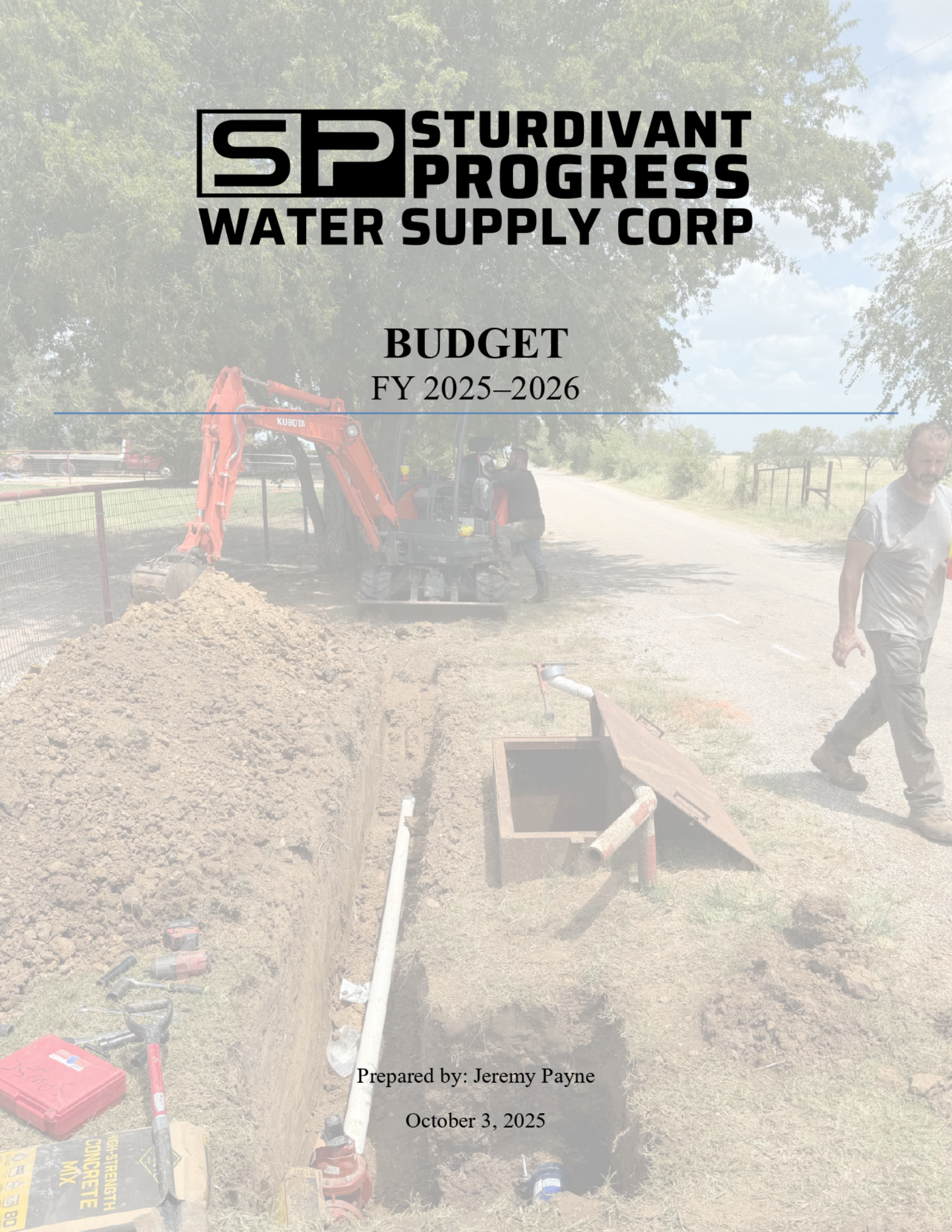




SP STURDIVANT PROGRESS WATER SUPPLY CORP

BUDGET FY 2025–2026

Prepared by: Jeremy Payne

October 3, 2025

EXECUTIVE SUMMARY

This budget reflects the Co-op's strategic goal to make significant improvements to an aging and undersized water system that is in urgent need of repair and modernization. It outlines the projected revenues, operating expenses, and key projects necessary to restore reliability, support current members, and prepare the system for future growth.

For the upcoming fiscal year, the Co-op anticipates a projected revenue of **\$1,974,722.71** and total expenses of **\$1,692,220.00**, resulting in an estimated net of **\$282,502.71**. Recognizing the need for substantial infrastructure investment, this budget includes a separate project allocation outside the standard operating budget. These project funds represent a major step toward upgrading critical components of the system, addressing deferred maintenance, and positioning the Co-op to meet increasing demand driven by community growth.

This proposal demonstrates the Co-op's commitment to financial responsibility while prioritizing system sustainability, reliability, and long-term service to its members.

SYSTEM OVERVIEW

The Co-op's water system has exceeded its original design capacity and intended service life. Since assuming the role of General Manager and working directly in the field, it has become evident that many of the recurring issues stem from aging, brittle lines—many dating back to the 1970s. These older lines are not only deteriorating but are also undersized for the growth that has occurred over the decades since their installation.

This condition underscores the urgency behind the Co-op's aggressive project schedule, with several critical improvements set to begin at the start of this fiscal year. Additional projects are already identified and will be incorporated into future budgets as part of a long-term plan to modernize and strengthen the entire system.

BUDGET OBJECTIVES AND PRIORITIES

The primary goal of this year's budget is to complete as many repairs and improvements as possible using in-house resources, while coordinating closely with outside contractors only when necessary. This approach allows the Co-op to stretch its funds further, lower costs, and make meaningful progress toward stabilizing the system. By focusing on efficiency and resourcefulness, the Co-op aims to set a foundation for long-term operational and financial stability to support future growth.

Priority Goals

The Co-op has identified four critical priority projects for this fiscal year that directly address the most urgent needs within the system:

1. Major ground storage addition
2. Line upgrades for Hess Rd and FM 3028
3. Emergency backup power installation for all stations
4. Lift station rehabilitations at both existing locations

Operational Focus

A major focus of this year's budget is controlling expenditures by completing as much work as possible in-house. Utilizing the experience and capabilities of Co-op staff helps reduce the need for contracted labor, allowing available funds to go further and enabling more repairs and maintenance to be completed. This hands-on approach reflects the Co-op's commitment to making tangible progress toward system stability and reliability while maintaining responsible financial management.

Financial Goal

The financial goal of this year's budget is to invest as much of the available funding as possible into projects and improvements that deliver immediate, measurable benefits to the water system, while maintaining sufficient reserves for emergencies or unforeseen expenses. This ensures the Co-op can continue daily operations even during unexpected revenue shortfalls, all while strengthening the system's long-term dependability and efficiency.

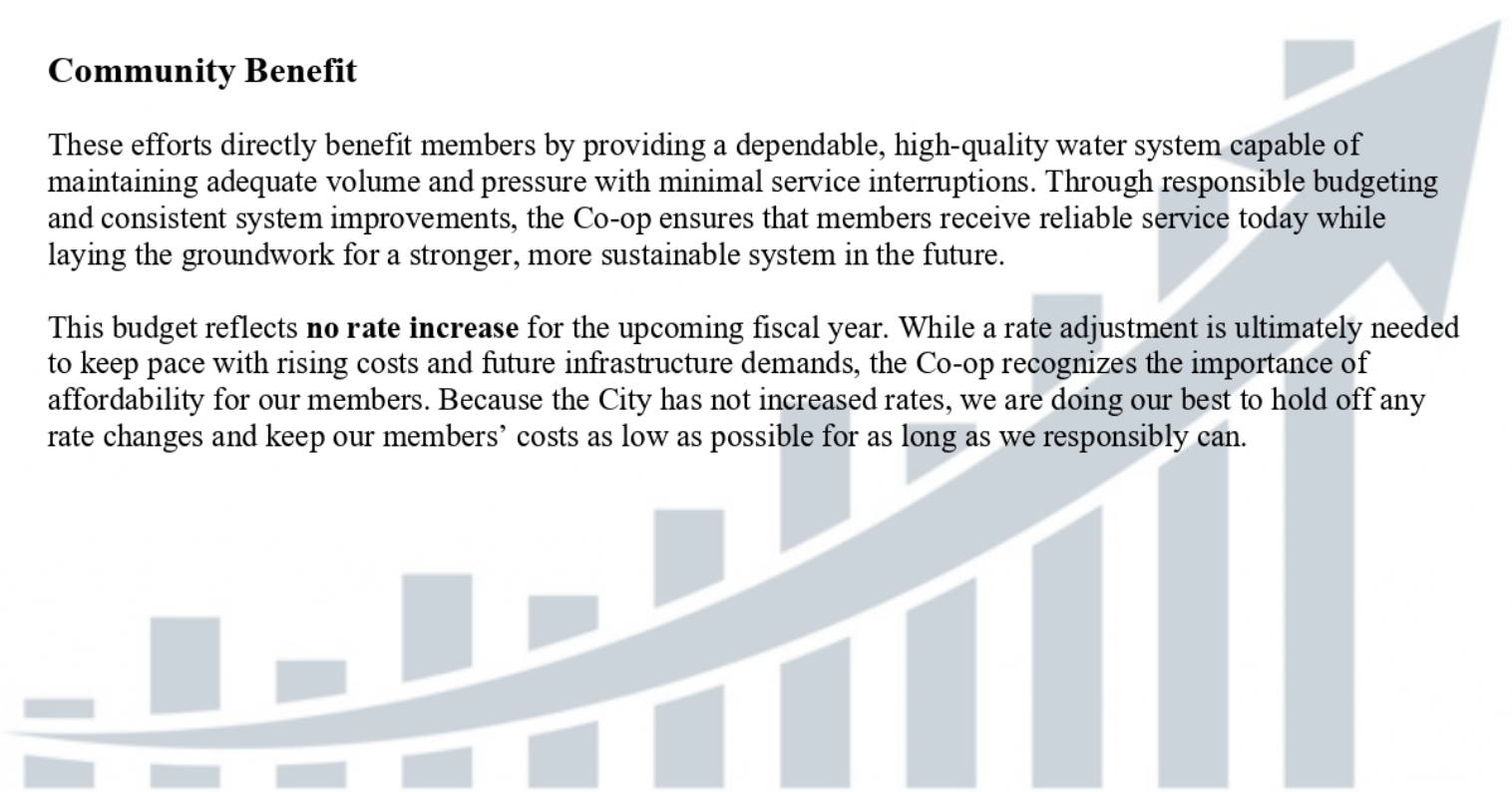
Long-Term Vision

The long-term vision of the Co-op is to methodically address the system's aging infrastructure through a multi-year improvement plan. Even with the completion of this year's projects, many additional upgrades will be necessary to bring the system to a point where it is both reliable and efficient. Persistent issues caused by outdated lines and equipment require ongoing repair, which consumes time and funding that could otherwise support growth. By strategically investing in improvements each year, the Co-op will enhance reliability, reduce recurring maintenance costs, and position the system for steady growth and stronger financial performance in the years ahead.

Community Benefit

These efforts directly benefit members by providing a dependable, high-quality water system capable of maintaining adequate volume and pressure with minimal service interruptions. Through responsible budgeting and consistent system improvements, the Co-op ensures that members receive reliable service today while laying the groundwork for a stronger, more sustainable system in the future.

This budget reflects **no rate increase** for the upcoming fiscal year. While a rate adjustment is ultimately needed to keep pace with rising costs and future infrastructure demands, the Co-op recognizes the importance of affordability for our members. Because the City has not increased rates, we are doing our best to hold off any rate changes and keep our members' costs as low as possible for as long as we responsibly can.



REVENUE SUMMARY

The Co-op's primary sources of income include water and sewer sales, late fees, tap fees, and bulk water. Excluded income, such as credits or reimbursements to members, is subtracted from total revenues to present a clear picture of net operating income. The revenue projections in this table are based on the most recent eight months of data, reflecting current collection practices and payment trends. These figures provide the most accurate foundation for estimating revenues in the upcoming fiscal year.

PROJECTED REVENUE		
Category	Monthly	Annual
Water sales	\$153,981.36	\$1,847,776.32
Sewer Sales	\$5,099.76	\$61,197.12
Late Fees	\$2,646.25	\$31,755.00
Taps	\$2,266.67	\$27,199.99
Bulk Water	\$2,000	\$24,000
Excluded Income	\$1,433.81	\$17,205.72
Total Revenue	\$164,560.23	\$1,974,722.71

EXPENSE SUMMARY

The Co-op's primary operating expenses include the cost of water and sewer services, parts and repairs, fuel, payroll, professional services, tools, utilities, and other services necessary to support daily operations. This budget reflects a careful balance between maintaining reliable day-to-day operations and investing in critical system improvements. By managing costs effectively and prioritizing in-house work whenever possible, the Co-op is able to maximize the impact of available funds while ensuring operational stability and compliance with all regulatory requirements.

We will be presenting projects in a separate section to highlight the significant capital investments planned at the start of these system upgrades. This approach allows the board to clearly see the resources allocated to critical improvements while keeping operating expenses distinct from one-time or project-specific costs.

PROJECTED EXPENSE		
Category	Monthly	Annual
Cost of Water	\$87,000	\$1,044,000
Cost of Sewer	\$3,000	\$36,000
Parts/Repair	\$1,350	\$16,200
Fuel	\$1,210	\$14,520
Payroll	\$34,450	\$413,400
Professional Services	\$4,108.33	\$49,300
Tools	\$800	\$9,600
Utilities	\$1,600	\$19,200
Other Services	\$7,500	\$90,000
Total Expenses	\$141,018.33	\$1,692,220

PROJECT SUMMARY

As noted earlier in this budget, the system requires significant upgrades to improve reliability and capacity. Following the submission of a Capital Improvement Proposal (CIP), a comprehensive list of potential projects was developed. After careful review with the Project Committee and Budget Committee, a plan has been established for the first round of projects, focusing on those that will deliver the greatest impact in the shortest timeframe.

The table below lists these projects alongside the Co-op's starting balance, providing a clear view of each project's relative share of available funds. This presentation allows the board to see how resources are allocated to maximize system improvements while maintaining financial stability.

RECOMMENDED PROJECTS		
Starting Balance	\$1,456,506.78	
Project / Category	Cost (\$)	% of Starting Balance
Ground Storage	800,000	54.92%
Hess Rd Start	56,750	2.52%
FM 3028	78,750	5.4%
Generators	92,400	6.34%
Lift Station Rehab	76,650	5.26%
Total Project Costs	1,104,550	74.46%
Balance After Projects	351,956.78	25.53%
Projected Annual Revenue (2025–2026)	282,502.72	19.39%
Projected Year-End Balance	634,459.50	44.93%

*Keeping the lights on cost - \$606,720

Ending Balance and Financial Outlook

As shown in the figures above, the Co-op will begin this fiscal year with an opening balance of **\$1,456,506.78**. The projects selected for this year were chosen with cost and financial stability in mind, ensuring that reserves remain above the target minimum required for the Co-op to operate effectively in case of emergencies. This approach also preserves more than a full year of operating costs in reserve, allowing the Co-op to confidently “keep the lights on” while continuing essential improvements.

After completing the planned projects and accounting for their associated costs, the projected balance will be **\$351,956.78**. Based on anticipated revenues and operating expenses throughout the fiscal year, the Co-op expects to recoup approximately **\$282,502.72**, resulting in an estimated ending balance of **\$634,459.50** at year-end. This projection reflects a responsible financial plan that balances immediate system investments with long-term fiscal health and operational stability.

CONCLUSION/RECOMMENDATION

This budget provides a focused and responsible plan to strengthen the Co-op's financial position while addressing the system's most critical needs. By emphasizing in-house work, controlling costs, and targeting projects with the greatest immediate impact, the Co-op is taking a practical approach to improving stability and long-term reliability. The plan also maintains healthy reserves—ensuring the Co-op remains financially secure and capable of covering at least a year of operating costs in the event of emergencies or revenue interruptions.

Recommendation:

I respectfully recommend that the Board approve the proposed budget as presented. It represents a balanced approach that protects our financial footing while allowing meaningful progress on key improvements. This plan positions the Co-op to continue strengthening our system, serving our members reliably, and preparing for future growth with confidence.

Submitted By:

A handwritten signature in black ink, appearing to read 'JP' with a stylized flourish.

Jeremy Payne

General Manager

Sturdivant Progress WSC