

# ***ISLE OF PALMS WATER & SEWER COMMISSION***

## ***FINAL WATER AND SEWER RATE REPORT***

*June 14, 2024*

*Adopted June 12, 2024*





# EXECUTIVE SUMMARY

As part of its annual financial and capital planning, the Isle of Palms of Palms Water and Sewer Commission (Commission) asked Confluence Consulting, Inc. (Confluence) to update its five-year financial forecast (Financial Forecast) and evaluate the financial and customer impacts of its on-going operations and financial plan. FY 2025 will mark the completion of the Commission's Forest Trails WWTP expansion project and the construction of the new pump station at Wild Dunes that will divert wastewater flows from the Wild Dunes WWTP which will be decommissioned. The Commission began the Forest Trails WWTP expansion project in 2022 after the City of Isle of Palms (City) issued \$16.1 million in Series 2020 Water and Sewer Revenue Bonds (Series 2020 Bonds) to fund the project. Inflationary factors and supply chain challenges in 2021 resulted in significantly higher than anticipated building materials and other construction related costs, and since FY 2023 the Commission has used a combination of higher than anticipated rate increases, grant funding, and available cash balances to fund the incremental capital costs. The recommended FY 2025 rate increases should represent the final year of these more significant rate increases as the Commission begins to process building up its cash reserves.

This water and sewer rate report (Rate Report) summarizes the Commission's existing utility rate structures, provides an updated five-year forecast of utility rate adjustments, and recommends water and sewer rates for the Commissioners to consider for implementation in fiscal year (FY) 2025.

## 1. Existing Water & Sewer Rate Structures

The current water and sewer rate structures have been in place for many years and the billing system segregates the approximately 4,727 water and 2,815 sewer accounts into 116 different rate codes.<sup>1</sup> The water and sewer rate structures are similar as both consist of three basic charge components which include 1) fixed monthly basic facility charges (BFCs), tiered volumetric charges that increase as the customer's consumption increases, and tiered surcharges that increase as the customer's consumption increases.

### A. Basic Facilities Charges (BFCs)

Table E-1 below presents the current FY 2024 water and sewer BFCs assessed to the various rate codes based on billing groups which are defined based on equivalent residential units (ERU), customer class, and/or meter size. It should be noted that the rate structure assesses BFCs to the pool rate codes and master metered (multi-family/resorts) residential rate codes based on the number of ERU assigned to an

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<sup>1</sup> For the purposes of this rate analysis, the number of water and wastewater accounts served by the Commission are estimated based on the accounts billed during FY 2024. These accounts represent only those accounts that are billed user rates and charges, which excludes private fire line accounts, non-billable IOPWSC accounts, and certain grandfathered accounts. For this reason, the estimated utility accounts in this rate analysis are not necessarily consistent with the number of accounts presented in the monthly Manager's Report.

individual account, as determined by Commission staff and based on South Carolina Department of Health and Environmental Control (DHEC) wastewater contributory loading standards.<sup>2</sup>

**Table E-1: Water and Sewer Basic Facilities Charges**

Billing Group (1)	Category	Water Monthly Charge	Sewer Monthly Charge	Charge Ratio (2)
1	Residential and <1-inch meters	\$ 17.80	\$ 39.45	1.00
2	1-inch	\$ 36.00	\$ 75.60	2.02
3	1.5-inch	\$ 66.30	\$ 138.20	3.72
4	2-inch	\$ 120.20	\$ 250.60	6.75
5	3-inch	\$ 223.60	\$ 467.65	12.56
6	4-inch	\$ 359.60	\$ 749.50	20.20
7	6-inch	\$ 688.00	\$ 1,414.80	38.65

- (1) The BFC for the residential and less than 1-inch meter assumes the base level of capacity required to serve one (1) ERU. For pools and master metered residential customers which are included in Billing Group 1, the BFC assessed per account is based on the number of ERUs assigned to that account multiplied by the BFC for one ERU, or \$17.80 for water.
- (2) Charge ratios presented in this table reflect the proposed water basic facilities charges. Charges for meter sizes greater than 6-inch have been negotiated.

## B. Volumetric Charges and Penalty Surcharges

The Commission also assesses volumetric charges and penalty surcharges to customers based on the monthly amount of metered water use per units of 1,000 gallons. Both the volumetric charges and penalty surcharges are tiered block rates that price water and sewer at increasingly higher per unit charges as the customer’s usage increases. Increasing tier volumetric charges are considered conservation rates that encourage efficient use of water resources as they focus on discouraging wasteful and inefficient use.

The water and sewer volumetric charge structures include five (5) increasing block volumetric charges assessed to customers based on water and sewer usage intervals and the demand characteristics of the six different billing group categories. The lowest tier one volumetric charge is assessed to the different billing groups based on increasingly higher tier one usage intervals that reflect higher base demands for higher use commercial customers with larger meters. Each subsequent tier (2 through 5) interval reflects the next 9,000 gallons of water and sewer usage for that billing group. The additional penalty surcharges are assessed for customer water usage above the tier one usage intervals.

Table E-2 summarizes the current increasing water tier block volumetric charges and penalty surcharges assessed based on usage interval for each of the water billing groups.

<sup>2</sup> The existing billing codes and rate structures refer to pool and multifamily equivalent residential units (ERU) as equivalent living units (ELU). To be consistent with DHEC and accepted industry terminology, this Rate Report will use the term ERU.

**Table E-2: Water Volumetric Charges and Penalty Surcharges by Usage Interval**

Usage	Volume Charges	Surcharges	Consumption in 1,000 gallons					
			Billing Groups					
			1	2	3	4	5	6
Tier 1	\$ 4.05	\$ 0.00	0-9	0-18	0-54	0-80	0-193-	0-326-
Tier 2	\$ 4.90	\$ 2.30	10-18	19-27	55-63	81-89	194-202	327-335
Tier 3	\$ 5.65	\$ 2.80	19-27	28-36	64-72	90-98	203-211	336-344
Tier 4	\$ 6.20	\$ 3.40	28-36	37-45	73-81	99-107	212-220	345-353
Tier 5	\$ 8.10	\$ 5.10	>36	>45	>81	>107	>220	>353

Table E-3 summarizes the current increasing sewer tier block volumetric charges and penalty surcharges assessed based on usage interval for each of the sewer billing groups.

**Table E-3: Sewer Volumetric Charges and Penalty Surcharges by Usage Interval**

Usage	Volume Charges	Surcharges	Consumption in 1,000 gallons					
			Billing Groups					
			1	2	3	4	5	6
Tier 1	\$ 7.30	\$ 0.00	0-9	0-18	0-54	0-80	0-193	0-326
Tier 2	\$ 8.95	\$ 2.80	10-18	19-27	55-63	81-89	194-202	327-335
Tier 3	\$ 10.15	\$ 3.35	19-27	28-36	64-72	90-98	203-211	336-344
Tier 4	\$ 12.40	\$ 4.55	28-36	37-45	73-81	99-107	212-220	345-353
Tier 5	\$ 15.80	\$ 5.60	>36	>45	>81	>107	>220	>353

## 2. Annual Revenue Requirements Forecast

The total annual costs for a water and sewer utility to provide services to its customers are referred to as the utility’s annual revenue requirements. Revenue requirements include the utilities annual operating and maintenance (O&M) expenses and its annual capital expenditures. It is typical practice for government-owned utilities to recover revenue requirements that are determined on a cash-needs approach, with an objective to provide revenues sufficient to recover the total cash requirements during an annual period.

### A. Operating and Maintenance

The forecast of water and sewer O&M during the five-year forecast period is based on the approved FY 2025 Operating Budget, which serves as the base year of the forecast. The FY 2025 O&M expenses are forecasted to escalate based on anticipated annual increases in personal costs (salaries and benefits) of 5.0%, power and chemicals of 5.0%, anticipated water purchases from Charleston Water System (CWS) of 2.5%, and inflation of 2.5% for all other recurring O&M expenses. The Commission categorizes its O&M expenses into nine (9) operating departments which include the following:

## ISLE OF PALMS WATER & SEWER COMMISSION

- Billing & Collection – Water
- Administration & General – Water
- Water Treatment – Water
- Transmission & Distribution – Water
- Source of Supply – Water
- Billing & Collection – Sewer
- Administration & General – Sewer
- Wastewater Treatment – Sewer
- Collection – Sewer

The annual O&M expenses are forecasted to range from the \$3.8 million budgeted in FY 2025 to \$4.3 million in FY 2029. Table E-4 presents the annual forecast of water and sewer O&M expenses during the five-year planning period.

**Table E-4: Forecasted Annual Utility Operating & Maintenance Expenses**

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Water	\$ 2,082,008	\$ 2,138,988	\$ 2,216,366	\$ 2,296,874	\$ 2,380,649
Sewer O&M	\$ 1,676,751	\$ 1,744,395	\$ 1,815,016	\$ 1,888,753	\$ 1,965,752
<b>Total O&amp;M</b>	<b>\$ 3,758,759</b>	<b>\$ 3,883,383</b>	<b>\$ 4,031,382</b>	<b>\$ 4,185,627</b>	<b>\$ 4,346,401</b>

### B. Capital Expenditures

Because the Commission faces capital improvements that will require a significant use of available unrestricted cash balances, one of the objectives of the rate analysis is to integrate capital planning needs into the process of developing an appropriate five-year program of utility rates and charges, and to assess the impact of the capital needs over the five-year planning period.

#### Water Capital Improvements

The Commission is required to make total capital payments of nearly \$2.1 million during the planning period for its portion of the annual improvements for its contract capacity with the Charleston Water System (CWS). The water CIP also includes several improvements to the Commission's distribution system, including hydrants, water line improvements for looping and increased capacity, extension of the discharge line at the Reverse Osmosis WTP, and replacing smaller diameter lines with larger lines. The total costs of the five-year water CIP are approximately **\$14.5 million**.

#### Sewer Capital Improvements

To increase wastewater treatment efficiencies and consolidate all its treatment services at the newer Forest Trails WWTP, the Commission should complete the expansion of the Forest Trails WWTP to 1.4 MGD and utilize the new pumping station at the Wild Dunes WWTP to divert existing flows to the expanded Forest Trails WWTP in September of 2024, with the decommissioning of Wild Dunes by November of 2024. The sewer CIP also includes annual improvements to the Commission's collection system, including installing a gravity sewer main in Basin N and upgrading electrical systems. The total costs of the five-year sewer CIP are approximately **\$10.1 million**.

### Financing Plan

Generally, the Commission utilizes four different financing methods which includes cash from rates, impact fee funds, debt, and grant funded capital. Cash from rates includes the accumulated operating reserves and annual cash reserves generated through monthly rates and charges while impact fee funds represent annual and accumulated balances of impact fee collections. Debt financing, which generally includes revenue bonds and/or SRF Loans for water and sewer, are typically limited to the larger and more expensive projects such as treatment capacity and major infrastructure needs to be met immediately, while spreading out costs over 20 years. The City and Commission issued the 20-year revenue bonds to finance capital improvement costs for the Forest Trails WWTP expansions, with \$1.6 million remaining through Federal Emergency Management Agency (FEMA) grant funds and \$4.1 million available through the American Rescue Plan Act (ARPA). The remaining sewer capital improvements will be funded through a combination of cash from rates (\$4.1 million) and impact fee funds (\$572,000). Approximately \$14.4 million in water capital improvements will be funded through a combination of cash from rates (\$13.6 million) and impact fee funds (\$416,000), and approximately \$475,000 available through the ARPA.

Since the Commission issued debt to fund a significant portion of the Sewer CIP, annual debt service is incorporated as part of the analysis based on actual scheduled debt service payments on the \$16.1 million 2020 Series Revenue Bonds. The recently issued Series 2020 Revenue Bonds have a 20-year term and an annual interest rate of 1.72%.<sup>3</sup>

Table E-5 provides the forecast of existing annual debt service requirements for the Commission’s utility debt issues. At this time, no additional debt is anticipated to be issued during the five-year forecast period. Since the proceeds from the existing and proposed bonds fund improvements to the Forest Trails WWTP, all the debt service payments are included in the sewer revenue requirements.

**Table E-5: Forecast of Annual Debt Service Requirements**

<b>Annual Debt Service Payments</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Series 2020 Revenue Bonds - Proposed	<u>977,250</u>	<u>977,000</u>	<u>975,250</u>	<u>976,875</u>	<u>976,750</u>
<b>TOTAL DEBT SERVICE PAYMENTS</b>	<b>\$ 977,250</b>	<b>\$ 977,000</b>	<b>\$ 975,250</b>	<b>\$ 976,875</b>	<b>\$ 976,750</b>

### C. Revenue Sufficiency and Recommended Rate Revenue Adjustments

To evaluate whether revenues under existing rates would be adequate, or sufficient to recover the projected revenue requirements over the five-year planning period, revenues were estimated under the existing FY 2024 water and sewer user rates and charges assuming annual growth in new accounts and projected metered water use. (For more information on anticipated customer growth and demand, see Tables 1 and 2 on page 4.)

<sup>3</sup> The interest rate represents the True Interest Cost.

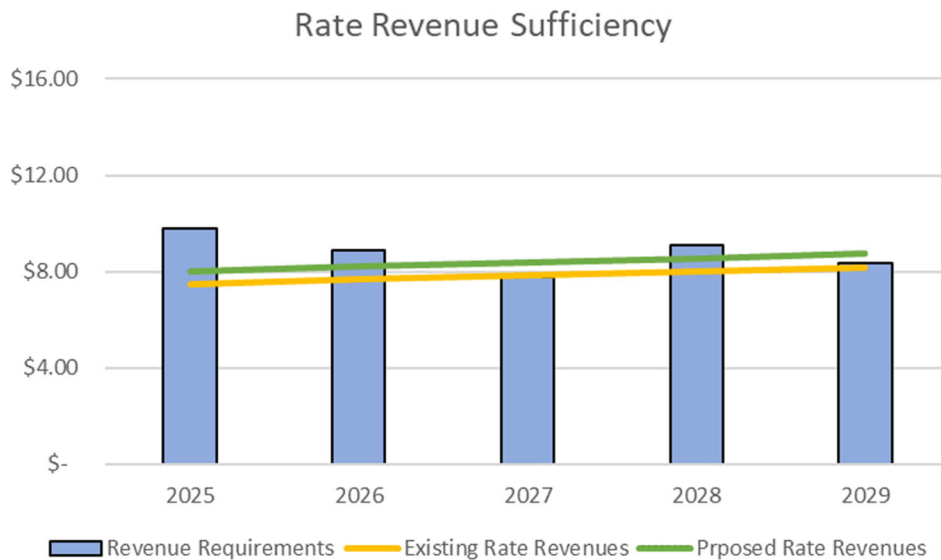


ISLE OF PALMS WATER & SEWER COMMISSION

Forecasted revenue are then compared to the annual revenue requirements of the water and sewer systems. This analysis indicates that with the annual debt service and rate funded capital projects, customer demand and existing user rates and charges are not sufficient to recover the annual revenue requirements for the water and/or sewer system during the planning period. This revenue deficiency is expected as the Commission continues to draw from its unrestricted cash balances to fund significant capital projects in FY 2025 and FY 2026, including the completion of the Forest Trails WWTP upgrade. This requires rate increases to maintain minimum unrestricted cash balances during the planning period. Specifically, water and sewer rates are anticipated to need an annual increase in FY 2025 to provide approximately 8.0% in additional water and sewer user rate revenues, and 2.0% rate increases for both water and sewer in each remaining year of the forecast period.

The estimated annual revenue sufficiency/deficiency under the existing water and sewer rates and the proposed five-year program of sewer rate adjustments to address projected revenue deficiencies are shown in Chart E-1 below.

**Chart E-1: Utility Revenue Sufficiency Under Recommended Rate Adjustments (\$ in millions)**



Annual Rate Revenue Adjustments	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Water Rate Revenues	7.80%	2.01%	2.01%	2.01%	2.01%
Sewer Rate Revenues	7.81%	2.01%	2.01%	2.02%	2.02%
Combined Rate Revenues	7.81%	2.01%	2.01%	2.01%	2.02%
Forecasted Debt Coverage	<b>4.87x</b>	<b>4.94x</b>	<b>4.98x</b>	<b>5.00x</b>	<b>5.03</b>



### D. Debt Coverage and Unrestricted Cash Reserves

Two key measures of a utility’s financial strength are its debt service coverage ratio and its cash liquidity, or available cash on hand. The debt service coverage ratio measures the utility’s performance in generating sufficient operating revenues to cover its debt service obligations. The second key measure of a utility’s financial health, cash liquidity provides a measure of the utility’s available reserves to maintain operations, fund ongoing investments, and to respond to fiscal uncertainties, should they arise. Based on its Financial Policies Document, the Commission has a debt coverage target of 2.0x and unrestricted cash reserves on hand target equal to at least 360 days of annual O&M expenses.

Revenue surpluses and less significant capital project needs during previous years have provided the Commission with current cash reserves representing 576 days of its current O&M expenses, which is over 1.5 times the recommended 360 days cash on hand minimum target. The Commission is now in the process of utilizing these cash reserves to fund rate and cash funded capital projects while still maintaining the 2.0X debt coverage target during the five-year forecast period. This will allow the Commission to meet its operating and capital needs while continuing to mitigate the impact of the Forest Trails WWTP expansion on customer rates.

## 3. Proposed FY 2025 User Rates & Charges

Based on projected revenue requirements, rate increases of approximately 8.0% for both water and sewer are needed in FY 2025: while 2.0% annual rate increases for both water and sewer are needed in each subsequent year in the forecast. The FY 2025 water and sewer recommended rate increases mark the second straight 8% annual increase and is consistent with the rate increase projected as part of the FY 2024 rate recommendations. The increases to the water and sewer rates are recommended to generate approximately \$285,000 and \$280,000 in additional water and sewer user rate revenues respectively in FY 2025.

Table E-6 presents the current FY 2024 and proposed FY 2025 monthly water BFCs for the various billing groups which generally reflect customers with different meter sizes.

**Table E-6: Current and Proposed FY 2024 Water Basic Facilities Charges**

Billing Group	Meter Size	Current 2024	Proposed 2025	Increase
1	3/4" (1)	\$ 17.80	\$ 19.20	\$ 1.40
2	1"	\$ 36.00	\$ 38.90	\$ 2.90
3	1.5"	\$ 66.30	\$ 71.60	\$ 5.30
4	2"	\$ 120.20	\$ 129.80	\$ 9.60
5	3"	\$ 223.60	\$ 241.50	\$ 17.90
6	4"	\$ 359.60	\$ 388.40	\$ 28.80
7	6"	\$ 688.00	\$ 743.00	\$ 55.00

ISLE OF PALMS WATER & SEWER COMMISSION

(1) The BFC for Billing Group 1 is also applied for to each ERU assigned to a customer. Pools and multi-family residential (hotels, condominiums, resorts, etc.) are assigned ERUs and are included in Billing Group 1.

Table E-7 presents the current FY 2024 and proposed FY 2025 water volumetric charges and penalty surcharges assessed per 1,000 gallons of monthly water use. While these volumetric charges and surcharges are assessed to all billing groups, the increment or usage tier a particular customer is assessed these charges depends on the billing group to which that customer belongs.

**Table E-7: Current and Proposed FY 2025 Water Volumetric and Penalty Surcharges (per 1,000 gallons)**

Usage Tier	Current FY 2024		Proposed FY 2025		Increase	
	Volumetric Charges	Penalty Surcharges	Volumetric Charges	Penalty Surcharges	Volumetric	Surcharge
Tier 1	\$ 4.05	N/A	\$ 4.35	N/A	\$ 0.30	\$ -
Tier 2	\$ 4.90	\$ 2.30	\$ 5.30	\$ 2.50	\$ 0.40	\$ 0.20
Tier 3	\$ 5.65	\$ 2.80	\$ 6.10	\$ 3.00	\$ 0.45	\$ 0.20
Tier 4	\$ 6.20	\$ 3.40	\$ 6.70	\$ 3.70	\$ 0.50	\$ 0.30
Tier 5	\$ 8.10	\$ 5.10	\$ 8.75	\$ 5.50	\$ 0.65	\$ 0.40

Table E-8 presents the current FY 2024 and proposed FY 2025 monthly sewer BFCs for the various billing groups which generally reflect customers with different meter sizes.

**Table E-8: Current and Proposed FY 2025 Sewer Basic Facilities Charges**

Billing Group	Meter Size	Current 2024	Proposed 2025	Increase
1	3/4" (1)	\$ 39.45	\$ 42.60	\$ 3.15
2	1"	\$ 75.60	\$ 81.65	\$ 6.05
3	1.5"	\$ 138.20	\$ 149.25	\$ 11.05
4	2"	\$ 250.60	\$ 270.65	\$ 20.05
5	3"	\$ 467.65	\$ 505.00	\$ 37.35
6	4"	\$ 749.50	\$ 809.50	\$ 60.00
7	6"	\$ 1,414.80	\$ 1,528.00	\$ 113.20

(1) The BFC for Billing Group 1 is also applied for to each ERU assigned to a customer. Pools and multi-family residential (hotels, condominiums, resorts, etc.) are assigned ERUs and are included in Billing Group 1.

Table E-9 presents the current FY 2024 and proposed FY 2025 sewer volume charge and penalty surcharges assessed per 1,000 gallons of monthly sewer use. While these charges and surcharges are

assessed to all billing groups, the increment or usage tier that a specific customer is assessed these charges depends on the billing group to which that customer belongs.

**Table E-9: Current and Proposed FY 2025 Sewer Volumetric and Surcharges (per 1,000 gallons)**

Usage Tier	Current FY 2024		Proposed FY 2025		Increase	
	Volumetric Charges	Penalty Surcharges	Volumetric Charges	Penalty Surcharges	Volumetric	Surcharge
Tier 1	\$ 7.30	N/A	\$ 7.85	N/A	\$ 0.55	\$ -
Tier 2	\$ 8.95	\$ 2.80	\$ 9.65	\$ 3.00	\$ 0.70	\$ 0.20
Tier 3	\$ 10.15	\$ 3.35	\$ 10.95	\$ 3.65	\$ 0.80	\$ 0.30
Tier 4	\$ 12.40	\$ 4.55	\$ 13.40	\$ 4.90	\$ 1.00	\$ 0.35
Tier 5	\$ 15.80	\$ 5.60	\$ 17.05	\$ 6.00	\$ 1.25	\$ 0.40

**A. Typical Bill Comparison With Local Communities**

To demonstrate the impact and local competitiveness of the proposed FY 2025 user rates and charges, a comparison of the monthly bills for the typical residential customer (Billing Group 1) under the current FY 2024 and proposed FY 2025 user rates and charges to the monthly bills assessed to similar customers of other local utilities provides a benchmark when considering the impact of the proposed rate increases.

Table E-10 provides a comparison of a typical utility customer with average monthly water use of 6,000 gallons per month for the Commission and nine (9) other utilities in coastal South Carolina.

**Table E-10: Comparison of Typical Monthly Customer Bills with Local Communities**

Utility/Community	User Rates and Charges (6,000 gal/month)		
	Water	Sewer	Total
Sullivan's Island	\$48.69	\$96.16	\$144.85
<b>IOPWSC - Proposed</b>	<b>\$45.30</b>	<b>\$89.70</b>	<b>\$135.00</b>
<b>IOPWSC - Current</b>	<b>\$42.10</b>	<b>\$83.25</b>	<b>\$125.35</b>
Charleston Water System	\$28.57	\$94.53	\$123.10
Mount Pleasant - Proposed	\$49.16	\$71.99	\$121.15
Mount Pleasant	\$46.27	\$67.76	\$114.03
Seabrook Island	\$59.95	\$51.70	\$111.65
MPW - Current	\$46.27	\$67.76	\$114.03
Dorchester County	\$49.60	\$61.25	\$110.85
<b>Average (Excluding IOPWSC)</b>	<b>\$41.11</b>	<b>\$59.68</b>	<b>\$100.79</b>
Beaufort-Jasper	\$35.22	\$58.90	\$94.12
Berkeley County	\$37.36	\$27.50	\$64.86
Hilton Head Island PSD	\$25.62	\$31.46	\$57.08
Summerville Public Works	\$25.50	\$27.50	\$53.00

As the comparison demonstrates, even before the proposed FY 2025 rate adjustments the Commission is above the average of the comparison group. While the water rates are more in line with the comparison group average, the Commission’s sewer rates are among the highest of the group. The higher sewer rates result as the Commission serves a very small sewer customer base and must recover the costs of wastewater treatment facilities from fewer customers, thus limiting its ability to achieve economies of scale through a larger customers base. Additionally, the Commission must pay annual debt service on the Series 2020 Bonds issued to fund the expansion of capacity at the Forest Trails WWTP which will serve as the lone wastewater treatment facility serving Isle of Palms.

It should also be noted that the bills calculated for the comparison group are based on the utilities’ current FY 2024 rates, proposed FY 2025 rates, and/or published rates for FY 2025. It is likely that some of the comparison utilities will also be faced with FY 2025 rate increases that are not reflected in this comparison. Furthermore, it should be noted that many of the comparison utilities have recently adopted significant water and sewer rate increases. These utility rate increases most likely reflect the same recent inflationary trends that the Commission is facing resulting from labor shortages, wage pressures, and supply chain disruptions.

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# I. INTRODUCTION

Confluence Consulting, LLC (Confluence) is pleased to submit this water and sewer rate report (Rate Report) documenting the recommended fiscal year (FY) 2025 water and sewer rates and an updated five-year financial planning and utility rate forecast (Financial Forecast) conducted for the Isle of Palms Water & Sewer Commission (Commission). The Commission asked Confluence to provide this Financial Forecast as part of its annual long-term financial planning process.

FY 2025 will mark the completion of the Commission's Forest Trails WWTP expansion project and the construction of the new pump station at Wild Dunes that will divert wastewater flows from the decommissioned Wild Dunes WWTP. The Commission began the Forest Trails WWTP expansion project in 2022 after the City of Isle of Palms (City) issued \$16.1 million in Series 2020 Water and Sewer Revenue Bonds (Series 2020 Bonds) to fund the project. Inflationary factors and supply chain challenges in 2021 resulted in significantly higher than anticipated building materials and other construction related costs, and since FY 2023 the Commission has used a combination of higher than anticipated rate increases, grant funding, and available cash balances to fund these incremental capital costs. The recommended FY 2025 rate increases should represent the final year of these more significant rate increases as the Commission begins the process of building up its cash reserves.

The Commission provides water and sewer service to Isle of Palms, a 6-mile barrier island located in Charleston County. The Commission is governed by a board of elected officials and provides service in areas that cannot be provided for by any other agency. The Commission was created in 1992 through an ordinance enacted by the City of Isle of Palms and Section 5-31-250, et. seq., of the Code of Laws of South Carolina 1976, as amended, to own, operate, and manage the water and sewer systems of the Isle of Palms. The Commission is governed by five Commissioners elected by the residents of the City of Isle of Palms and provides services to approximately 4,727 water accounts and 2,815 sewer accounts.<sup>4</sup> While all current sewer customers also receive water service from the Commission, approximately 1,131 water customers on the island have individual septic systems.

Because the Series 2020 Bonds are payable solely from the revenues derived from the operation of the Commission after first paying the costs and expenses of operating and maintaining the system, the Financial Forecast was developed to ensure that annual water and sewer user rates and charges are sufficient to fund operations, maintain adequate cash reserves, and meet debt coverage requirements during five-year forecast period. The Commission's approach to use available cash balances to fund the

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<sup>4</sup> For the purposes of this rate analysis, the number of water and wastewater accounts served by the Commission are estimated based on the accounts billed during FY 2024. These accounts represent only those accounts that are billed user rates and charges, which excludes private fire line accounts, non-billable IOPWSC accounts, and certain grandfathered accounts. For this reason, the estimated utility accounts in this rate analysis are not necessarily consistent with the number of accounts presented in the monthly Manager's Report.

## *ISLE OF PALMS WATER & SEWER COMMISSION*

incremental costs of the Forest Trails WWTP expansion will continue to require close monitoring of the actual costs of the project and the annual available cash on hand during FY 2025.

The purpose of this Rate Report is to summarize the analysis and recommendations of the Study. Specifically, the Rate Report is organized in the following sections:

- I. Introduction;
- II. Customer Growth and Demand;
- III. Annual Revenue Requirements Forecast;
- IV. Proposed FY 2025 User Rates & Charges;
- V. Typical Customer Bill Impacts; and
- VI. Comparison With Other Local Utilities.



## II. CUSTOMER GROWTH AND DEMANDS

The Commission currently provides services to approximately 4,727 water accounts and 2,815 sewer accounts (exclusive of the 239 grinder pump accounts).<sup>5</sup> While all current sewer customers also receive water service from the Commission, there are approximately 1,131 water customers on the island that have individual septic systems. Properties served by individual septic systems are located in areas that do not currently have access or proximity to the Commission’s wastewater collection infrastructure.

Based on a historical analysis of customer account growth and billed demands for water and sewer (customer meter readings), the Commission has added approximately 148 new water (including 70 irrigation accounts) and 185 new sewer accounts since July 2016. Billing data provided for fiscal years 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024 indicated annual growth in customer accounts has been less than 1.0% annually for both water and sewer. The analysis of metered usage by water and sewer accounts during that same period indicates that metered usage has fluctuated according to weather patterns with little to no relationship with growth in accounts. Based on this historical analysis of customer growth and demands and the limited area for growth through developing vacant lots, minimal growth in new customer and metered usage are projected during the five-year planning period. Specifically, annual growth projections assume 5 new water residential accounts (less than 1-inch meter), 10 new irrigation accounts, and 10 new sewer residential accounts (less than 1-inch meter) each year of the five-year planning period. Because metered usage has fluctuated with no relationship to residential account growth, no growth in metered usage is assumed as part of this forecast.

Table 1 summarizes the recent historical customer account and demand growth and a five-year projection of the water accounts and metered water use (in 1,000 gallons) from FY 21 through FY 29.

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<sup>5</sup> For the purposes of this rate analysis, the number of water and wastewater accounts served by the Commission are estimated based on the accounts billed during FY 2024. These accounts represent only those accounts that are billed user rates and charges, which excludes private fire line accounts, non-billable IOPWSC accounts, and certain grandfathered accounts. For this reason, the estimated utility accounts in this rate analysis are not necessarily consistent with the number of accounts presented in the monthly Manager’s Report.

ISLE OF PALMS WATER & SEWER COMMISSION

**Table 1: Historical and Projected Water Customers and Demand (FY 21 through FY 29)**

Accounts	Historical			Projected					
	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
Residential	3,817	3,818	3,831	3,839	3,844	3,849	3,854	3,859	3,864
Commercial	121	122	121	121	121	121	121	121	121
Pools/Multi-fam	36	36	36	36	36	36	36	36	36
Irrigation	694	697	711	731	741	751	761	771	781
<b>Total Water Accounts</b>	<b>4,668</b>	<b>4,673</b>	<b>4,699</b>	<b>4,727</b>	<b>4,742</b>	<b>4,757</b>	<b>4,772</b>	<b>4,787</b>	<b>4,802</b>

Metered (kgal)	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
Residential	264,932	265,491	265,687	265,687	265,687	265,687	265,687	265,687	265,687
Commercial	27,646	29,482	29,482	34,231	34,231	34,231	34,231	34,231	34,231
Pools	5,931	5,877	5,860	5,860	5,860	5,860	5,860	5,860	5,860
Irrigation	100,316	103,754	105,326	105,326	105,326	105,326	105,326	105,326	105,326
<b>Total Water Metered Usage</b>	<b>398,825</b>	<b>404,604</b>	<b>411,104</b>	<b>411,104</b>	<b>411,104</b>	<b>411,104</b>	<b>411,104</b>	<b>411,104</b>	<b>411,104</b>

Table 2 summarizes the recent historical customer account and demand growth and a five-year projection of the sewer accounts and metered sewer flows (in 1,000 gallons) from FY 21 through FY 29.

**Table 2: Historical and Projected Sewer Customers and Demand (FY 21 through FY 29)**

Accounts	Historical			Projected					
	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
Residential	2,603	2,617	2,655	2,701	2,711	2,721	2,731	2,741	2,751
Commercial	88	87	87	89	89	89	89	89	89
Pools/Multi-fam	22	22	22	22	22	22	22	22	22
<b>Total Sewer Accounts</b>	<b>2,713</b>	<b>2,726</b>	<b>2,764</b>	<b>2,812</b>	<b>2,822</b>	<b>2,832</b>	<b>2,842</b>	<b>2,852</b>	<b>2,862</b>

Metered (kgal)	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
Residential	168,825	172,147	173,097	173,097	173,097	173,097	173,097	173,097	173,097
Commercial	22,880	27,169	31,225	31,225	31,225	31,225	31,225	31,225	31,225
Pools	1,516	4,000	1,520	1,520	1,520	1,520	1,520	1,520	1,520
<b>Total Sewer Metered Flows</b>	<b>193,221</b>	<b>203,316</b>	<b>205,842</b>	<b>205,842</b>	<b>205,842</b>	<b>205,842</b>	<b>205,842</b>	<b>205,842</b>	<b>205,842</b>

### III. ANNUAL REVENUE REQUIREMENTS FORECAST

The total annual costs for a water and sewer utility to provide services to its customers are referred to as the utility’s annual revenue requirements. Revenue requirements include the utilities annual operating and maintenance (O&M) expenses and its annual capital expenditures. It is typical practice for government-owned utilities to recover revenue requirements that are determined on a cash-needs approach, with an objective to provide revenues sufficient to recover the total cash requirements during an annual period. Under the cash-needs approach, operating expenses are based on the utilities budgeted operating expenses for the initial test-year with anticipated inflationary and other demand related adjustments applied to project the operating expenses in the remaining forecast years. Annual capital expenditures include annual debt service (principal and interest) payments, cash funded capital expenditures, and funding of debt and other reserves which typically provide net revenues sufficient to meet annual debt service coverage requirements. Non-cash expenditures, such as depreciation are excluded from the revenue requirements determined under the cash-needs approach.

This section of the Rate Report provides a discussion of the projected annual O&M expenses and capital expenditures (revenue requirements) of the Commission’s enterprise fund.

#### 1. Operating and Maintenance

The first step in determining the program of water and sewer user rates and charges is to develop the forecast of annual O&M expenses for the water and sewer utilities. The forecast of water and sewer O&M during the five-year forecast period is based on the FY 2025 Operating Budget, approved on May 17, 2024, which serves as the base year of the forecast. The FY 2025 O&M expenses are forecasted to escalate based on anticipated annual increases in personal costs (salaries and benefits) of 5.0%, power and chemicals of 5.0%, anticipated water purchases from CWS of 2.5%, and inflation of 2.5% for all other recurring O&M expenses. The Commission categorizes its O&M expenses into nine (9) operating departments identified in Table 3 below.

**Table 3: IOPWSC Water & Sewer Operating Departments**

Isle of Palms Water & Sewer Commission Operating Departments	
Water Departments	Sewer Departments
Billing & Collection – Water	Billing & Collection – Sewer
Administration & General – Water	Administration & General – Sewer
Water Treatment	Wastewater Treatment
Transmission & Distribution	Collection
Source of Supply	

Billing & collection and administrative costs are shared expenditures that are allocated among water and sewer by the Commission as part of their annual budgeting process.

## 2. Capital Expenditures

One of the objectives of the rate analysis is to integrate capital planning needs into the process of developing an appropriate five-year program of utility rates and charges, and to assess the impact of the capital needs over the five-year planning period. Generally, the Commission utilizes four different financing methods which includes cash from rates, impact fee funds, debt, and grant funded capital.

### A. Water Capital Improvements

The Commission does not have any planned expansions to its Reverse Osmosis WTP or Contract Capacity with CWS. However, the Commission is required to make total capital payments of nearly \$2.1 million during the planning period for its portion of the annual improvements to the CWS water system. The water CIP also includes several improvements to the Commission's distribution system, including hydrants, water line improvements for looping and increased capacity, extension of the discharge line at the Reverse Osmosis WTP, and replacing smaller diameter lines with larger lines.

Because these water improvements benefit both existing and new customers, impact fee funds are used to fund a portion of the annual capital projects. The total costs of the five-year water CIP are approximately \$14.5 million.

Table 4 provides a summary of the five-year water capital projects and the anticipated funding sources in the water CIP.

**Table 4: Five-Year Total for Water Capital Improvements Plan (FY 2025 through FY 2029)**

<b>Water Capital Improvements</b>	<b>Total</b>
CCPW Capital Improvement Program	\$ 2,140,125
New Roof WTP #2	14,000
Fairway Dunes/Duneridge-replace existing w/8" (phase 1)	2,239,393
Fairway Dunes/Duneridge-10"- loop across golf course (Phase 2)	2,178,543
Beach Club Villas North water line replacement	1,176,078
Twin Oaks Water Line Replacement	1,379,568
Beachwood East/Dunecrest Lane w/l replacement	1,966,895
Ocean Point/Replace existing 6" w/l with 8" PVC	2,476,959
RO Concentrate Discharge Line Extension	710,000
Joint Project Allocated to Water	240,240
<b>TOTAL WATER CAPITAL PROJECTS</b>	<b>\$ 14,521,801</b>

<b>Funding Sources</b>	
Annual Rate/Cash Funded	\$ 13,701,545
Impact Fees	496,323
Grant Funding (ARPA)	475,700
<b>TOTAL FUNDING SOURCES</b>	<b>\$ 14,521,801</b>

## B. Sewer Capital Improvements

To increase treatment efficiencies and consolidate all its treatment services at the newer Forest Trails WWTP, the Commission is scheduled to complete the expansion of the Forest Trails WWTP to 1.4 MGD and the new pumping station at the Wild Dunes WWTP to divert existing flows to the expanded Forest Trails WWTP in September 2024, with the decommissioning of Wild Dunes WWTP in November of 2024. These projects will allow for the decommission of the old Wild Dunes WWTP and a consolidation of treatment operations at the Forest Trails WWTP.

The Commission’s pay as you go funding approach and recent wastewater rate increases in anticipation of the Forest Trails WWTP expansion generated strong current cash levels that will be used to fund the remaining incremental costs of the project. The Commission will continue to use available cash balances to fund the \$4.1 million of sewer project costs. The Commission will also use the remaining \$1.6 million of the total \$4.1 million in FEMA grant funding on the remaining construction costs of the Forest Trails WWTP expansion.

The Commission will complete two significant sewer projects to install a gravity sewer in Basin N and replace the effluent discharge line at the Forest Hills WWTP with \$4.1 million in additional grant funding available through the ARPA. The sewer CIP also includes annual improvements to the Commission’s

ISLE OF PALMS WATER & SEWER COMMISSION

collection system, including gravity sewer cleaning, inspections, and repairs; and upgrading the existing electrical systems. These improvements benefit both existing and new customers and impact fee funds are used to fund a portion of the annual capital projects. The total costs of the five-year sewer CIP are \$10.1 million.

Table 5 provides a summary of the sewer capital projects and the anticipated funding sources in the sewer CIP.

**Table 5: Five-Year Total for Sewer Capital Improvements Plan (FY 2025 through FY 2029)**

Sewer Capital Improvements Plan	Total
Upgrade Existing Electrical Systems & Equip.	\$ 26,985
Upgrade Forest Trails WWTP to 1.4 MGD	2,890,871
Install Gravity Sewer Basin N (ARPA)	4,900,000
Replace Effluent Discharge Line FTWWTP (ARPA)	1,410,000
Gravity Sewer Cleaning/Inspection	100,000
Clean Tanks Wild Dunes WWTP	175,000
Demo Wild Dunes WWTP	375,000
Spare Grinder Pumps	60,000
Joint Project Allocated to Sewer	160,160
<b>TOTAL SEWER CAPITAL PROJECTS</b>	<b>\$ 10,098,016</b>

Funding Sources	
Annual Rate/Cash Funded	\$ 4,120,949
Impact Fees	572,444
Grant Funding	5,744,081
Debt Funding	-
<b>TOTAL FUNDING SOURCES</b>	<b>\$ 10,437,474</b>

- (1) The total estimated cost of the Upgrade to Forest Trails WWTP is \$26,178,000. However, initial engineering and construction began in FY 2022 and it is estimated that by July 1, 2024 the Commission will have already expended approximately \$23.3 million on the WWTP upgrade. The costs for the Forest Trail WWTP included in this rate analysis may differ from the costs included in the Commission’s approved CIP due to differences in the estimated progress and invoices paid on the project at the time of this analysis.

**C. Financing Plan**

In the project summaries in Appendix A, Schedule 2-A and Schedule 2-B, there are four different financing methods used. These methods include cash from rates, impact fee funds, debt, and grant funded capital. Cash from rates includes the accumulated operating reserves and annual cash reserves generated through monthly rates and charges. These funds are available after all annual O&M expenses have been funded.

## ISLE OF PALMS WATER & SEWER COMMISSION

Impact fee funds represent annual and accumulated balances of impact fee collections.<sup>6</sup> In anticipation of the Forest Trails WWTP expansion and annual debt service associated with the Series 2020 Bonds the Commission implemented wastewater rate increases in each of the past five fiscal years (FY 2020, FY 2021, FY 2022, FY 2023, and FY 2024). These rate increases were designed to ensure revenue self-sufficiency for the wastewater system and provide adequate debt service coverage for the Series 2020 Bonds. These wastewater rate increases allowed the Commission to generate strong current cash levels that funded approximately \$5.0 million in capital projects in FY 2024 and will be used to fund the \$4.8 million in capital project costs in FY 2025. The use of these cash reserves continues to be supplemented by the \$8.9 million in FEMA and ARPA grant funding.

The remaining sewer capital improvements will be funded through a combination of cash from rates (\$4.1 million), FEMA (\$1.6 million) and ARPA grant funding (\$4.1 million), and impact fee funds (\$572,000). All \$14.5 million in water capital improvements will be funded through a combination of cash from rates (\$13.6 million), ARPA grant funding (\$475,700), and impact fee funds (\$416,000).

The CIP is a multi-year schedule that lays out a series of water and sewer capital projects and costs over a five-year capital planning period (FY 2025 through FY 2029). The CIP provides a specific plan for how the Commission expects to expand or construct its facilities and services to meet the demands of existing and/or new population and businesses. The Commission has designed a CIP to coordinate the financing and timing of capital improvements in a way that maximizes the benefits to the Commission and its water and sewer customers.

Since the Commission recently issued debt to fund a significant portion of the sewer CIP, annual debt service payments are an important part of the analysis based on actual scheduled debt service payments on currently outstanding debt. The Commission issued 10-year Revenue Bonds in 2012 to fund initial construction of Forest Trails WWTP and the final debt service payment on this bond series was made in FY 2022. The recently issued Series 2020 Revenue Bonds have a 20-year term and an annual interest rate of 1.72%.<sup>7</sup>

Table 6 provides the forecast of existing annual debt service requirements for the Commission's utility debt issues. Since the proceeds from the existing and proposed bonds fund improvements to the Forest Trails WWTP, all the debt service payments are included in the sewer revenue requirements.

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<sup>6</sup> The Commission's long-term practice in funding its capital improvements is to use annual rate revenues and accumulated operating reserves. In those years where rate revenues are in excess of annual cash funded capital needs, the Commission builds up cash reserves. The accumulated unrestricted cash reserves as of June 30, 2024 are estimated to be approximately \$6.0 million after the Commission utilized approximately \$5.0 million to fund capital projects in FY 2024. Utilizing these cash reserves to fund capital projects allows the Commission to mitigate annual user rate increases during the five-year planning period.

<sup>7</sup> The interest rate represents the True Interest Cost.



**Table 6: Forecast of Annual Debt Service Requirements**

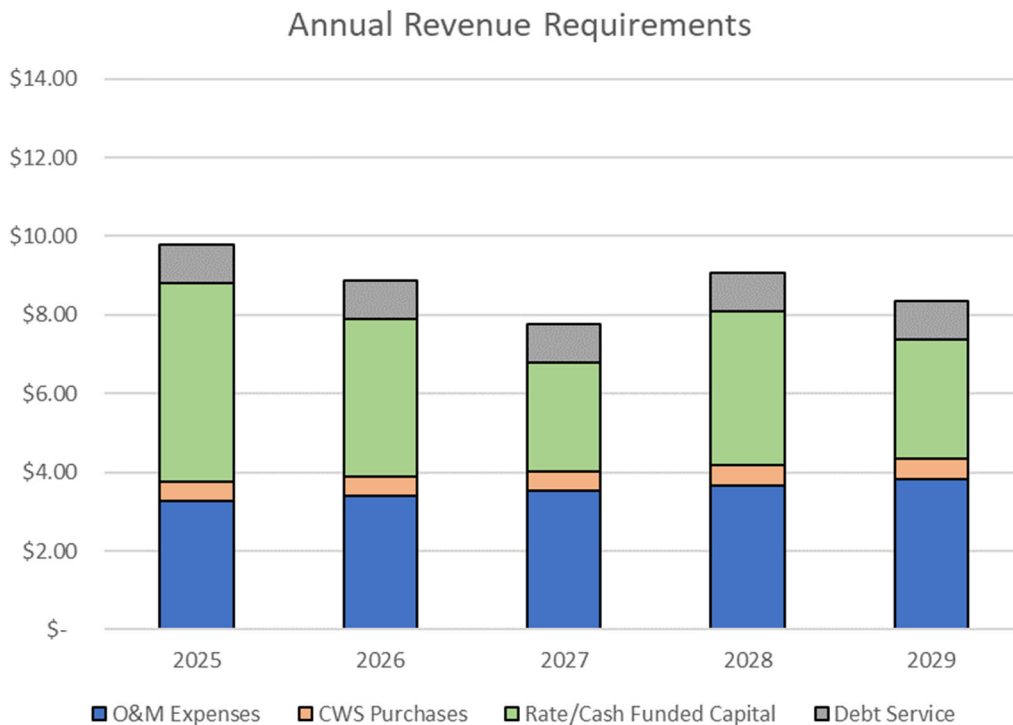
Annual Debt Service Payments	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Series 2020 Revenue Bonds - Proposed	977,250	977,000	975,250	976,875	976,750
<b>TOTAL DEBT SERVICE PAYMENTS</b>	<b>\$ 977,250</b>	<b>\$ 977,000</b>	<b>\$ 975,250</b>	<b>\$ 976,875</b>	<b>\$ 976,750</b>

### 3. Annual Revenue Requirements

The annual revenue requirements consist of the five-year forecast of O&M expenses, wholesale water purchases, annual capital costs based on the Commission’s five-year financial plan, and debt service on existing revenue bond issues. As Chart 1 demonstrates, the revenue requirements throughout the five-year forecast include significant cash funded capital that will be funded primarily through rates and available unrestricted cash balances.

Chart 1 presents the annual water and wastewater revenue requirements during the five-year forecast.

**Chart 1: Forecast of Annual Revenue Requirements (\$ in millions)**



#### A. Revenue Sufficiency and Recommended Rate Revenue Adjustments

The next step of the rate analysis is to evaluate whether revenues under existing rates would be adequate, or sufficient to recover the projected revenue requirements over the five-year planning period. First, revenues were estimated under current FY 2024 water and sewer user rates and charges assuming annual

## ISLE OF PALMS WATER & SEWER COMMISSION

growth in new accounts and projected metered water use from Section II. Forecasted revenue were then compared to the annual revenue requirements of the water and sewer systems. This analysis indicates that with the debt service and rate funded capital projects, customer demand and existing user rates and charges are not sufficient to recover the annual revenue requirements for the water system and/or the sewer system during the planning period. To maintain the Commission's minimum unrestricted cash balance target of at least 360 days of annual operating expenses, and its debt service coverage ratio of at least 2.0x; the Commission will need to continue its program of annual adjustments to its water and sewer rates. However, under the current forecast assumptions, FY 2025 represents the final year that significant rate increases are required as the Commission completes the Forest Trails WWTP expansion project.

Specifically, water and sewer rates are anticipated to need an annual increase in FY 2025 to provide approximately 8.0% in additional water and sewer user rate revenues, and 2.0% rate increases for both water and sewer in each remaining year of the forecast period to ensure long-term revenue sufficiency.<sup>8</sup> The more significant rate increases in FY 2025 represents the second straight 8% rate increase (FY 2024) which are necessary to maintain unrestricted cash balances due to increased construction costs for the Forest Trails WWTP upgrade and other water and sewer projects.

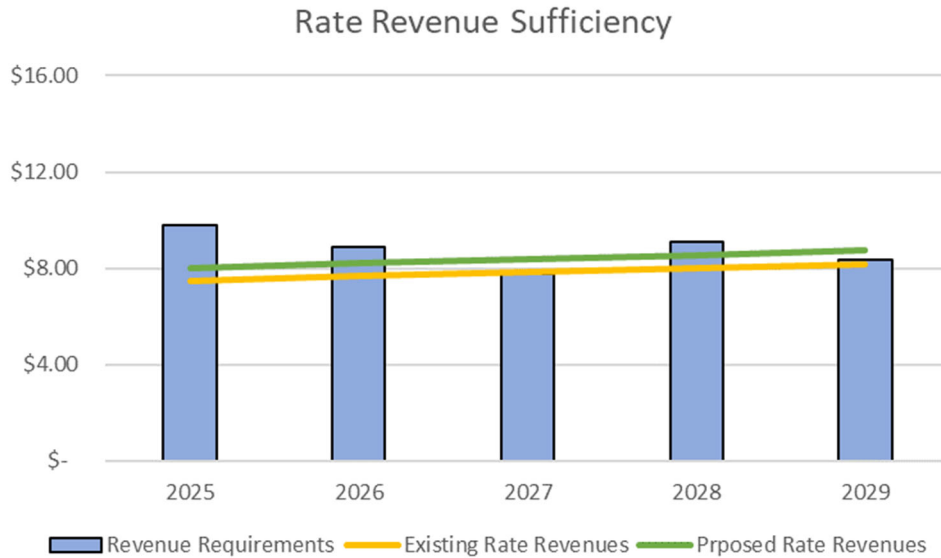
It should be noted that the projected annual adjustments to user rates and charges are designed to fully recover the anticipating O&M water and sewer expenses and fund capital expenditures during the five-year forecast period. Should operating conditions or capital needs change during the later years of the financial forecast period, the annual rate adjustments may need to be re-evaluated.

The estimated annual revenue sufficiency/deficiency under the existing water and sewer rates and the proposed five-year program of sewer rate adjustments to address projected revenue deficiencies are shown in Chart 2 below.

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<sup>8</sup> Increases to user charge revenues represent the additional revenues estimated to be generated by increases to Commission's various rates. The annual increases to user charge revenues do not necessarily equate to the recommended increase to the user rates, as certain rates (i.e. BFCs, volumetric charges, penalty surcharges) may be rounded to meet the Commission's billing and customer service objectives. Similarly, the impact on a particular customer's bill may not necessarily reflect the annual increase to user charges revenues.

**Chart 2: Water Revenue Sufficiency Under Recommended Rate Adjustments (\$ in millions)**



Annual Rate Revenue Adjustments	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Water Rate Revenues	7.80%	2.01%	2.01%	2.01%	2.01%
Sewer Rate Revenues	7.81%	2.01%	2.01%	2.02%	2.02%
Combined Rate Revenues	7.81%	2.01%	2.01%	2.01%	2.02%
Forecasted Debt Coverage	<b>4.87x</b>	<b>4.94x</b>	<b>4.98x</b>	<b>5.00x</b>	<b>5.03x</b>

While the proposed five-year program of rate adjustments does not achieve revenue sufficiency in the first two years, nor in FY 2028 of the five-year planning period, available cash balances and grant funding allow the Commission to mitigate rate increases without the issuance of additional debt to fund capital improvements. The Commission will draw down available cash balances in FY 2025, FY 2026, and FY 2028 to fund significant capital projects while building up cash balances in FY 2027 and FY 2029. Debt coverage and cash reserves are discussed below.

**B. Debt Coverage and Unrestricted Cash Reserves**

Two key measures of a utility’s financial strength are its debt service coverage ratio and its cash liquidity, or available cash on hand. The debt service coverage ratio measures the utility’s performance in generating sufficient operating revenues to cover its debt service obligations. Bond rating agencies give this metric significant weight when evaluating utility enterprise systems. The Commission’s Financial Policies Document identifies a debt service coverage target policy objective of maintaining debt coverage of at least 2.0x. This level is consistent with the expectation of Aa2-rated utilities and the Commission has maintained debt coverages well above this target over the past five-years. The recommended rate

*ISLE OF PALMS WATER & SEWER COMMISSION*

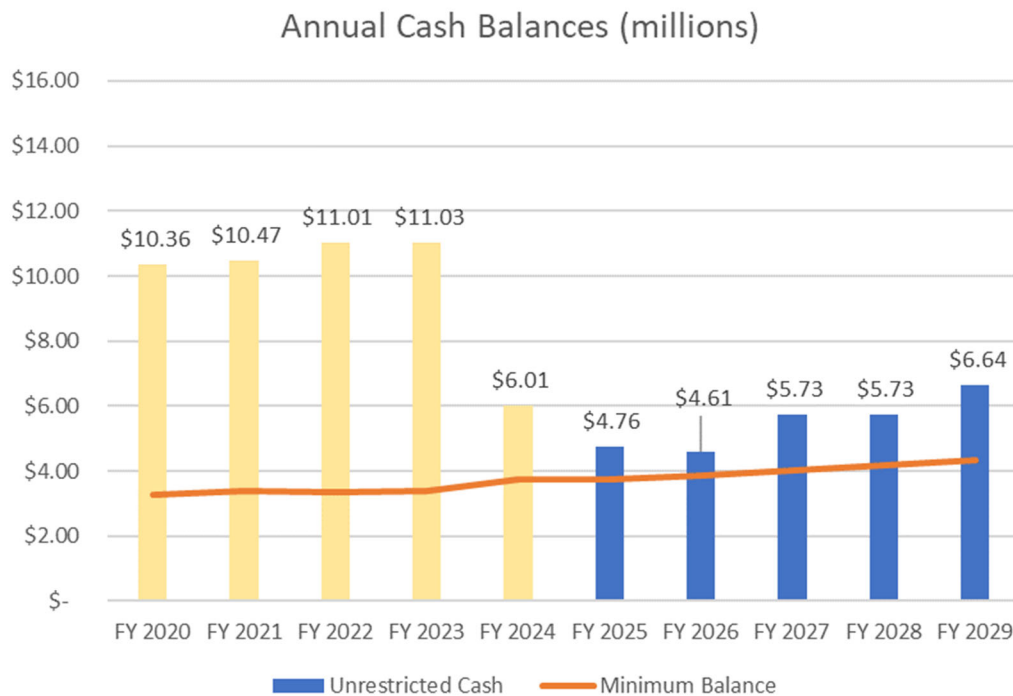
adjustment program is expected to help the Commission maintain this measure throughout the five-year planning period as demonstrated in Chart 2 on the previous page.

The second key measure of a utility’s financial health, cash liquidity provides a measure of the utility’s available reserves to maintain operations, fund ongoing investments and to respond to fiscal uncertainties, should they arise. Annual revenue surpluses and less significant capital project needs during previous years have provided the Commission with current cash reserves representing 576 days of its current O&M expenses, which is over 1.5 times the recommended 360 days minimum target. The Commission is in the process of utilizing these cash reserves to fund rate and cash funded capital projects while still maintaining the 2.0X debt coverage target during the five-year forecast period.

However, using currently available cash balances to fund the incremental costs of the Forest Trails WWTP expansion will require Commission management to continue to closely monitor the cash flow of the project; and the annual available cash on hand during the next few fiscal years. Should actual cash balances drop below the levels projected during the forecast period; the Commission may need to consider larger water and sewer rate increases.

Chart 3 provides a history and projection of end of each fiscal year unrestricted cash reserves during the five-year planning period.

**Chart 3: Historical and Projected Debt Coverage Ratios and Unrestricted Cash Reserves (\$ in millions)**



## *ISLE OF PALMS WATER & SEWER COMMISSION*

As Chart 3 indicates, the Commission has steadily accumulated unrestricted cash reserves from FY 2020 through FY 2023 which has provided additional liquidity and flexibility to fund those planned water and sewer projects that are not funded through the Series 2020 Bond Issue. It is the Commission's practice and goal to fund the majority of its capital projects through pay-as-you-go revenues and available cash reserves; and to limit debt issues for funding major projects like the Forest Trails WWTP. While the projected end of year unrestricted cash reserves are forecasted fall close to the 360 days of O&M expenses minimum target in FY 2025 and FY 2026 we feel this temporary level of unrestricted cash is acceptable considering the projected increases in the unrestricted cash balances the subsequent fiscal years.

## IV. PROPOSED FY 2025 USER RATES & CHARGES

The FY 2025 water and sewer rate recommendations in this section are limited to increases to the existing fiscal year (FY) 2024 rates, charges, and/or surcharges. As mentioned in the previous section, based on projected revenue requirements rate increases of approximately 8.0% for both water and sewer are needed in 2025, and 2.0% rate increases to both water and sewer in each subsequent year in the forecast. The FY 2025 water and sewer recommended rate increases mark the second straight 8% annual increase and is consistent with the rate increase projected as part of the FY 2024 rate recommendations. The increases to the water and sewer rates are recommended to generate approximately \$285,000 and \$280,000 in additional water and sewer user rate revenues respectively in FY 2025.

The proposed FY 2025 user rates and charges represent increases to the Commission's current rate structure and do not include any recommended changes to the rate structures, customer classes, and/or rate codes. The current structures and rate codes have evolved over the years to incorporate the Wild Dunes customers and in some cases accommodate customers with unique circumstances and use characteristics.

### 1. FY 2025 Water Rate Recommendations

Due to anticipated increases in the costs of certain water capital projects; and the addition of water capital projects to increase water distribution capacity, 8.0% rate increases are needed in FY 2025 for water rates followed by less significant 2.0% rate increases in each of the subsequent years of the forecast.

Based on projections of the FY 2025 rate revenues, the current water rate structure generates approximately 36% of the water rate revenues through the fixed monthly BFCs which is close to the national average for smaller utilities.

#### A. FY 2025 Water Basic Facilities Charges

Table 7 presents the current FY 2024 and proposed FY 2025 monthly water BFCs for the various billing groups which generally reflect customers with different meter sizes.

**Table 7: Current and Proposed FY 2025 Water Basic Facilities Charges**

Billing Group	Meter Size	Current 2024	Proposed 2025	Increase
1	3/4" (1)	\$ 17.80	\$ 19.20	\$ 1.40
2	1"	\$ 36.00	\$ 38.90	\$ 2.90
3	1.5"	\$ 66.30	\$ 71.60	\$ 5.30
4	2"	\$ 120.20	\$ 129.80	\$ 9.60
5	3"	\$ 223.60	\$ 241.50	\$ 17.90
6	4"	\$ 359.60	\$ 388.40	\$ 28.80
7	6"	\$ 688.00	\$ 743.00	\$ 55.00

(1) The BFC for Billing Group 1 is also applied for to each ERU assigned to a customer. Pools and multi-family residential (hotels, condominiums, resorts, etc.) are assigned ERUs and are included in Billing Group 1.

**B. FY 2025 Water Volumetric Charges and Penalty Surcharges**

Table 8 presents the current FY 2024 and proposed FY 2025 water volumetric charges and penalty surcharges assessed per 1,000 gallons of monthly water use. While these volumetric charges and surcharges are assessed to all billing groups, the increment or usage tier a particular customer is assessed these charges depends on the billing group to which that customer belongs.

**Table 8: Current and Proposed FY 2025 Water Volumetric and Penalty Surcharges (per 1,000 gallons)**

Usage Tier	Current FY 2024		Proposed FY 2025		Increase	
	Volumetric Charges	Penalty Surcharges	Volumetric Charges	Penalty Surcharges	Volumetric	Surcharge
Tier 1	\$ 4.05	\$ -	\$ 4.35	N/A	\$ 0.30	\$ -
Tier 2	\$ 4.90	\$ 2.30	\$ 5.30	\$ 2.50	\$ 0.40	\$ 0.20
Tier 3	\$ 5.65	\$ 2.80	\$ 6.10	\$ 3.00	\$ 0.45	\$ 0.20
Tier 4	\$ 6.20	\$ 3.40	\$ 6.70	\$ 3.70	\$ 0.50	\$ 0.30
Tier 5	\$ 8.10	\$ 5.10	\$ 8.75	\$ 5.50	\$ 0.65	\$ 0.40

Again, the volumetric charge structure includes five (5) increasing block volumetric charges assessed to customers based on water usage intervals and the demand characteristics of the seven (7) different billing group categories. The lowest Tier 1 volumetric charge is assessed to the different billing groups based on increasingly higher tier one usage intervals that reflect typical base demands for higher use commercial and irrigation customers with larger meters. Each subsequent tier (2 through 5) interval reflects the next 9,000 gallons of water usage. The additive penalty surcharges are assessed for customer water usage above the tier one usage intervals.



Table 9 summarizes the increasing water usage intervals at which each of the water billing groups are assessed the tiered block volumetric charges and penalty surcharges.

**Table 9: Usage Intervals for Each Billing Group**

Usage Tier	Consumption in 1,000 gallons Billing Groups						
	1	2	3	4	5	6	7
<b>Tier 1</b>	0-9	0-18	0-54	0-80	0-193-	0-326	0-723
<b>Tier 2</b>	10-18	19-27	55-63	81-89	194-202	327-335	724-732
<b>Tier 3</b>	19-27	28-36	64-72	90-98	203-211	336-344	733-741
<b>Tier 4</b>	28-36	37-45	73-81	99-107	212-220	345-353	742-750
<b>Tier 5</b>	>36	>45	>81	>107	>220	>353	>750

## 2. FY 2025 Sewer Rate Recommendations

Because of the increase in anticipated capital costs to construct the Forest Trails WWTP expansion and the debt service associated with the recently issued Series 2020 Revenue Bonds to fund the majority of the costs for the Forest Trails WWTP expansion, Confluence recommends sewer rate increases of 8.0% in FY 2025, followed by less significant 2.0% rate increases in each of the subsequent years of the forecast.

Based on projections of the FY 2025 rate revenues, the current sewer rate structure generates approximately 51% of the sewer rate revenues through the fixed monthly BFCs which is above to the national average for smaller utilities. These fixed monthly revenues provide the Commission with significant revenue stability as these revenues are more certain than the volumetric rates which tend to vary with the customer demands. This revenue stability is viewed favorably by rate agencies and bond investors.

### A. FY 2025 Sewer Basic Facilities Charges

Table 10 presents the current FY 2024 and proposed FY 2025 monthly sewer BFCs for the various billing groups which generally reflect customers with different meter sizes.

**Table 10: Current and Proposed FY 2025 Sewer Basic Facilities Charges**

Billing Group	Meter Size	Current 2024	Proposed 2025	Increase
1	3/4" (1)	\$ 39.45	\$ 42.60	\$ 3.15
2	1"	\$ 75.60	\$ 81.65	\$ 6.05
3	1.5"	\$ 138.20	\$ 149.25	\$ 11.05
4	2"	\$ 250.60	\$ 270.65	\$ 20.05
5	3"	\$ 467.65	\$ 505.00	\$ 37.35
6	4"	\$ 749.50	\$ 809.50	\$ 60.00
7	6"	\$ 1,414.80	\$ 1,528.00	\$ 113.20

(1) The BFC for Billing Group 1 is also applied for to each ERU assigned to a customer. Pools and multi-family residential (hotels, condominiums, resorts, etc.) are assigned ERUs and are included in Billing Group 1.

**B. FY 2025 Sewer Volumetric Charges and Penalty Surcharges**

Table 11 presents the current FY 2024 and proposed FY 2025 sewer volume charge and penalty surcharges assessed per 1,000 gallons of monthly sewer use. While these charges and surcharges are assessed to all billing groups, the increment or usage tier that a specific customer is assessed these charges depends on the billing group to which that customer belongs.

**Table 11: Current and Proposed FY 2025 Sewer Volumetric Surcharges (per 1,000 gallons)**

Usage Tier	Current FY 2024		Proposed FY 2025		Increase	
	Volumetric Charges	Penalty Surcharges	Volumetric Charges	Penalty Surcharges	Volumetric	Surcharge
Tier 1	\$ 7.30	\$ -	\$ 7.85	\$ -	\$ 0.55	\$ -
Tier 2	\$ 8.95	\$ 2.80	\$ 9.65	\$ 3.00	\$ 0.70	\$ 0.20
Tier 3	\$ 10.15	\$ 3.35	\$ 10.95	\$ 3.65	\$ 0.80	\$ 0.30
Tier 4	\$ 12.40	\$ 4.55	\$ 13.40	\$ 4.90	\$ 1.00	\$ 0.35
Tier 5	\$ 15.80	\$ 5.60	\$ 17.05	\$ 6.00	\$ 1.25	\$ 0.40

Table 12 summarizes the increasing sewer usage intervals at which each of the sewer billing groups are assessed the tiered block volumetric charges and penalty surcharges.

**Table 12: Usage Intervals for Each Billing Group**

Usage Tier	Consumption in 1,000 gallons Billing Groups						
	1	2	3	4	5	6	7
<b>Tier 1</b>	0-9	0-18	0-54	0-80	0-193	0-326	0-723
<b>Tier 2</b>	10-18	19-27	55-63	81-89	194-202	327-335	724-732
<b>Tier 3</b>	19-27	28-36	64-72	90-98	203-211	336-344	733-741
<b>Tier 4</b>	28-36	37-45	73-81	99-107	212-220	345-353	742-750
<b>Tier 5</b>	>36	>45	>81	>107	>220	>353	>750

## V. CUSTOMER BILL IMPACTS

Section V presented the proposed user charge and rate increases for FY 2025 based on specific increases to the monthly water and sewer BFCs and tiered volumetric charges per 1,000 gallons. This section compares the impacts of the proposed FY 2025 rate adjustments on typical residential water and sewer customers to provide additional information for policy makers. For comparison purposes, the typical residential customer of the Commission has a  $\frac{3}{4}$ -inch water meter and is included in Billing Group 1.

### 1. Water Residential Customer Bill Impacts

Residential customers with  $\frac{3}{4}$ -inch meters represent just over 80% of the Commission's water accounts. Based on detailed billing data, the yearly residential customers use approximately 6,000 gallons per month.

Table 13 demonstrates how residential water customers (Billing Group 1) at different amounts of monthly water use will be impacted by the proposed FY 2025 water user rates.

**Table 13:  $\frac{3}{4}$ -Inch Meter Residential Customer Impacts Under Proposed FY 2025 Water Rates**

Residential Water Customer With $\frac{3}{4}$ -inch Meter				
Monthly Usage	Current FY 2024	Proposed FY 2025	Increase	
			(\$)	(%)
0	\$ 17.80	\$ 19.20	\$ 1.40	7.9%
4,000	\$ 34.00	\$ 36.60	\$ 2.60	7.6%
<b>6,000</b>	<b>\$ 42.10</b>	<b>\$ 45.30</b>	<b>\$ 3.20</b>	<b>7.6%</b>
10,000	\$ 61.45	\$ 66.15	\$ 4.70	7.6%
18,000	\$ 119.05	\$ 128.55	\$ 9.50	8.0%
20,000	\$ 135.95	\$ 146.75	\$ 10.80	7.9%

Residential water customers with a  $\frac{3}{4}$ -inch water meter (Billing Group 1) will experience between 7.6% and 8.0% increases to their monthly bill depending of monthly water use. The typical residential water customer with 6,000 gallons of water use per month will experience a monthly increase of \$3.20, or 7.6%. The impacts for customers with larger meters within other billing groups differs from Billing Group 1 based on higher BFCs and usage tiers which provide larger usage increments in the initial tier for larger meter customers (See Table 9 for tier usage increments for all billing groups).

### 2. Sewer Residential Customer Bill Impacts

Residential customers with  $\frac{3}{4}$ -inch meters represent approximately 96% of the Commission's sewer accounts.

Table 14 demonstrates how residential sewer customers (Billing Group 1) at different levels of monthly sewer use will be impacted by the proposed FY 2025 sewer user rates.

**Table 14: ¾-Inch Meter Residential Customer Impacts Under Proposed FY 2025 Sewer Rates**

Residential Sewer Customer With ¾-inch Meter				
Monthly Usage	Current FY 2024	Proposed FY 2025	Increase	
			(\$)	(%)
0	\$ 39.45	\$ 42.60	\$ 3.15	8.0%
4,000	\$ 68.65	\$ 74.00	\$ 5.35	7.8%
<b>6,000</b>	<b>\$ 83.25</b>	<b>\$ 89.70</b>	<b>\$ 6.45</b>	<b>7.7%</b>
10,000	\$ 116.70	\$ 125.90	\$ 9.20	7.9%
18,000	\$ 209.10	\$ 227.10	\$ 18.00	8.6%
20,000	\$ 235.60	\$ 256.30	\$ 20.70	8.8%

Residential water customers with a ¾-inch water meter (Billing Group 1) will experience between 7.7% and 8.8% increases to their monthly bill depending of monthly water use. The typical residential sewer customer with 6,000 gallons of monthly water use will experience a \$6.45, or 7.7% bill increase per month. The impacts for customers with larger meters within other billing groups differs from Billing Group 1 based on higher BFCs and usage tiers which provide larger usage increments in the initial tier for larger meter customers (See Table 12 for tier usage increments for all billing groups).

### 3. Combined Residential Customer Bill Impacts

All of the approximately 2,812 residential sewer customers receive water service from the Commission while approximately 1,185 residential water customers on the island that have individual septic systems. So, approximately 70% of the Commission’s residential customers with ¾-inch meters will receive a bill for both water and sewer services.

Table 15 demonstrates how residential customers (Billing Group 1) receiving both water and sewer services at different amounts of monthly water use will be impacted by the proposed FY 2025 water and sewer user rates.

**Table 15: ¾-Inch Meter Residential Customer Impacts Under Proposed FY 2025 Water and Sewer Rates**

Residential Water & Sewer Customer With ¾-inch Meter				
Monthly Usage	Current FY 2024	Proposed FY 2025	Increase	
			(\$)	(%)
0	\$ 57.25	\$ 61.80	\$ 4.55	7.9%
4,000	\$ 102.65	\$ 110.60	\$ 7.95	7.7%
<b>6,000</b>	<b>\$ 125.35</b>	<b>\$ 135.00</b>	<b>\$ 9.65</b>	<b>7.7%</b>
10,000	\$ 178.15	\$ 192.05	\$ 13.90	7.8%
18,000	\$ 328.15	\$ 355.65	\$ 27.50	8.4%
20,000	\$ 371.55	\$ 403.05	\$ 31.50	8.5%

Residential customers with a ¾-inch water meter (Billing Group 1) receiving both water and sewer services from the Commission will experience similar impacts to their monthly bill depending of monthly water use. The typical residential sewer customer with 6,000 gallons of monthly water use will experience a \$9.65, or 7.7% bill increase. The impacts for customers receiving both water and sewer with larger meters within other billing groups differs from Billing Group 1 based on higher BFCs and usage tiers which provide larger usage increments in the initial tier for larger meter customers (See Table 9 for tier usage increments for all billing groups).

## VI. COMPARISON WITH LOCAL UTILITIES

One of the Commission’s objectives is determining a rate structure that maintains competitive water and sewer rates in comparison to similar customers in other coastal communities in South Carolina. Therefore, a comparison of the monthly bills for the typical residential customer (Billing Group 1) under the current FY 2024 and proposed FY 2025 user rates and charges to the monthly bills assessed to similar customers served by other local utilities provides a benchmark when considering the impact of the proposed rate increases.

Table 16 provides a comparison of the typical monthly combined water and sewer bills for the Commission and nine (9) other utilities in coastal South Carolina. Again, for comparison purposes a typical customer is assumed to use 6,000 gallons per the average month.

**Table 16: Comparison of Typical Monthly Customer Bills with Local Communities**

Utility/Community	User Rates and Charges (6,000 gal/month)		
	Water	Sewer	Total
Sullivan's Island	\$48.69	\$96.16	\$144.85
<b>IOPWSC - Proposed</b>	<b>\$45.30</b>	<b>\$89.70</b>	<b>\$135.00</b>
<b>IOPWSC - Current</b>	<b>\$42.10</b>	<b>\$83.25</b>	<b>\$125.35</b>
Charleston Water System	\$28.57	\$94.53	\$123.10
Mount Pleasant - Proposed	\$49.16	\$71.99	\$121.15
Mount Pleasant	\$46.27	\$67.76	\$114.03
Seabrook Island	\$59.95	\$51.70	\$111.65
MPW - Current	\$46.27	\$67.76	\$114.03
Dorchester County	\$49.60	\$61.25	\$110.85
<b>Average (Excluding IOPWSC)</b>	<b>\$41.11</b>	<b>\$59.68</b>	<b>\$100.79</b>
Beaufort-Jasper	\$35.22	\$58.90	\$94.12
Berkeley County	\$37.36	\$27.50	\$64.86
Hilton Head Island PSD	\$25.62	\$31.46	\$57.08
Summerville Public Works	\$25.50	\$27.50	\$53.00

As the comparison demonstrates, even before the proposed FY 2025 rate adjustments the Commission is above the average of the comparison group. While the water rates are more in line with the comparison group average, the Commission’s sewer rates are among the highest of the group. The higher sewer rates result as the Commission serves a very small sewer customer base and must recover the costs of wastewater treatment facilities from fewer customers, thus limiting its ability to achieve economies of scale through a larger customers base. Additionally, the Commission must pay annual debt service on the

*ISLE OF PALMS WATER & SEWER COMMISSION*

Series 2020 Bonds issued to fund the expansion of capacity at the Forest Trails WWTP which will serve as the lone wastewater treatment facility serving Isle of Palms.

It should also be noted that the bills calculated for the comparison group are based on the utilities' current FY 2024 rates, proposed FY 2025 rates, and/or published rates for FY 2025. It is likely that some of the comparison utilities will also be faced with FY 2025 rate increases that are not reflected in this comparison.



# APPENDIX A

**Schedule 1**  
**Isle of Palms Water & Sewer Commission**  
**Water and Sewer Financial Planning & Rate Model**  
**Forecast for Water & Sewer Revenue Requirements**

Annual Revenue Requirements	Fiscal Year Ending June 30					
	2024	2025	2026	2027	2028	2029
<b>Water Operating &amp; Maintenance Expense</b>						
Source of Supply	\$ 477,500	\$ 517,000	\$ 530,603	\$ 544,579	\$ 558,940	\$ 573,698
Water Treatment	163,225	171,625	178,776	186,248	194,057	202,220
Transmission & Distribution	555,927	570,102	591,730	614,267	637,754	662,235
Billing & Collection	182,900	172,400	180,488	188,966	197,855	207,174
Administrative & General	616,036	650,881	657,393	682,307	708,267	735,321
<b>Subtotal Water O&amp;M</b>	<b>\$ 1,995,588</b>	<b>\$ 2,082,008</b>	<b>\$ 2,138,988</b>	<b>\$ 2,216,366</b>	<b>\$ 2,296,874</b>	<b>\$ 2,380,649</b>
<b>Annual Water Capital Expenditures</b>						
Rate Funded	151,767	806,525	3,887,836	2,651,868	3,794,888	2,904,984
Existing Debt Service	-	-	-	-	-	-
Proposed Debt Service	-	-	-	-	-	-
<b>Subtotal Water Capital</b>	<b>\$ 151,767</b>	<b>\$ 806,525</b>	<b>\$ 3,887,836</b>	<b>\$ 2,651,868</b>	<b>\$ 3,794,888</b>	<b>\$ 2,904,984</b>
<b>TOTAL WATER REVENUE REQUIREMENTS</b>	<b>\$ 2,147,355</b>	<b>\$ 2,888,533</b>	<b>\$ 6,026,824</b>	<b>\$ 4,868,234</b>	<b>\$ 6,091,762</b>	<b>\$ 5,285,633</b>
<b>Sewer Operating &amp; Maintenance Expense</b>						
Wastewater Treatment	847,977	721,675	750,669	780,936	812,535	845,527
Collection	326,800	359,100	374,158	389,895	406,346	423,543
Billing & Collection	128,400	128,300	134,410	140,818	147,538	154,587
Administrative & General	440,979	467,676	485,158	503,366	522,334	542,095
<b>Total Sewer O&amp;M</b>	<b>\$ 1,744,156</b>	<b>\$ 1,676,751</b>	<b>\$ 1,744,395</b>	<b>\$ 1,815,016</b>	<b>\$ 1,888,753</b>	<b>\$ 1,965,752</b>
<b>Annual Sewer Capital Expenditures</b>						
Rate Funded	9,512,427	4,230,949	112,200	114,444	116,733	119,068
Existing Debt Service	-	-	-	-	-	-
Proposed Debt Service	976,000	977,250	977,000	975,250	976,875	976,750
<b>Subtotal Sewer Capital</b>	<b>\$ 10,488,427</b>	<b>\$ 5,208,199</b>	<b>\$ 1,089,200</b>	<b>\$ 1,089,694</b>	<b>\$ 1,093,608</b>	<b>\$ 1,095,818</b>
<b>TOTAL SEWER REVENUE REQUIREMENTS</b>	<b>\$ 12,232,584</b>	<b>\$ 6,884,950</b>	<b>\$ 2,833,595</b>	<b>\$ 2,904,710</b>	<b>\$ 2,982,361</b>	<b>\$ 3,061,569</b>
<b>TOTAL UTILITY REVENUE REQUIREMENTS</b>	<b>\$ 14,379,939</b>	<b>\$ 9,773,483</b>	<b>\$ 8,860,419</b>	<b>\$ 7,772,944</b>	<b>\$ 9,074,123</b>	<b>\$ 8,347,202</b>

Schedule 2-A  
 Isle of Palms Water & Sewer Commission  
 Water and Sewer Financial Planning & Rate Model  
 Water Capital Improvements Plan (CIP)

	Current	Fiscal Year Ending, June 31					FY 2025 - 2029
	2024	2025	2026	2027	2028	2029	Total
<b>Water Capital Improvements</b>							
W1 CCPW Capital Improvement Program	\$ 91,947	\$ 428,025	\$ 428,025	\$ 428,025	\$ 428,025	\$ 428,025	\$ 2,140,125
W3 New Roof WTP #2		14,000					14,000
W5a Fairway Dunes/Duneridge-replace existing w/8" (phase 1)			2,239,393				2,239,393
W5b Fairway Dunes/Duneridge-10"- loop across golf course (Phase 2)				2,178,543			2,178,543
W6 Beach Club Villas North water line replacement			1,176,078				1,176,078
W7 Twin Oaks Water Line Replacement					1,379,568		1,379,568
W8 Beachwood East/Dunecrest Lane w/l replacement					1,966,895		1,966,895
Ocean Point/Replace existing 6" w/l with 8" PVC						2,476,959	2,476,959
W13 RO Concentrate Discharge Line Extension		710,000					710,000
Joint Project Allocated to Water	59,820	130,200	44,340	45,300	20,400	-	240,240
<b>Total Water Capital Projects</b>	<b>\$ 151,767</b>	<b>\$ 1,282,225</b>	<b>\$ 3,887,836</b>	<b>\$ 2,651,868</b>	<b>\$ 3,794,888</b>	<b>\$ 2,904,984</b>	<b>\$ 14,521,801</b>
<b>Water Capital Funding Sources</b>							
Annual Rate Funded	\$ 71,767	\$ 726,525	\$ 3,806,236	\$ 2,568,636	\$ 3,709,991	\$ 2,818,389	\$ 13,629,778
Impact Fees	80,000	80,000	81,600	83,232	84,897	86,595	416,323
Grant Funding (ARPA)	-	475,700	-				475,700
Debt Funding							-
<b>Total Funding Sources</b>	<b>\$ 151,767</b>	<b>\$ 1,282,225</b>	<b>\$ 3,887,836</b>	<b>\$ 2,651,868</b>	<b>\$ 3,794,888</b>	<b>\$ 2,904,984</b>	<b>\$ 14,521,801</b>

Schedule 2 - B  
 Isle of Palms Water & Sewer Commission  
 Water and Sewer Financial Planning & Rate Model  
 Sewer Capital Improvements Plan (CIP)

	Current	Fiscal Year Ending, June 31					FY 2025 - 2029
	2024	2025	2026	2027	2028	2029	Total
<b>Sewer Capital Improvements</b>							
S1 Upgrade Existing Electrical Systems & Equip.	\$ 13,097	\$ 13,359	\$ 13,626				\$ 26,985
S2 Upgrade Forest Trails WWTP to 1.4 MGD	12,083,777	2,890,871					2,890,871
S3 Install Gravity Sewer Basin N (ARPA)		4,900,000					4,900,000
S6 Replace Effluent Discharge Line FTWWTP (ARPA)		1,410,000					1,410,000
S8 Gravity Sewer Cleaning/Inspection	75,750	64,000	36,000				100,000
S11 Clean Tanks Wild Dunes WWTP		175,000					175,000
S12 Demo Wild Dunes WWTP		375,000					375,000
S13 Spare Grinder Pumps	55,000	60,000					60,000
Joint Project Allocated to Sewer	39,880	86,800	29,560	30,200	13,600	-	160,160
<b>Total Sewer Capital Projects</b>	<b>\$ 12,267,504</b>	<b>\$ 9,975,030</b>	<b>\$ 79,186</b>	<b>\$ 30,200</b>	<b>\$ 13,600</b>	<b>\$ -</b>	<b>\$ 10,098,016</b>
<b>Sewer Capital Funding Sources</b>							
Annual Rate Funded	\$ 9,402,427	\$ 4,120,949	\$ -	\$ -	\$ -	\$ -	\$ 4,120,949
Impact Fees	110,000	110,000	112,200	114,444	116,733	119,068	572,444
Grant Funding (FEMA & ARPA) 67%	2,713,475	5,744,081	-	-	-	-	5,744,081
Debt Funding	41,602	-	-	-	-	-	-
<b>Total Funding Sources</b>	<b>\$ 12,267,504</b>	<b>\$ 9,975,030</b>	<b>\$ 112,200</b>	<b>\$ 114,444</b>	<b>\$ 116,733</b>	<b>\$ 119,068</b>	<b>\$ 10,437,474</b>

**Schedule 3**  
**Isle of Palms Water & Sewer Commission**  
**Water and Sewer Financial Planning & Rate Model**  
**Forecast for Debt Service Requirements**

	Fiscal Year Ending, June 30					
	2024	2025	2026	2027	2028	2029
<b>Annual Debt Service Requirements</b>						
Existing Debt Service Requirements						
Series 2012 Bonds	\$ -		\$ -	\$ -	\$ -	
Series 2020 Bonds	976,000	977,250	977,000	975,250	976,875	976,750
<b>Total Proposed Debt Service</b>	<b>\$ 976,000</b>	<b>\$ 977,250</b>	<b>\$ 977,000</b>	<b>\$ 975,250</b>	<b>\$ 976,875</b>	<b>\$ 976,750</b>
Allocation of Debt Service						
Water Debt Service	\$ -		\$ -	\$ -	\$ -	\$ -
Wastewater Debt Service	976,000	977,250	977,000	975,250	976,875	976,750
<b>Total Utility Debt Service</b>	<b>\$ 976,000</b>	<b>\$ 977,250</b>	<b>\$ 977,000</b>	<b>\$ 975,250</b>	<b>\$ 976,875</b>	<b>\$ 976,750</b>

**Schedule 4**  
**Isle of Palms Water & Sewer Commission**  
**Water and Sewer Financial Planning & Rate Model**  
**Utility Revenue Sufficiency and Financial Strength**

Annual Revenue and Expenses	Fiscal Year Ending, June 30					
	2024	2025	2026	2027	2028	2029
Annual Operating Revenues						
Sale of Water	\$ 3,225,828	\$ 3,479,619	\$ 3,552,737	\$ 3,627,387	\$ 3,703,602	\$ 3,781,415
Sale of Sewer	3,440,390	3,714,281	3,793,781	3,874,975	3,957,899	4,042,591
Other Revenues	280,912	285,997	314,669	320,430	326,306	332,299
Investment Income	240,000	240,000	240,000	240,000	240,000	240,000
Interest on Debt Service Fund	500	500	500	501	503	504
<b>Total Operating Revenue</b>	<b>\$ 7,187,629</b>	<b>\$ 7,720,397</b>	<b>\$ 7,901,686</b>	<b>\$ 8,063,292</b>	<b>\$ 8,228,310</b>	<b>\$ 8,396,809</b>
Capital Revenues						
Impact Fees	190,000	190,000	193,800	197,676	201,630	205,662
Water Surcharges	428,759	463,405	472,673	482,127	491,769	501,605
Sewer Surcharges	132,929	142,944	145,803	148,719	151,693	154,727
<b>Total Capital Revenue</b>	<b>\$ 751,688</b>	<b>\$ 796,349</b>	<b>\$ 812,276</b>	<b>\$ 828,521</b>	<b>\$ 845,092</b>	<b>\$ 861,994</b>
<b>Total Revenue</b>	<b>\$ 7,939,317</b>	<b>\$ 8,516,746</b>	<b>\$ 8,713,962</b>	<b>\$ 8,891,814</b>	<b>\$ 9,073,402</b>	<b>\$ 9,258,803</b>
Revenue Requirements						
Operating & Maintenance Expense	3,739,744	3,758,759	3,883,383	4,031,382	4,185,627	4,346,401
Debt Service	976,000	977,250	977,000	975,250	976,875	976,750
Rate Funded Capital	9,664,194	5,037,474	4,000,036	2,766,312	3,911,621	3,024,052
<b>Total Revenue Requirements</b>	<b>\$ 14,379,939</b>	<b>\$ 9,773,483</b>	<b>\$ 8,860,419</b>	<b>\$ 7,772,944</b>	<b>\$ 9,074,123</b>	<b>\$ 8,347,202</b>
Revenue Surplus/(Deficit)	\$ (6,440,621)	\$ (1,256,737)	\$ (146,457)	\$ 1,118,870	\$ (721)	\$ 911,600
<b>Debt Service Coverage</b>						
Net Revenues	4,199,573	4,757,987	4,830,579	4,860,432	4,887,775	4,912,402
Debt Service	976,000	977,250	977,000	975,250	976,875	976,750
<b>Coverage</b>	<b>1.2X</b>	<b>4.30</b>	<b>4.87</b>	<b>4.94</b>	<b>4.98</b>	<b>5.03</b>

Schedule 5  
 Isle of Palms Water & Sewer Commission  
 Water and Sewer Financial Planning & Rate Model  
 Forecast for Fund Balances

Annual Fund Balances	Current	Fiscal Year Ending, June 31				
	2024	2025	2026	2027	2028	2029
<b>Combined Utility Operating Fund</b>						
Beginning Fund Balance:	\$ 11,029,235	\$ 6,013,751	\$ 4,757,014	\$ 4,610,557	\$ 5,729,427	\$ 5,728,706
Plus: Net Operating Income (1)	3,447,885	3,961,638	4,018,303	4,031,910	4,042,683	4,050,408
Plus: Transfer from Impact Fees	190,000	190,000	193,800	197,676	201,630	205,662
Plus: Surcharge Revenue	561,688	606,349	618,476	630,845	643,462	656,331
Less: Annual Debt Service	(976,000)	(977,250)	(977,000)	(975,250)	(976,875)	(976,750)
Less: Rate Funded Capital	(9,664,194)	(5,037,474)	(4,000,036)	(2,766,312)	(3,911,621)	(3,024,052)
Ending Fund Balance	\$ 6,013,751	\$ 4,757,014	\$ 4,610,557	\$ 5,729,427	\$ 5,728,706	\$ 6,640,306
Assignment to Funds	\$ (5,015,484)	\$ (1,256,737)	\$ (146,457)	\$ 1,118,870	\$ (721)	\$ 911,600
	\$ 101,317	\$ 64,030	\$ 55,688	\$ 61,469	\$ 68,116	\$ 73,531

(1) Net Operating Income represents annual operating revenues (rates & charges, interest income, miscellaneous revenues, etc.) less annual operating expenses.