



2017 Approved Budget



JCWSA 2017 Budget Document

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About The Budget

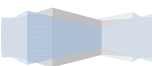
- FY 2016 metered water sales are projected to increase by approximately 14.87% compared to FY 2015 actual sales. Metered sewer sales for the FY 2016 are expected to increase by approximately 13.93% compared to FY 2015 actual sales.

The City of Hoschton has been a consistent buyer of wholesale water with very few fluctuations. Sales are expected to remain healthy throughout 2017 from the City of Braselton because of the commitment made earlier in 2016 to purchase its water from JCWSA. It is important to maintain the relationship JCWSA has with its wholesale customers to help keep the cost of water purchased from UOBWA as low as possible.

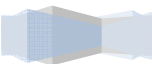
The projected increases for 2016 are likely due to an increase in the number of residential water customers by approximately 4.16% since 2015. The JCWSA sewer customer increase since 2015 to date is 14.54% due to the up-tick in development in Jackson County. These are the largest percentage increases the Authority has realized since 2008. TICA's (Toyota) expansion of its facility in Jackson County continues to add to both water and sewer sales in 2016.

The 2017 Proposed Budget includes a water rate increase of 1% for residential and commercial water customers. No increase is recommended for industrial water customers for 2017. Sewer rates are recommended to remain the same for 2017 for all classes of customers. This incremental increase is needed to continually address the repairs and maintenance costs expected due to depreciation of the aging water and sewer system, as well as, to expand the system for growth.

- The FY 2017 Annual Budget of \$10,553,238 is an increase of \$ 1,193,700 or 12.75% from the FY 2016 budget. The primary increases and decreases for the FY 2017 annual budget are:



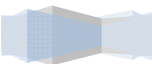
- The debt service requirement increase of \$320,722 or 40.89% from FY 2016 is due primarily to the addition of the SPLOST bond issue done in 2016 and, to a lesser degree, the debt payment commitment that JCWSA has made regarding the Parks Creek Reservoir project.
- The operating expense (net) increase of \$98,398 or 2.57% is due in large part to the increase in projected repair and maintenance costs for JCWSA as the system continues to grow. The increase in repair and maintenance costs includes an increase of \$130,000 to the repairs and maintenance of existing metered connections. State requirements and good business practices dictate that the Authority have in place a meter replacement program. An increase in the amount of \$40,542 was made to the contingency budget for 2017. Some of the other operating expenses are projected to decrease slightly for 2017, thus resulting in the net increase shown of \$98,398.
- Salaries and Benefits are projected to increase by \$ 726,617 or 33.58% for FY 2017. As indicated by the Authority's independent auditor during the presentation of the 2015 CAFR, the percentage of salary and benefit costs compared to the financial statements as a whole, indicates that the Authority may be under staffed. Management has found this to be the case. The increase to salaries and benefits is, in part, attributable to its effort to "catch up" with increasing demand (driven by growth and aging assets) to run the water and sewer system efficiently and effectively. The proposal to accomplish this is to add three employees: one employee in the IT/GIS department, one employee in the finance department, and one employee needed to replace the position left open by the restructuring of the water department after a vacancy left in 2013, as approved in the JCWSA Organizational Chart.
- The approved defined benefit plan for the JCWSA staff will require a cash contribution of \$130,984 for 2017, which is just under 2% higher than the 2016 contribution requirement as anticipated. The pension liability increased by \$322,000 for 2017 after the actuarial calculation was done for 2016. This amount must be realized as an expense even though no cash is required for 2017 other than the \$130,984 contribution; therefore, the budget for the defined benefit program is higher than the cash requirement for 2017. The other non-cash item that must be included in the budget for recognition on the face of the financial statements is the accrued vacation liability for 2017 of approximately \$119,000. These two non-cash items make up approximately 42% of the percentage increase in the salaries and benefits budget for 2017.



- The JCWSA must budget for health insurance cost increases of approximately 16% from the 2016 budget. The employees will share in this cost by an increased employee contribution commiserate with the plan premium adjustments. Even with the increase to contributions, the plan still provides a good and affordable benefit for the employees of JCWSA.
- The Authority continues to run its operations with a lean staff while providing excellent service for its customers. Compared to a survey done on local governments in the US¹, the average percentage of the total budget spent on salaries and benefits is approximately 44%. Comparing this percentage to the Authority's spending at 27.39% (including the proposed three additional employees) of the total budget shows that efforts are continuously being made to keep these costs down while still providing a safe work environment and an excellent level of service for Jackson County water and sewer customers.
- Depreciation expense for 2017 is expected to increase by \$47,963 or 1.86% from the 2016 Approved Budget. This expense is a non-cash expense that is recognized to prepare for funding of asset repair and replacement costs.
- Annual revenues since 2014 (and earlier) have exceeded expenses. Any “net income” recognized by the JCWSA is dedicated to the water and sewer capital reserve accounts to fund depreciation and expansion of the system. This practice has allowed the Authority to pay for capital projects using its available cash and not have issue debt.

¹Source: Center on Budget and Policy Priorities (<http://www.cbpp.org>)

- The FY 2017 Proposed Budget is balanced in accordance with Georgia state law.

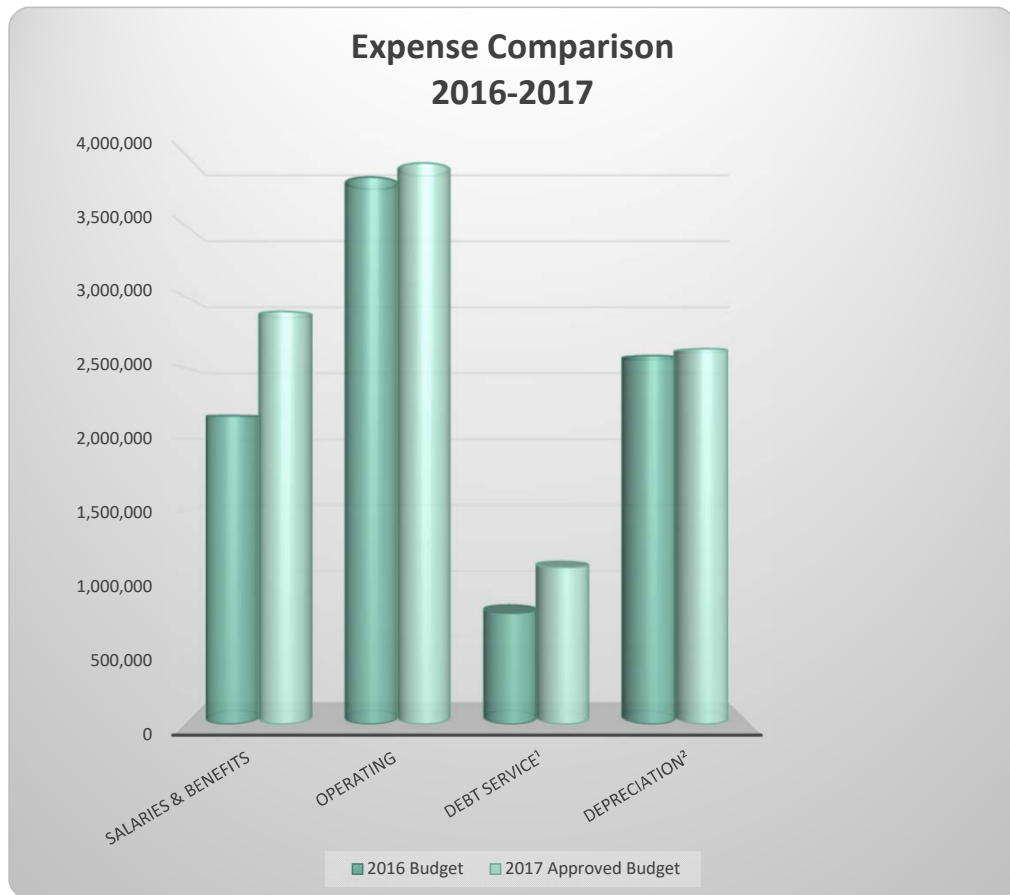


APPROVED

2017 BUDGET SUMMARY

Expense Totals

	2016 Budget	2017 Proposed Budget	Percent of Total 2017 Budget	Difference 2016-2017	Percent Change
Salaries & Benefits	2,164,091	2,890,708	27.39%	726,617	33.58%
Operating	3,828,558	3,926,956	37.21%	98,398	2.57%
Debt Service ¹	784,275	1,104,997	10.47%	320,722	40.89%
Depreciation ²	2,582,614	2,630,577	24.93%	47,963	1.86%
TOTAL	9,359,538	10,553,238	100.00%	1,193,700	12.75%



¹ Debt Service Includes Amortization of Bond Premium/Discount & Amortization of Deferred Refunding
² Depreciation is a non-cash expense. The JCWSA budget s for depreciation with intent to reserve cash for repair, maintenance and replacement of aging assets.

Jackson County Water & Sewerage Authority 2017 Approved Budget

	2016	2017
REVENUES		
WATER SALES-METERED	\$ 5,837,470	\$ 6,081,019
WATER SALES - WHOLESALE	757,500	744,778
SEWER SALES-METERED	800,000	857,336
DAMAGE/TAMPERING/THEFT	7,500	5,000
SERVICE FEES	1,124,475	624,786 *
OTHER REVENUES	112,000	602,476 *
TOTAL REVENUES	<u>8,638,945</u>	<u>8,915,394</u>
Depreciation		
COST OF SALES		
WATER PURCHASES	1,917,500	1,738,275
REPAIRS/MAINTENANCE	610,000	678,840
OTHER COST OF SALES	621,175	760,214
TOTAL COST OF SALES	<u>3,148,675</u>	<u>3,177,329</u>
GROSS PROFIT	<u>5,490,270</u>	<u>5,738,066</u>
EXPENSES		
SALARIES & BENEFITS	2,164,091	2,890,708
PROFESSIONAL SERVICES	87,000	67,095
OTHER OPERATING EXPENSES	562,883	611,490
CONTINGENCY EXPENSES	30,000	70,542
TOTAL EXPENSES	<u>2,843,974</u>	<u>3,639,835</u>
NET INCOME FROM OPERATIONS	<u>2,646,296</u>	<u>2,098,230</u>
OTHER INCOME(EXPENSES)		
INTEREST INCOME-CASH ACCOUNTS	10,000	10,208
INTEREST INCOME-2006ABONDS	100	96
INTEREST INCOME - 2011 A&B BONDS	-	-
INTEREST INCOME - UOBWA BONDS	5,000	-
INTERGOVT. REV.-NON-OPERATING	665,493	672,640
TOTAL OTHER INCOME(EXPENSE)	<u>680,593</u>	<u>682,944</u>
CONSTRUCTION RELATED INCOME(EXPENSE)		
SPLOST PROCEEDS	-	904,400
FEDERAL GOVERNMENT GRANTS - CAPITAL	30,000	30,000
STATE GOVERNMENT GRANTS - CAPITAL	-	-
INTEREST CAPITALIZED	10,000	20,000
BOND INTEREST & ISSUANCE EXPENSE*	(784,275)	(1,104,997)
ASSET DEPRECIATION EXPENSE	(2,254,755)	(2,302,718)
INTANGIBLE ASSET AMORTIZATION	(327,859)	(327,859)
TOTAL CONTRUCTION RELATED	<u>7 (3,326,889)</u>	<u>(2,781,174)</u>
NET INCOME	<u>\$ -</u>	<u>\$ 0</u>

* Note: Georgia Power fixed fee was re-catergorized for 2017 and going forward.

2017 CAPITAL OUTLAY - APPROVED

<u>Finance Department</u>		<u>Purpose for Project</u>	<u>Funding Source</u>
No requests for 2017	\$ -		
	<u>-</u>		
Water Department			
F250 Service Truck - Water	35,000	Replacement of vehicle	Capital Reserves
F250 Service Truck - Crew cab	45,000	Replacement of vehicle	Capital Reserves
Excavator - 2017	75,000	Equipment needed for repair/maintenance	Capital Reserves
Parks Creek Reservoir (JCWSA continued participation)	200,000	Expansion of water capacity for JCWSA	Capital Reserves
	<u>355,000</u>		
Sewer Department			
MOWWTP Sludge Holding Tank Project - 2017	375,000	Improvements to sewer system	Capital Reserves
	<u>375,000</u>		
Engineering Department			
Highway 60 VFD Construction	200,000	Improvements to water system	Capital Reserves
Galilee Pump Station Backup Generator	200,000	Improvements to water system	Capital Reserves
MOWWTP - Clarifier - 2017 Engineering	125,000	Improvements to sewer system	Capital Reserves
JCWSA Office Building Expansion - 2017	530,000	Improvements to water system	Capital Reserves
Wood Farm Subdivision Master PRV - 2017	75,000	Improvements to water system	Capital Reserves
	<u>1,130,000</u>		
Communications/GIS			
No requests for 2017	-		
	<u>-</u>		
Total Capital Outlay	<u>\$ 1,860,000</u>		

JCWSA

RECONCILIATION OF CAPITAL OUTLAY AND FUNDING SOURCE(S)

2017

Net Income	\$	(0)
Cash - Capital Reserve Fund (reserved for 2017 Capital Outlay)		1,860,000
Total cash and cash equivalents		<u>1,860,000</u>
Depreciation		
Capital Outlay Requests		
F250 Service Truck - Water		35,000
F250 Service Truck - Crew cab		45,000
Excavator - 2017		75,000
Parks Creek Reservoir (JCWSA continued participation)		200,000
MOWWTP Sludge Holding Tank Project - 2017		375,000
Highway 60 VFD Construction		200,000
Galilee Pump Station Backup Generator		200,000
MOWWTP - Clarifier - 2017 Engineering		125,000
JCWSA Office Building Expansion - 2017		530,000
Wood Farm Subdivision Master PRV - 2017		75,000
Total Reconciliation of Debt Requirement/Capital Improvements		<u>1,860,000</u>
Net Difference	\$	<u>(0)</u>