Income is collected from the Town of Hilton Head 911 Center located on the second floor of the District Administration Building and the Hilton Head Plantation POA Property Lease for the boat and RV storage lot (POA Property Lease is due an annual CPI increase each September).
- Tower Lease Income is generated from the cellular companies that have leased space on the District's water towers. Projections for FY'23 are based on 4 cellular customers (AT&T, T-Mobile, Verizon, Sprint) for a total of 15 leases. Revenue is accrued monthly but billed annually to these cellular customers. The \$23,400 increase from the FY'22 projection is due to annual escalators which are set at 3.0% - 5.0%.

Non-Operating Expenses

	FY'23 Budget	FY'22 Projected 8+4	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
Non-Operating Expenses					
74 Interest Expense - Vehicles	12,000	5,500	6,500	-200.0%	7,380
75 Interest Expense - Bonds	310,600	347,000	(36,400)	-100.0%	347,000
76 Bond Defeasance Amortization	325,500	325,500	-	0.0%	325,500
77 Bond Issuance Cost	45,000	-	45,000	100.0%	-
Total Non-Operating Expenses	693,100	678,000	15,100	2.2%	679,880
Non-Operating Income/Expenses - Net	2,668,600	2,646,600	22,000	0.8%	2,571,620
Increase / Decrease in Net Assets before capital Contributions	224,900	611,000	(386,100)	-63.2%	248,300

FY'23 Budget Variance Summary

Non-Operating Expenses:

Interest Expense and Bond Defeasance Amortization – The FY'23 budget is based on the District's annual debt service schedules for all outstanding debt. The bond issuance costs are related to the anticipated FY 2023 front foot assessment issuance.

Summary of Capital Contributions

	FY'23 Budget	FY'22 Projected 8+4	Variance		FY'22 Budget
			Increase (Decrease)	% Change	
Capital Contributions					
78 Sewer Capacity Fees	156,000	363,800	(207,800)	-57.1%	152,000
79 Water Capacity Fees	114,000	195,500	(81,500)	-41.7%	110,000
80 Developer Contributions of Systems	50,000	43,900	6,100	0.0%	-
Total Developer Contributions of Systems	320,000	603,200	(283,200)	-46.9%	262,000
Change in Net Assets	\$ 544,900	\$ 1,214,200	\$ (669,300)	-55.1%	\$ 510,300

**FY'23 Budget
Variance Summary**

Developer Contribution of Systems:

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

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

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

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

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

FY'23 Rate Funded Capital Improvement Plan Budget

CIP Projects			2023	2024	2025	2026	2027
CIP Rate Funded Projects (Amounts in 000's)		Priority Ranking					
WWTP							
Centrifuge Conveyor Belt	Replace conveyor belt on centrifuge.	3	10.0				
Reuse Water System	Upgrades, improvements, etc. to the reuse water system including pumps, motors, meters, valves, etc.	4	280.0	100.0	100.0	150.0	150.0
Blower Building	Roof repairs at the blower building.	5	65.0				
Filter Building Blowers	Replace 1 of 2 filter blowers. Blowers run during backwash.	6	35.0	35.0			
Return Activated Sludge (RAS) Pump Actuators	Replace actuators (4 actuators total/ replace 2 per year	7	40.0	40.0			
Paint Buildings and Tank	Paint buildings and tanks	9	80.0	80.0	80.0	80.0	80.0
RAS Pump	Rebuild valves & cartridges (4 pumps/1 per year)	12	30.0	30.0	30.0	30.0	
Sludge Building	Replace metal shed sludge handling building	15	390.0				
Clarifier Rims	Sandblast and coat clarifier rims and table	17	38.0	38.0			
Transfer Pump Seal Water System	Repair/replace seal water system that keeps the transfer pumps cool	18	75.0				
Filter Building	Tint windows and upgrade doors for energy savings	20	12.0				
System Rehab	Replace valves, actuators, motors, parts, etc.	*	200.0	200.0	200.0	200.0	200.0
Influent Screen	Back up to band screen.			500.0			
WWTP switch Gear for Generator	Replace generator switch gear			250.0			
Warehouse	Build new warehouse building				850.0		
Filter Media (Anthracite)	Replace Anthracite in 3 filters						100.0
TOTAL WWTP			\$ 1,255.0	\$ 1,273.0	\$ 1,260.0	\$ 460.0	\$ 530.0
Wastewater Collection System							
Gravity Main Line Refurbishment	Gravity sewer main line repairs and relining	1	350.0	350.0	250.0	250.0	250.0
Upgrade Monitoring of Lift Stations	Switching 93 units from Missions to SeaLevel	2	38.0				
SCADA Improvements	Improve communications between stations and towers	16	15.0				
Lift Stations - Rehab	Rehab and pumps	*	275.0	275.0	275.0	275.0	275.0
District Funded MSP Projects	District Funded MSP Projects	*	75.0	75.0	75.0	75.0	75.0
System Rehab	Replace pipes, manholes, laterals, equipment as dictated by inspections	*	100.0	150.0	200.0	250.0	250.0
TOTAL COLLECTION SYSTEM			\$ 853.0	\$ 850.0	\$ 800.0	\$ 850.0	\$ 850.0
Water Distribution System							
Generator Switch Gear at LOM	New switch gear for LOM Generator	8	35.0				
ASR Well Site	Install Roof over ASR well head and piping	10	60.0				
SCADA Improvements	Windows Upgrade at RO Plant	11	40.0				
Fire Hydrants	New and replacement hydrants	*	115.0	115.0	115.0	115.0	115.0
Metering System	Changing out meters and base stations	*	400.0	400.0	400.0	400.0	400.0
Ground Storage Tank and Well Pumps	VFD's, PLC's	*	30.0	30.0	30.0	30.0	30.0
System Rehab	Replace valves, equipment, RO membranes etc.	*	90.0	95.0	100.0	105.0	110.0
TOTAL DISTRIBUTION SYSTEM			\$ 770.0	\$ 640.0	\$ 645.0	\$ 650.0	\$ 655.0
Facilities and Equipment							
4" Bypass Pump	Pumps to bypass lift stations	13	60.0	60.0	70.0	70.0	70.0
Fork Lift	Fork lift at warehouse	14	40.0				
Leak Detection	Acoustic leak detection equipment	19	10.0				
Admin Building	Paint, carpet, etc.	*	30.0	30.0	30.0	30.0	30.0
Technology	General computer equipment	*	30.0	30.0	30.0	30.0	30.0
Excavator	Mini Excavator			75.0			75.0
Vehicles	Fleet replacements				140.0	140.0	140.0
TOTAL FACILITIES AND EQUIPMENT			\$ 170.0	\$ 195.0	\$ 270.0	\$ 270.0	\$ 345.0
TOTAL RATE FUNDED CIP PROJECTS			\$ 3,048.0	\$ 2,958.0	\$ 2,975.0	\$ 2,230.0	\$ 2,380.0

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

**FY'23 Rate Related CIP Projects
 Funded from User Fees**

Wastewater Treatment Plant

Centrifuge Conveyor Belt.....	\$10,000
<ul style="list-style-type: none"> • Replace centrifuge conveyor belt. 	
Reuse Water System.....	\$280,000
<ul style="list-style-type: none"> • Finalize upgrade to Royal James irrigation station which pumps reclaimed water to the County Club of Hilton Head golf course including cleaning and painting the CROM tank. NOTE: Any remaining unused portion of the \$200,000 FY'22 project will be carried over and added to this line item for completion in FY'23. • Upgrade Port Royal & Palmetto Hall irrigation stations which pump water to the Palmetto Hall wetlands, Palmetto Hall lagoon, and Port Royal golf course. 	
Blower Building Roof	\$65,000
<ul style="list-style-type: none"> • Roof repairs at the blower building. 	
Filter Building Blowers	\$35,000
<ul style="list-style-type: none"> • Replace 1 of 2 filter blowers. 	
RAS Pump Actuators.....	\$40,000
<ul style="list-style-type: none"> • Replace actuators (4 actuators total/2 per year) 	
Paint Buildings and Tanks.....	\$80,000
<ul style="list-style-type: none"> • Paint WWTP buildings and tanks. 	
RAS Pumps.....	\$30,000
<ul style="list-style-type: none"> • Rebuild valves & cartridges (4 pumps/1per year). 	
Sludge Building.....	\$390,000
<ul style="list-style-type: none"> • Replace metal shed sludge handling building. 	
Clarifier Rims.....	\$38,000
<ul style="list-style-type: none"> • Sandblast and coat clarifier rims and table. 	
Transfer Pump Seal Water System.....	\$75,000
<ul style="list-style-type: none"> • Repair/replace seal water system that keeps the transfer pumps cool. 	
Filter Building.....	\$12,000
<ul style="list-style-type: none"> • Tint windows and upgrade doors for energy savings. 	

Wastewater Treatment Plant (continued)

System Rehab.....\$200,000

- Replace valves, actuators, motors, parts, etc.

Total Wastewater Treatment Plant.....\$1,225,000

WWTP (Amounts in 000's)	2023	2024	2025	2026	2027
Centrifuge Conveyor Belt	10.0	-	-	-	-
Reuse Water System	280.0	100.0	100.0	150.0	150.0
Blower Building	65.0	-	-	-	-
Filter Building Blowers	35.0	35.0	-	-	-
Return Activated Sludge (RAS) Pump Actuators	40.0	40.0	-	-	-
Paint Buildings and Tank	80.0	80.0	80.0	80.0	80.0
RAS Pump	30.0	30.0	30.0	30.0	-
Sludge Building	390.0	-	-	-	-
Clarifier Rims	38.0	38.0	-	-	-
Transfer Pump Seal Water System	75.0	-	-	-	-
Filter Buidling	12.0	-	-	-	-
System Rehab	200.0	200.0	200.0	200.0	200.0
Influent Screen	-	500.0	-	-	-
WWTP switch Gear for Generator	-	250.0	-	-	-
Warehouse	-	-	850.0	-	-
Filter Media (Anthracite)	-	-	-	-	100.0
	\$ 1,255.0	\$ 1,273.0	\$ 1,260.0	\$ 460.0	\$ 530.0

Wastewater Collection System

- Gravity Main Line Refurbishment.....\$350,000**
- Reline 24” and 30” metal pipe in Indigo Run.
- Upgrade Monitoring of Lift Stations\$38,000**
- Switching 93 units from Missions to Sealevel. This switch is expected to save monitoring operating costs in upcoming fiscal years.
- SCADA Improvements.....\$15,000**
- Improve communications between stations and towers.
- Lift Station Rehab\$275,000**
- Major repairs and replacements to PSD lift stations.
- District Funded MSP Projects.....\$75,000**
- Continued District funding of remaining unserved MSP Projects.
- System Rehab.....\$100,000**
- Replace equipment, pipes, manholes, laterals as dictated by inspections.
- Total Collection System\$853,000**

Collection System (Amounts in 000's)	2023	2024	2025	2026	2027
Gravity Main Line Refurbishment	350.0	350.0	250.0	250.0	250.0
Upgrade Monitoring of Lift Stations	38.0	-	-	-	-
SCADA Improvements	15.0	-	-	-	-
Lift Stations - Rehab	275.0	275.0	275.0	275.0	275.0
District Funded MSP Projects	75.0	75.0	75.0	75.0	75.0
System Rehab	100.0	150.0	200.0	250.0	250.0
	\$ 853.0	\$ 850.0	\$ 800.0	\$ 850.0	\$ 850.0

Water Distribution System

- Generator Switch Gear at LOM.....\$35,000**
- New gear switch for Leg O Mutton generator.
- ASR Well Site\$60,000**
- Install roof over ASR well head and piping.
- SCADA Improvements.....\$40,000**
- Windows upgrade at RO Plant.
- Fire Hydrants\$115,000**
- New hydrants and hydrant repairs/replacements. The PSD anticipates the continuation of the partnership with the Town of Hilton Head whereby they will reimburse 50% of the cost of new hydrants in selected areas up to \$50,000.
- Metering System.....\$400,000**
- Change out meters and base stations.
- Ground storage tank, well pumps & controls\$30,000**
- VFD's, PLC's, etc.
- System Rehab\$90,000**
- Replace valves, equipment, RO membranes, etc.
- Total Distribution System\$770,000**

Distribution System (Amounts in 000's)	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Generator Switch Gear at LOM	35.0	-	-	-	-
ASR Well Site	60.0	-	-	-	-
SCADA Improvements	40.0	-	-	-	-
Fire Hydrants	115.0	115.0	115.0	115.0	115.0
Metering System	400.0	400.0	400.0	400.0	400.0
Ground Storage Tank and Well Pumps	30.0	30.0	30.0	30.0	30.0
System Rehab	90.0	95.0	100.0	105.0	110.0
	\$ 770.0	\$ 640.0	\$ 645.0	\$ 650.0	\$ 655.0

NOTE: Any remaining unused portion of the FY'22 \$100,000 U.S. 278 Bridge Transportation Project budget will be carried over into FY'23 should any expenses need to be incurred related to this project. The District believes that it will be reimbursed for the majority of the costs associated with this project with the exception of any line upsizing costs but the timeline of the project and anticipated reimbursements is unknown. Reimbursement may not be received in the same fiscal year expenses are incurred.

Facilities and Equipment

- 4" Bypass Pumps.....\$60,000**
- Pumps to bypass lift stations.
- Fork Lift.....\$40,000**
- New forklift at warehouse. Current warehouse forklift will be moved to RO Plant.
- Leak Detection.....\$10,000**
- Acoustic leak detection equipment.
- Admin Building.....\$30,000**
- Interior paint, carpeting, walling in cubicles, etc. NOTE: Any remaining unused portion of the \$150,000 FY'22 project will be carried over and added to this line item for completion.
- Technology.....\$30,000**
- General computer equipment.
- Vehicles.....\$0**
- No new vehicle leases in FY'23 due to current interest rates. Due to vehicle production delays, the 6 leases approved during the FY'22 may be carried over into FY'23 for execution.
- Total Facilities and Equipment.....\$170,000**

Facilities and Equipment (Amounts in 000's)	2023	2024	2025	2026	2027
4" Bypass Pump	60.0	60.0	70.0	70.0	70.0
Fork Lift	40.0	-	-	-	-
Leak Detection	10.0	-	-	-	-
Admin Building	30.0	30.0	30.0	30.0	30.0
Technology	30.0	30.0	30.0	30.0	30.0
Excavator	-	75.0	-	-	75.0
Vehicles	-	-	140.0	140.0	140.0
	\$ 170.0	\$ 195.0	\$ 270.0	\$ 270.0	\$ 345.0

Total FY'23 Rate Funded CIP Projects..... \$3,048,000

**FY'23 Potential Infrastructure Funding &
Future Water Supply CIP Project Lists**

Staff has compiled the following list of projects for which it intends to pursue any ARPA/IIJA or other infrastructure funding opportunities that may become available. At this time, there is no concrete guidance on what projects might be eligible for this funding or what match may be required. The District has already submitted several of these projects to local agencies that received ARPA money for their consideration but has not received any decision as to whether any funds might be awarded under this program. Preliminarily, a 25% match has been discussed for the ARPA and IIJA funds which has been shown below. Should this or any other match be required to obtain funding, the District would need to consider whether to fund that match out of its cash reserves or to obtain separate financing for the match.

CIP Projects - ARPA/IIJA Projects (Amounts in 000's)		Est. Project Total	Est. Match @ 25%
WWTP Screw Pumps	Replacement of 3 Screw Pumps	\$ 3,080.0	770.0
Collections - Royal James Lift Station	Tank, Pump, and Site Upgrade	300.0	75.0
RO Plant	Generator for RO Plant	500.0	125.0
Leg O Mutton Pump Station	New high service pumps/motors/controls	400.0	100.0
Ashmore ASR Well	Construct ASR Well at Ashmore	5,000.0	1,250.0
Fort Walker ASR Well	Construct ASR Well at Fort Walker	4,000.0	1,000.0
TOTAL PROJECTS FOR INFRASTRUCTURE FUNDING AND POTENTIAL ESTIMATED MATCH		\$ 13,280.0	\$ 3,320.0

Additionally, the District has identified the following two additional projects related to its wholesale water contract and infrastructure that might be relevant to future water supply planning in the upcoming years. The District would also need to consider whether to fund these projects out of cash reserves or through other financing means should they become necessary.

CIP Projects - Potential Wholesale Water Supply Projects (Amounts in 000's)		Est. Project Total
BJWSA Capacity	Purchase remaining 1.3MG capacity at \$1.55	\$ 2,015.0
BJWSA 24" Main Line	Upsize 24" main line during SCDOT bridge project	300.0
TOTAL POTENTIAL WHOLESALE WATER SUPPLY PROJECTS		\$ 2,315.0

These projects are not included in any of the cash flow projections and are provided for purposes of evaluating the District's long term financial position only. Should it become advantageous to undertake any of these projects, a plan for financing them would be brought to the Commission at a later date.

Cash Flow and Five-Year Projections

Cash Flow

The table below shows a summary of FY'21 actual cash flow, FY'22 projected cash flow, and FY'23 budgeted cash flow. Cash is currently projected to increase by approximately \$814,700 for FY'22 and decrease by approximately \$218,200 for FY'23 based on budgeted numbers.

	Actual FY 2021	Projected FY 2022	Budgeted FY 2023
Preliminary Cash Flow Projections			
Beginning Cash on Hand	\$ 8,975,500	\$ 10,289,400	\$ 11,104,100
(Projected) Change in Net Position	2,607,100	1,214,200	544,900
Less Financed Assessments Capacity and Tap Fees	(134,200)	(65,800)	(105,000)
Accrual Changes	16,700	-	-
Add Depreciation	5,188,000	5,189,000	5,190,000
Add Amortization / Bond Defeasance	265,100	325,500	325,500
Add Interest Expense	511,200	347,000	322,600
Add Assessment Collections	200,500	202,000	210,000
Add Debt Proceeds	29,005,000	-	350,000
Less Debt Payoffs	(30,349,500)	-	-
- Debt Payments	(4,373,700)	(3,901,200)	(4,008,200)
- Capital Improvement Projects (transfer & additions)	(1,622,300)	(2,496,000)	(3,048,000)
(Projected) Cash on Hand	<u>\$ 10,289,400</u>	<u>\$ 11,104,100</u>	<u>\$ 10,885,900</u>
	Actual FY 2021	Projected FY 2022	Budgeted FY 2023
Composition of Cash			
Restricted Cash on hand for Debt Service	\$ 559,800	\$ 559,800	\$ 559,800
Restricted Cash on hand for Debt Service - GO Debt Levy	120,600	120,600	120,600
Unrestricted Cash	9,609,000	10,423,700	10,205,500
Total Cash on Hand	<u>\$ 10,289,400</u>	<u>\$ 11,104,100</u>	<u>\$ 10,885,900</u>
(Projected) Change related to Cash on Hand	<u>\$ 1,313,900</u>	<u>\$ 814,700</u>	<u>\$ (218,200)</u>

You will notice that the actual FY'21 contains a line called accrual changes. The District uses the accrual method of accounting whereby revenues and expenses are recorded when earned or incurred rather than when paid. This line item reconciles the change in net position for accrual purposes to the cash received/paid. The FY'22 projection, FY'23 budget, and future year projections do not attempt to project these timing-related accrual differences. As previously noted, the table above also does not attempt to project any cash flow related to the infrastructure or future water supply projects shown on the previous page.

Cash Flow and Five-Year Projections

Five-Year Projections

The table below provides a five-year projection of change in net position, cash flow, days cash on hand, and debt service. FY'22 and FY'23 are based on the current year projections and budget. Water and Sewer revenues for FY'24 – FY'27 are projected based on a 1.0% water customer growth rate and a 1.2% sewer customer growth rate; no additional rate increases are shown as a part of this projection. Other revenues and expenses are projected based on any known expectations and growth rates from 0-3% with most expense growth rates set at 2.0%. This projection is meant to be a high-level snapshot of the District's five-year financial position at current rates with current expectations only. Future year budgets and rates will be prepared and proposed based on the updated needs of the District at that time. This projection does not include any impacts related to the potential infrastructure funding or future water supply projects shown on page 41.

	Projected FY'22	Budget FY'23	Projection FY'24	Projection FY'25	Projection FY'26	Projection FY'27
Total Operating Revenue	\$ 14,433,600	\$ 14,638,100	\$ 14,746,400	\$ 14,852,200	\$ 14,959,200	\$ 15,067,400
Total Operating Expenses with Depreciation	16,469,200	17,081,800	17,332,500	17,589,300	17,852,200	18,121,400
Change in Net Position from Operations	(2,035,600)	(2,443,700)	(2,586,100)	(2,737,100)	(2,893,000)	(3,054,000)
Total Non-Operating Revenue	3,324,600	3,361,700	3,465,400	3,284,500	3,356,700	3,429,000
Total Non-Operating Expenses	678,000	693,100	619,000	575,300	530,100	477,400
Non-Operating Income/Expenses - Net	2,646,600	2,668,600	2,846,400	2,709,200	2,826,600	2,951,600
Increase in Net Position before Capital Contributions	611,000	224,900	260,300	(27,900)	(66,400)	(102,400)
Total Capital Contributions	603,200	320,000	320,000	320,000	320,000	320,000
Change in Net Position	<u>\$ 1,214,200</u>	<u>\$ 544,900</u>	<u>\$ 580,300</u>	<u>\$ 292,100</u>	<u>\$ 253,600</u>	<u>\$ 217,600</u>
Total CIP Budget Cash Flow	(2,496,000)	(3,048,000)	(2,958,000)	(2,975,000)	(2,230,000)	(2,380,000)
Add: Non Cash Depreciation Expense	5,189,000	5,190,000	5,190,000	5,190,000	5,190,000	5,190,000
Less: Debt Service Payments	(3,901,200)	(4,008,200)	(4,066,400)	(3,905,600)	(3,869,500)	(3,814,500)
Other Debt Related Adjustments	672,500	648,100	619,000	575,300	530,100	477,400
FFA Assessment, net	136,200	455,000	235,000	235,000	235,000	235,000
Total Non-CIP Other Cash Flow Adjustments	2,096,500	2,284,900	1,977,600	2,094,700	2,085,600	2,087,900
Projected Change in Cash Flow	\$ 814,700	\$ (218,200)	\$ (400,100)	\$ (588,200)	\$ 109,200	\$ (74,500)
Projected Beginning Unrestricted Cash	9,609,000	10,423,700	10,205,500	9,805,400	9,217,200	9,326,400
Projected Ending Unrestricted Cash	<u>\$ 10,423,700</u>	<u>\$ 10,205,500</u>	<u>\$ 9,805,400</u>	<u>\$ 9,217,200</u>	<u>\$ 9,326,400</u>	<u>\$ 9,251,900</u>
Projected Days Cash on Hand	337	313	295	271	269	261
Projected Net Earnings Available for Debt Service	5,733,600	5,101,000	5,048,400	4,929,500	4,806,400	4,678,900
Parity Revenue Debt Service	2,686,000	2,438,000	2,466,400	2,473,700	2,440,600	2,435,400
Projected Debt Coverage with Capacity Fees	213%	209%	205%	199%	197%	192%
Projected Debt Coverage without Capacity Fees	193%	198%	194%	188%	186%	181%

FY' 23 Schedule of Rates, Fees, and Deposits

Water & Irrigation Monthly Base Rate per Unit:		Sewer Base Monthly Rate per Unit:	
Residential Customers	16.50	Residential Customers	18.50
Commercial Customers	21.50	Commercial Customers	18.50
Residential Water		Residential & Commercial Sewer	
Monthly Usage Rates per 1,000 Gallons:		Monthly Usage Rates per 1,000 Gallons:	
Block 1 - 0 to 10,000 Gal	1.47	Residential sewer usage is capped at	2.00
Block 2 - 10,001 to 20,000 Gal	1.91	10,000 gallons per month. There is	
Block 3 - 20,001 to 30,000 Gal	2.36	no cap on commercial sewer usage.	
Block 4 - All Over 30,000 Gal	2.98		
Commercial Water & Irrigation		Meter Install Fees	
Monthly Usage Rates per 1,000 Gallons:		(Existing Service Line)	
Block 1 - 0 to 10,000 Gal	1.69	3/4" Meter	1,180.00
Block 2 - 10,001 to 20,000 Gal	2.06	1" Meter	1,500.00
Block 3 - 20,001 to 30,000 Gal	2.53	2" Meter and Backflow	3,440.00
Block 4 - All Over 30,000 Gal	3.18	Any other size	Time & Materials
Residential Irrigation		Meter Install Fees	
Monthly Usage Rates per 1,000 Gallons:		(No Existing Service Line)	
Block 1 - 0 to 10,000 Gal	1.91	3/4" Meter	1,390.00
Block 2 - 10,001 to 20,000 Gal	1.91	1" Meter	1,710.00
Block 3 - 20,001 to 30,000 Gal	2.36	Any other size	Time & Materials
Block 4 - All Over 30,000 Gal	2.98	Sewer Lateral Installation Fees	Greater of \$1,200 or Time & Materials
Other Fees & Charges		Capactiv Fees (per unit):	
Grease Trap Inspection Fee	100.00	Water Capacity (House):	2,400.00
Backflow Inspection Fee	100.00	Water Capacity (Mobile Home):	1,800.00
Sewer Inspection Fee	100.00	Sewer Capacity	3,040.00
Hydrant Meter Set Fee	200.00	Deposits:	
Late Fees	Greater of \$5 or 2%	Residential Deposit	100.00
Returned Payment Fees	15.00	Contractor Deposit	100.00
Reconnection Fee	35.00	Commercial Deposit	200.00
Meter Tampering	50.00	Hourly Labor Rate for time and materials and for	
System/Meter Damage	Time & Materials	work performed for outside agencies	
			65.00