



2020 Approved Budget





About the Budget

- FY 2019 metered water sales are projected to increase by approximately 4.45 % compared to FY 2018 actual sales. Metered sewer sales for FY 2019 are expected to increase by approximately 13.81 % compared to FY 2018 actual sales.

Water sales to other public utilities are expected to remain steady for the remainder of 2019, an increase of 1.53% is expected from the sales of 2018.

The increase in water and sewer sales for 2019 is due to an increase in the number of residential water customers by approximately 4.47 % as of July 31, 2019. The JCWSA sewer customer increase since 2018 to date is 14.83 % due to the increase in development activity in Jackson County. At the end of 2018, JCWSA realized 457 new water connections, and as of August 2019, JCWSA has recognized 468 new water connections and has allocated an additional 42 ERUs for sewer treatment.

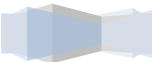
The 2020 Proposed Budget includes a rate adjustment of 5% for all classes of water & sewer customers. This incremental increase is necessary to continually address the repairs and maintenance costs expected due to depreciation of the aging water and sewer system, as well as, to expand the system for future growth, both from the industrial and residential sectors.

The proposed rate increase will allow the Authority to recoup approximately half of the loss of a little over \$1,000,000 in revenue. The Georgia Power contract expired in June 2019. This contract required a payment annually of \$532,000 to offset the 2011A debt the Authority issued in 1999 to extend lines to the Georgia Power Plant on Jarrett Rd. In addition, the Authority must recover approximately \$500,000 that the Jackson BOC has historically paid on its debt associated with the Bear Creek Project.

- The FY 2020 Annual Budget of \$13,760,039 is a decrease of \$70,250 or -0.51% compared to the FY 2019 budget. The primary increases and decreases for the FY 2020 annual budget are:



- The debt service requirement decrease of \$659,090 or -41.04% for FY 2020 is explained by a decreased debt requirement as the Authority's debt ages and interest payments shrink. Also, the estimated interest expense for new debt was not included in the 2020 budget because the Authority does not plan to issue debt in the coming year.
- JCWSA will take on 100% of the Bear Creek debt as committed during a meeting between the Jackson County BOC and the JCWSA Board in 2007. The agreement was the Authority would take on the debt in full when the Authority's purchases reached an annual average of three million gallons per day.
 - Jackson County Government and JCWSA entered into an Intergovernmental Agreement in 2000 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 commitment continued through 2017.
 - The 2018 and 2019 budgets included JCWSA's continued commitment to share in the debt requirement annually and increased its payment of the debt to 65% of the annual requirement.
 - The Authority has reached the benchmark set in 2007.
 - The 2020 budget proposes that 100% of the debt be paid by JCWSA.
- The operating expense (net) increase of \$523,648 or 8.58% is primarily because the system is aging, therefore, maintenance and repair costs are increasing. Some of the expenditures that have increased in the 2020 budget are:
 - The Water Purchases expenditure increase of \$60,000 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 \$334,926 for 2020. This is the same amount that was required since 2018. 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 \$29,000 in 2020.
 - These increases are largely a result of required water and sewer system maintenance needs, as well as, water tank maintenance expected in 2020. The largest increase is to the water mains maintenance and repair costs. GDOT requires the Authority to move its lines at its own cost during state projects, thus requiring a large budget to cover these expenses. The estimate to cover the GDOT relocation expenses known to us at this time is \$680,000. An effort will be made by the engineering department to negotiate a sharing of these costs to recoup some of the expenses paid.
 - The requirement of a more concentrated metered connection replacement program is necessary due to State of Georgia Water Audit requirements and best utility practices. This requirement increases the costs of repair and replacement of metered connections.
 - The maintenance costs for sewer lift stations are expected to remain high. In 2019, several of the stations required multiple clean outs by a third-party using tanker trucks and jet cleaning equipment. This is a result of non-flushable waste products and construction debris.
- Other Cost of Sales is projected to increase in 2020 in the amount of \$180,750.
 - Utility costs for water pumping and sewage lift stations continue to rise. JCWSA also proposes to add new stations in 2020 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 treatment chemicals. Therefore, these expenditures are projected to increase.



- Sludge handling is expected to increase as a direct result of increased sludge production from increased wastewater flow.
- The expansion of the wastewater treatment plant to a 1.25 MGD permit will require operating costs to increase on an ongoing basis.
- Utility line locate services are proposed to be contracted out in 2020 in order to better utilize the skill set of the water department employees. Contracting this service out to a third party will free up valuable employee time, smooth work flow, and give the Authority appropriate documentation and transferal of risk.
- Professional Services are projected to decrease by \$3,700 to account for the legal and auditing services for 2020. The Authority has kept its auditing cost low due to increased in-house preparation.
- Other Operating Expenses is expected to increase by \$194,081 in 2020.
 - Utility costs for the offices and field operations rise with the rate of inflation (1.74% at 7/31/2019), therefore an incremental increase is projected.
 - Telephone and internet services expenditures have increased for JCWSA. This is a result of 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, the most efficient running of day to day operations.
- Salaries and Benefits are projected to increase by \$10,745 or 0.33% for FY 2020.
 - As stated by the Authority's independent auditor during the presentation of the 2018 CAFR, the percentage of salary and benefit costs compared to the financial statements indicates that the Authority staffing continues to be lean.
 - The increase to salaries and benefits is attributable to the rising costs of providing benefits to its employees. Every effort is made to keep these costs as low as possible while maintaining an attractive compensation package for its employees. This is the best and most effective way to retain the Authority's talent.



- 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 typically more than 50%. Comparing this percentage to the Authority's spending at 23.83% 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 JCWSA customers.
 - Depreciation expense for 2020 is expected to increase by \$54,947 or 1.93% from the 2019 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 JCWSA is dedicated to the Renewal and Extension Fund to pay for depreciation and expansion of the system. This practice has allowed the Authority to pay for many capital projects using its available cash. Any net income going forward will be utilized to pay down the Authority’s debt and prepare for repairs and replacement of the water and sewer system.
- The FY 2020 Proposed Budget is balanced in accordance with Georgia state law.

¹Source: The Press of Atlantic City (https://www.pressofatlanticcity.com/news/breaking/cost-of-government-most-tax-dollars-go-toward-salaries-healthcare/article_23f00e24-cef0-11e4-bfa7-7b06dcd8f32b.html)

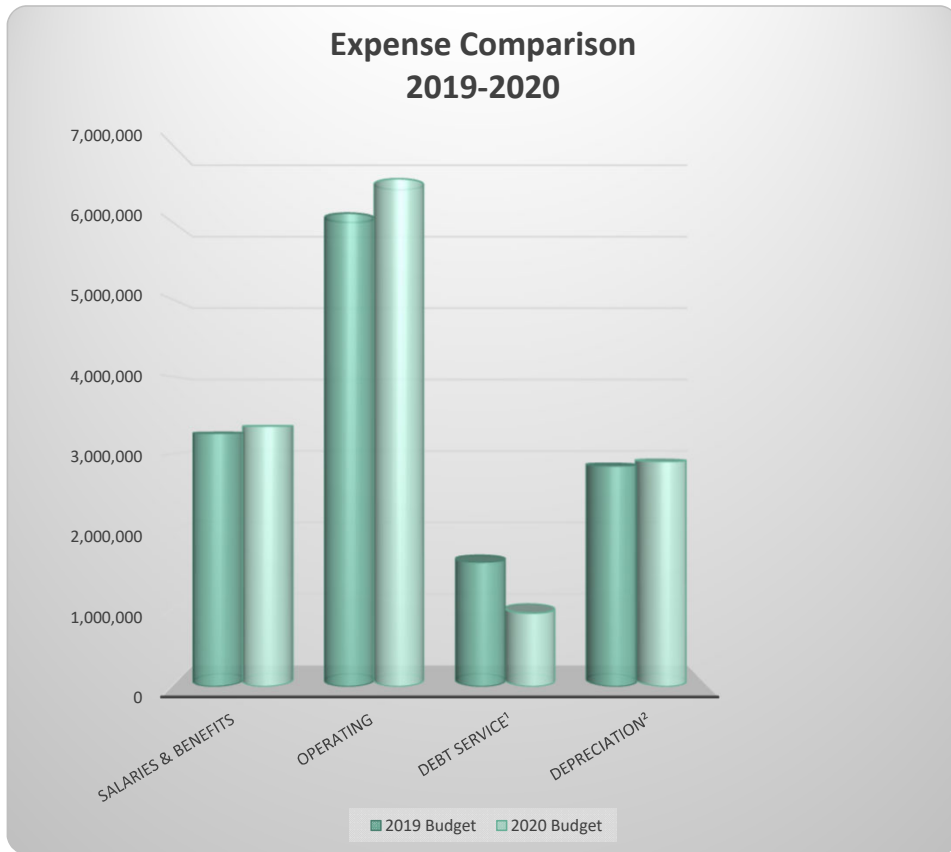


APPROVED_Amended

2020 BUDGET SUMMARY

Expense Totals

| | 2019 Budget | 2020 Proposed Budget | Percent of Total 2020 Budget | Difference 2019-2020 | Percent Change |
|---------------------------|-------------------|----------------------------|------------------------------------|-------------------------|-------------------|
| Salaries & Benefits | 3,268,313 | 3,359,058 | 24.41% | 90,745 | 2.78% |
| Operating | 6,106,600 | 6,549,748 | 47.60% | 443,148 | 7.26% |
| Debt Service ¹ | 1,606,007 | 946,917 | 6.88% | (659,090) | -41.04% |
| Depreciation ² | 2,849,369 | 2,904,316 | 21.11% | 54,947 | 1.93% |
| TOTAL | 13,830,289 | 13,760,039 | 100.00% | (70,250) | -0.51% |



¹ Debt Service Includes Amortization of Bond Premium/Discount & Amortization of Deferred Refunding

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
2020 Approved Operating Budget

| | 2019 | 2020 |
|---|--------------------|--------------------|
| REVENUES | | |
| WATER SALES-METERED | \$ 6,880,065 | \$ 7,326,529 |
| WATER SALES - WHOLESALE | 803,500 | 838,510 |
| SEWER SALES-METERED | 1,065,000 | 1,183,500 |
| DAMAGE/TAMPERING/THEFT | 15,000 | 15,000 |
| SERVICE FEES (Includes new connection fees) | 1,580,010 | 1,951,500 |
| OTHER REVENUES | 534,976 | 15,000 |
| TOTAL REVENUES | 10,878,551 | 11,330,039 |
| COST OF SALES | | |
| WATER PURCHASES | 2,043,159 | 2,103,159 |
| REPAIRS/MAINTENANCE | 1,719,271 | 1,748,271 |
| OTHER COST OF SALES | 1,039,500 | 1,140,250 |
| TOTAL COST OF SALES | 4,801,930 | 4,991,680 |
| GROSS PROFIT | 6,076,621 | 6,338,359 |
| EXPENSES | | |
| SALARIES & BENEFITS | 3,268,313 | 3,359,058 |
| PROFESSIONAL SERVICES | 88,700 | 85,000 |
| OTHER OPERATING EXPENSES | 1,108,737 | 1,302,818 |
| CONTINGENCY EXPENSES | 56,482 | 150,000 |
| TOTAL EXPENSES | 4,522,232 | 4,896,876 |
| NET INCOME FROM OPERATIONS | 1,554,389 | 1,441,483 |
| OTHER INCOME(EXPENSES) | | |
| INTEREST INCOME-CASH ACCOUNTS | 8,000 | 7,000 |
| INTEREST INCOME - 2018 BONDS | 10,000 | 75,000 |
| INTEREST INCOME-2006ABONDS | 7,500 | 7,500 |
| INTEREST INCOME - 2011 A&B BONDS | - | - |
| INTEREST INCOME - UOBWA BONDS | (5,000) | (50,000) |
| INTERGOVT. REV.-NON-OPERATING | 493,737 | - |
| TOTAL OTHER INCOME(EXPENSE) | 514,237 | 39,500 |
| CONSTRUCTION RELATED INCOME(EXPENSE) | | |
| SPLOST PROCEEDS | 1,936,750 | 2,052,250 |
| STATE & FEDERAL GOVERNMENT GRANTS - CAPITAL | - | - |
| INTEREST CAPITALIZED | 50,000 | - |
| DONATED WATER/SEWER SYSTEM | 400,000 | 318,000 |
| BOND INTEREST & ISSUANCE EXPENSE* | (1,606,007) | (946,917) |
| ASSET DEPRECIATION EXPENSE | (2,521,510) | (2,576,457) |
| INTANGIBLE ASSET AMORTIZATION | (327,859) | (327,859) |
| PROJECT COST ABANDONED | (50,000) | (20,000) |
| CAPITAL CONTRIBUTION | 50,000 | 20,000 |
| TOTAL CONSTRUCTION RELATED | (2,068,626) | (1,480,983) |
| NET INCOME | \$ - | \$ - |

2020 APPROVED CAPITAL BUDGET ADDITIONS

| | <u>Budget Requested</u> | <u>Purpose for Project</u> | <u>Funding Source</u> |
|--|-----------------------------|---|--------------------------|
| Water Capital Outlay Requests | | | |
| 4" Dewatering Pump | \$ 25,000 | To dewater trenches during repair of main line breaks | Renewal & Extension Fund |
| SCADA Radio Replacement At All Sites | 35,000 | Current radios are obsolete and no longer available for repair/purchase | Renewal & Extension Fund |
| SCADA Panel Replacement At Dry Pond & Apple Valley Pump Stations | 80,000 | Panel equipment is obsolete | Renewal & Extension Fund |
| Skid Steer Loader | 80,000 | Needed for material handling | Renewal & Extension Fund |
| Towable Light | 15,000 | Needed for night time emergency work | Renewal & Extension Fund |
| | <u>\$ 235,000</u> | | |
| Sewer Capital Outlay Requests | | | |
| 2019 F150 4x4 | \$ 32,500 | Replacement of older vehicle | Renewal & Extension Fund |
| Mobile 8" By-pass Pump | 125,000 | Needed in collections | Renewal & Extension Fund |
| | <u>\$ 157,500</u> | | |
| Finance/IT Capital Outlay Requests | | | |
| 2019 Ford Fusion S | \$ 18,655 | Replacement of older vehicle | Renewal & Extension Fund |
| Sage100 Cloud Finance Software | 70,000 | Upgrade of finance software - storage issues | Renewal & Extension Fund |
| HP Physical Server Upgrade | 45,000 | High priority server upgrade | Renewal & Extension Fund |
| Website Hosting | 40,000 | Upgrade website and 3rd party host | Renewal & Extension Fund |
| Phone System Capital Lease | 49,071 | Three year capital lease - upgrade obsolete system | Operating Account |
| VMWare | 30,000 | Expansion of server back-up capabilities | Renewal & Extension Fund |
| Printer/Scanner Capital Lease | 25,200 | Three year capital lease - to renew existing lease | Operating Account |
| | <u>\$ 277,926</u> | | |

2020 APPROVED CAPITAL BUDGET ADDITIONS (cont.)

| | <u>Budget Requested</u> | <u>Purpose for Project</u> | <u>Funding Source</u> |
|--|-----------------------------|---|--------------------------|
| Engineering/GIS Capital Outlay Requests | | | |
| Talmo Pump Station Backup Generator | \$ 100,000 | To provide back up power | Renewal & Extension Fund |
| Sewer Planning/Modeling | 175,000 | To update wastewater system plan | Renewal & Extension Fund |
| Water Resources Development Planning | 200,000 | Research and development of water resource plan | Renewal & Extension Fund |
| | <u>\$ 475,000</u> | | |
| SPLOST Projects projected for 2020 | | | |
| Pleasant Acres | \$ 1,650,000 | Replacement of main water lines | SPLOST Fund |
| Lewis Roberts/Ebenezer | 825,000 | New water system project | SPLOST Fund |
| SW Jackson | 575,000 | New water system project | SPLOST Fund |
| | <u>\$ 3,050,000</u> | | |
| To be paid from Renewal & Extension Fund | \$ 1,071,155 | | |
| To be paid from SPLOST Fund | 3,050,000 | | |
| To be paid from Operating Account | 74,271 | | |
| To be paid from New Debt | - | | |
| Total Capital Outlay Requests | <u>\$ 4,195,426</u> | | |

JCWSA

RECONCILIATION OF CAPITAL OUTLAY

AND FUNDING SOURCE(S)

2020

| | | |
|--|----|------------------|
| Net Income | \$ | - |
| Cash - Renewal & Extension Fund (reserved for 2020 Capital Outlay) | | 1,071,155 |
| Cash - SPLOST Fund | | 3,050,000 |
| Cash - Operating Account (reserved for 2020-2023 Capital Leases) | | 74,271 |
| New debt issuance | | - |
| Total cash and cash equivalents | | <u>4,195,426</u> |
| Capital Outlay Requests | | |
| 4" Dewatering Pump | | 25,000 |
| SCADA Radio Replacement At All Sites | | 35,000 |
| SCADA Panel Replacement At Dry Pond & Apple Valley Pump Station | | 80,000 |
| Skid Steer Loader | | 80,000 |
| Towable Light | | 15,000 |
| 2019 F150 4x4 | | 32,500 |
| Mobile 8" By-pass Pump | | 125,000 |
| 2019 Ford Fusion S | | 18,655 |
| Sage100 Cloud Finance Software | | 70,000 |
| HP Physical Server Upgrade | | 45,000 |
| Website Hosting | | 40,000 |
| Phone System Capital Lease | | 49,071 |
| VMWare | | 30,000 |
| Printer/Scanner Capital Lease | | 25,200 |
| Talmo Pump Station Backup Generator | | 100,000 |
| Sewer Planning/Modeling | | 175,000 |
| Water Resources Development Planning | | 200,000 |
| Pleasant Acres | | 1,650,000 |
| Lewis Roberts/Ebenezer | | 825,000 |
| SW Jackson | | 575,000 |
| Total Reconciliation of Debt Requirement/Capital Improvements | | <u>4,195,426</u> |
| Net Difference | \$ | <u>-</u> |

