



2018 Approved Budget



JCWSA 2018 Budget Document

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About the Budget

- FY 2017 metered water sales are projected to increase by approximately 5 % compared to FY 2016 actual sales. Metered sewer sales for FY 2017 are expected to increase by approximately 3 % compared to FY 2016 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 2018 from the City of Braselton, as well, because of the contractual commitment made 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 2017 are likely due to an increase in the number of residential water customers by approximately 5.75 % since 2016. The JCWSA sewer customer increase since 2016 to date is 11.24 % due to the increase in development activity in Jackson County. At the end of 2016, JCWSA realized 525 new water connections, and as of July 2017, JCWSA has recognized approximately 300 new water connections.

The 2018 Proposed Budget includes no rate adjustment for all classes of water & sewer customers.

- The FY 2018 Annual Budget of \$11,980,782 is an increase of \$ 1,427,544 or 13.53% from the FY 2017 budget. The primary increases and decreases for the FY 2018 annual budget are:
 - The debt service requirement increase of \$118,440 or 10.72% from FY 2017 is due to the anticipated debt issuance to be done in 2018 in the approximate amount of \$8.5 million. The use of these funds will pay for the MOWWTP Upgrade to 1.25 MGD (Phase V) and the Hwy. 124 Additional Water Tower projects.



- JCWSA will recognize a lower amount in the Jackson County Government's subsidy for the Bear Creek debt than it has in the past.
 - Jackson County Government and JCWSA entered into an Intergovernmental Agreement in 1999 that states that JCWSA will pay the Bear Creek debt as it is able.
 - In 2007, the Jackson County Government took on 100% of the Bear Creek debt requirement, as it is contractually obligated to do, because the revenues of the JCWSA system were not sufficient to cover the debt requirement.
 - In 2016, JCWSA committed to pay 50% of the debt requirement each year. This continued through 2017.
 - The proposed 2018 Budget proposes that JCWSA will continue its commitment to share in the debt requirement annually, and has increased its participation to 65% of the debt requirement.

- The operating expense (net) increase of \$1,261,731 or 32.13% is due largely because the water and sewer system is aging, therefore, maintenance and repair costs are increasing. The growth the system is experiencing also requires a higher estimation of the costs of maintenance and repair expenditures for future budget years as well. Some of the expenditures that have increased for the 2018 budget are:
 - The Water Purchases expenditure increase of \$209,785 is due to the projected increase in water purchases needed to serve JCWSA customers.
 - The Bear Creek capital replacement portion of the monthly invoice is budgeted for \$398,422 for 2018. This is the same amount that was required for 2017. This amount will be required through the year 2046 and will be paid solely by JCWSA. This amount increases the water purchases expenditure for JCWSA each year.
 - Repairs/Maintenance expenditures are projected to increase by \$377,160 for 2018.
 - These increases are largely due to required water and sewer system maintenance needs, as well as, water tank maintenance needed in 2018.
 - The requirement of a more concentrated metered connection replacement program is necessary due to State of Georgia Water Audit requirements and best utility practices.
 - Other Cost of Sales is projected to increase for 2018 in the amount of \$112,786.



- Utility costs for pumping and lift stations continue to rise. JCWSA also proposes to add a new station in 2018 which will further increase these costs.
 - With the expansion of the water and sewer system comes a requirement to purchase greater quantities of water pump station and sewer chemicals. Therefore, these expenditures are projected to increase.
 - Sludge Handling is expected to increase due to increased sludge production from increased wastewater flow, as well as, additional chemical requirements in 2018 and going forward.
- Professional Services are projected to increase by \$20,505 to account for the legal and auditing services for 2018. As the system expands, these costs will increase due to the anticipation of more hours needed from these professional services for auditing requirements and legal representation needs.
 - The line item, Other Operating Expenses, is expected to increase by \$415,184 in 2018.
 - Increases in fuel prices and repairs/maintenance for the JCWSA fleet as we grow and expand are projected to rise.
 - Building/Grounds maintenance is projected to increase due to the needed addition of office and public meeting space at the Water Administration Building.
 - Right-of-Way maintenance costs are expected to increase as the requirement to maintain additional water and sewer system assets becomes necessary.
 - Utility costs for the offices rise along with those of the field equipment, therefore an incremental increase is projected.
 - Telephone and internet services expenditures have increased for JCWSA. This is due to the expansion of the technology utilized by JCWSA in its effort to provide the most reliable and stable system for continued operations in the event of an emergency, as well as, efficient running of day to day operations.
 - The office equipment expense is expected to increase for 2018 due to the building expansion project. The need for office desks, chairs, and public meeting room furniture drives this increase.
 - Salaries and Benefits are projected to increase by \$ 21,048 or 0.73% for FY 2018.
 - As stated 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 indicates that the



Authority may be under staffed. Management has found this is still the case in 2017.

- 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 operate the water and sewer system efficiently and effectively. The proposal to accomplish this is to add three employees: one employee in the water department, one employee in the sewer department, and one employee in the administration department.
 - The action taken to revise JCWSA’s vacation vesting policy in 2017 has allowed for the budgeting of these needed positions without increasing the salaries and benefits budget significantly because it no longer must carry the liability for accrued vacation on its balance sheet and account for this liability in the budget each year. Management is grateful to be able to propose allocating this expenditure in a much more useful and needed way.
 - 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 24.30% (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 2018 is expected to increase by \$26,325 or 1 % from the 2017 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 for several years.

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

- The FY 2018 Approved Budget is balanced in accordance with Georgia state law.

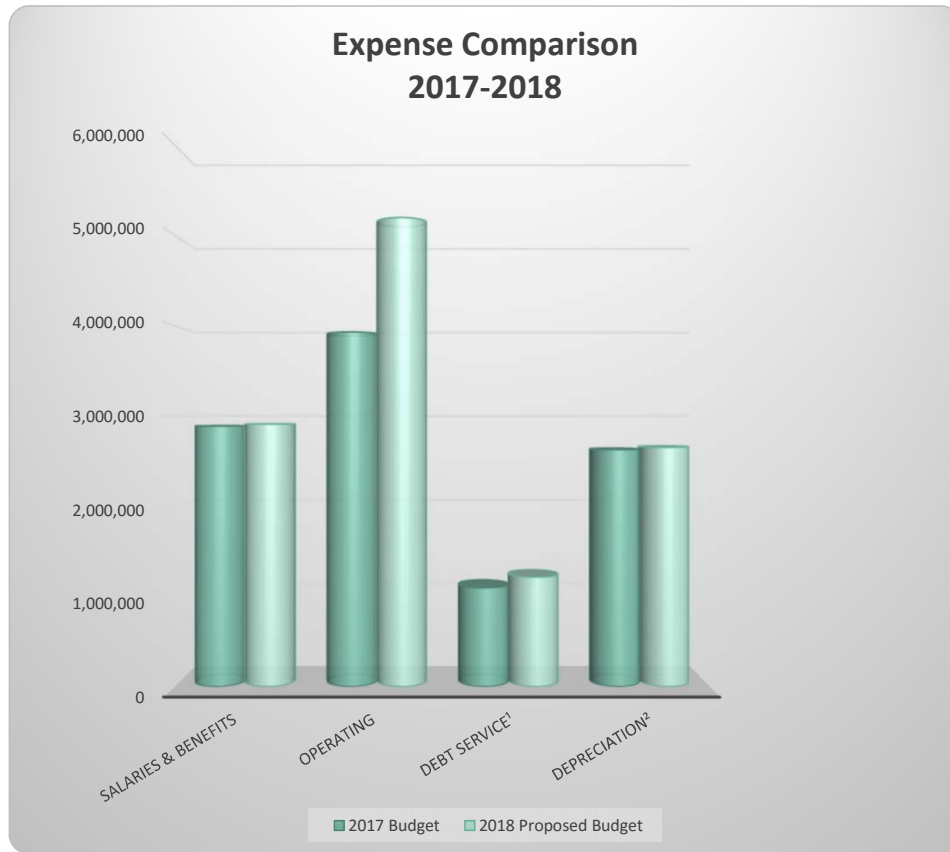


APPROVED

2018 BUDGET SUMMARY

Expense Totals

	2017 Budget	2018 Proposed Budget	Percent of Total 2018 Budget	Difference 2017-2018	Percent Change
Salaries & Benefits	2,890,708	2,911,756	24.30%	21,048	0.73%
Operating	3,926,956	5,188,687	43.31%	1,261,731	32.13%
Debt Service ¹	1,104,997	1,223,437	10.21%	118,440	10.72%
Depreciation ²	2,630,577	2,656,902	22.18%	26,325	1.00%
TOTAL	10,553,238	11,980,782	100.00%	1,427,544	13.53%



¹ Debt Service Includes Amortization of Bond Premium/Discount & Amortization of Deferred Refunding
The proposed new debt for 2018 has been included for budgeting purposes.

² Depreciation is a non-cash expense. JCWSA budgets for depreciation with intent to reserve cash for repair, maintenance and replacement of aging assets.

Jackson County Water & Sewerage Authority
2018 Approved Operating Budget

	2017	2017 Pro Forma Statement	2018
REVENUES			
WATER SALES-METERED	\$ 6,081,019	\$ 6,222,373	\$6,363,200
WATER SALES - WHOLESALE	744,778	824,232	812,500
SEWER SALES-METERED	857,336	927,869	923,000
DAMAGE/TAMPERING/THEFT	5,000	10,364	6,000
SERVICE FEES	624,786	1,140,173	868,600
OTHER REVENUES	602,476	531,068	534,976
TOTAL REVENUES	<u>8,915,394</u>	<u>9,656,077</u>	<u>9,508,276</u>
Depreciation			
COST OF SALES			
WATER PURCHASES	1,738,275	1,700,486	1,948,060
REPAIRS/MAINTENANCE	678,840	599,433	1,056,000
OTHER COST OF SALES	760,214	669,426	873,000
TOTAL COST OF SALES	<u>3,177,329</u>	<u>2,969,345</u>	<u>3,877,060</u>
GROSS PROFIT	<u>5,738,066</u>	<u>6,686,733</u>	<u>5,631,216</u>
EXPENSES			
SALARIES & BENEFITS	2,890,708	2,773,355	2,911,756
PROFESSIONAL SERVICES	67,095	68,907	87,600
OTHER OPERATING EXPENSES	611,490	614,861	1,026,674
CONTINGENCY EXPENSES	70,542	36,000	100,000
TOTAL EXPENSES	<u>3,639,835</u>	<u>3,493,122</u>	<u>4,126,030</u>
NET INCOME FROM OPERATIONS	<u>2,098,230</u>	<u>3,193,611</u>	<u>1,505,186</u>
OTHER INCOME(EXPENSES)			
INTEREST INCOME-CASH ACCOUNTS	10,208	8,853	10,000
INTEREST INCOME-2006ABONDS	96	3,557	96
INTEREST INCOME - 2011 A&B BONDS	-	-	-
INTEREST INCOME - UOBWA BONDS	-	(5,441)	(5,000)
INTERGOVT. REV.-NON-OPERATING	672,640	672,640	479,568
TOTAL OTHER INCOME(EXPENSE)	<u>682,944</u>	<u>679,609</u>	<u>484,664</u>
CONSTRUCTION RELATED INCOME(EXPENSE)			
SPLOST PROCEEDS	904,400	930,000	1,802,750
STATE & FEDERAL GOVERNMENT GRANTS - CAPITAL	30,000	-	64,341
INTEREST CAPITALIZED	20,000	18,764	40,000
DONATED WATER/SEWER SYSTEM	-	30,000	80,000
BOND INTEREST & ISSUANCE EXPENSE*	(1,104,997)	(1,104,997)	(1,223,437)
ASSET DEPRECIATION EXPENSE	(2,302,718)	(2,389,379)	(2,329,043)
INTANGIBLE ASSET AMORTIZATION	(327,859)	(327,859)	(327,859)
PROJECT COST ABANDONED	-	(35,000)	(96,602)
TOTAL CONSTRUCTION RELATED	<u>(2,781,174)</u>	<u>(2,878,471)</u>	<u>(1,989,850)</u>
NET INCOME	<u>\$ -</u>	<u>\$ 994,749</u>	<u>\$ -</u>

2018 CAPITAL OUTLAY - APPROVED

		<u>Purpose for Request</u>	<u>Funding Source</u>
Water Capital Outlay Requests			
JCWSA Water Admin. Parking Lot	200,000	Expansion of parking	Capital Reserves
Hwy. 124 Additional Water Tower	1,000,000	Improvements to water system	New Debt
Ramblers Inn Line Looping (Arcade, GA)	200,000	Improvements to water system	Capital Reserves
F150 Service Truck-Water_1	30,000	Replacement of vehicle	Capital Reserves
F150 Service Truck-Water_2	30,000	Replacement of vehicle	Capital Reserves
Parks Creek Reservoir (JCWSA continued participation)	136,250	Expansion of water capacity for JCWSA	Capital Reserves
NAS backup units	29,000	Replace current units and increase capacity/performance	Capital Reserves
Server storage array	80,300	Replace current units and increase capacity/performance	Capital Reserves
Wireless Network Towers	100,000	Replace Windstream fiber connections between buildings	Capital Reserves
Building Technology Expansion & Upgrades	50,000	Expansion of network technology due to enterprise expansion	Capital Reserves
iChannel Search and Indexing Tool	25,000	Content Management Solution (CMS)	Capital Reserves
Water SCADA Upgrade	79,000	Upgrade of SCADA System	Capital Reserves
	<u>1,959,550</u>		
Sewer Capital Outlay Requests			
Doster Creek Force Main, Environmental/Design	40,000	Improvements to sewer system	Capital Reserves
Doster Creek Emergency Power	50,000	Improvements to sewer system	Capital Reserves
Wehunt Sewer Line Extension	275,000	Improvements to sewer system	Capital Reserves
F150 Service Truck-Sewer_1	30,000	Replacement of vehicle	Capital Reserves
F150 Service Truck-Sewer_2	30,000	New vehicle for added employee	Capital Reserves
Kubota Skid Steer	57,000	Equipment needed for field operations	Capital Reserves
MOWWTP Phase V Upgrade_2018	7,500,000	Upgrade to sewer system	New Debt
	<u>7,982,000</u>		
To be paid from Capital Reserves	1,441,550		
To be paid from new debt issuance	8,500,000		
Total Capital Outlay Requests	<u>\$ 9,941,550</u>		

JCWSA

RECONCILIATION OF CAPITAL OUTLAY

AND FUNDING SOURCE(S)

2018

Net Income	\$	-
Cash - Capital Reserve Fund (reserved for 2018 Capital Outlay)		1,441,550
New debt issuance		<u>8,500,000</u>
Total cash and cash equivalents		<u>9,941,550</u>
Capital Outlay Requests		
JCWSA Water Admin. Parking Lot		200,000
Hwy. 124 Additional Water Tower		1,000,000
Ramblers Inn Line Looping (Arcade, GA)		200,000
F150 Service Truck-Water_1		30,000
F150 Service Truck-Water_2		30,000
Parks Creek Reservoir (JCWSA continued participation)		136,250
NAS backup units		29,000
Server storage array		80,300
Wireless Network Towers		100,000
Building Technology Expansion & Upgrades		50,000
iChannel Search and Indexing Tool		25,000
Water SCADA Upgrade		79,000
Doster Creek Force Main, Environmental/Design		40,000
Doster Creek Emergency Power		50,000
Wehunt Sewer Line Extension		275,000
F150 Service Truck-Sewer_1		30,000
F150 Service Truck-Sewer_2		30,000
Kubota Skid Steer		57,000
MOWWTP Phase V Upgrade_2018		7,500,000
Total Reconciliation of Debt Requirement/Capital Improvements		<u>9,941,550</u>
Net Difference	\$	<u>-</u>