

GROTON UTILITIES

SEWER DIVISION

**OPERATING AND CAPITAL
BUDGET**

2020/2021

Proposed 4/8/2020

UC Approved 4/15/2020

City Council Approved 6/1/2020

Groton Utilities – Sewer Division

2020-2021 Budget Proposed April 8, 2020

The Fiscal Year 2021 Budget proposal for Groton Utilities – Sewer Division is presented with the Actual Fiscal Year 2019, Projected June 30, 2020 and the Approved 2020 Budget for comparison purposes.

Revenue Development

Sewer Revenues are developed using historical sales data ended December 31, 2019. Sewer Rates will remain the same for FY 2021. Overall Cubic Feet sales budgeted for FY 2021 are 13% higher than sales budget for FY 2020. Revenues proposed for FY 2021 are \$4.3 million, which is an increase of 11% or \$467K from FY 2020 budget.

Non-Bonded Capital Projects

Non-Bonded Capital Projects costs proposed for the Sewer Division total \$60.9K for FY 2021.

- No Non-Bonded Capital Projects for Sewer Operation
- Customer Care Non-Bonded Capital projects total \$154K, of which \$15.4K is allocated to the Sewer Division
- IT Non-Bonded Capital projects total \$455K, of which \$45.5K is allocated to the Sewer Division

Bonded Capital Projects

Bonded Capital projects proposed for FY 2021 are \$995K. These projects are part of a five-year bonding plan that has been proposed by GU Management. The five-year bonding plan in the amount of \$5 million has been approved by the Utility Commission at their March 18, 2020 meeting and will be presented to the City Council and City Freeman.

Electric/Water/Sewer Division Allocation

The ratio for allocating non-direct expenses among the Electric, Water, and Sewer Divisions are 60/30/10% (Electric/Water/Sewer) based on customer counts per Division. The cost associated with Promotions and Demonstrating & Selling expenses allocation will remain at 50/50% (Electric/Water) because the costs incurred in this area generally promote the utility as a whole and not necessarily based on customer segments. Expenses related specifically to an individual department will be allocated accordingly.

Operating Expenses

Operating Expenses are developed using historical information and adjusted for known changes. Total Operating & Maintenance expenses proposed for FY 2021 are \$3.3 million, a 25% or \$670K increase from FY 2020 budget.

Labor expenses increased by 20% or \$204K from FY2020 budget which includes; one new position budgeted in Sewer Operations and one new position budgeted in IT Operations.

Non-Labor expenses increased by 29% or \$466K from FY 2020 budget which includes an increase of benefit and insurance expenses of \$21K, an increase of City service charge of \$8K, bond issuing and interest expenses of \$60K related to the new bonding, consulting service of \$250K for collection system planning, resiliency planning, grant and asset management planning, an increase of sludge hauling of \$21K and a service contract of \$56K added for odor removal.

Operating Earnings and Net Cash Flow

Operating Earnings resulting from the proposed budget are \$670K which is a decrease of 19% or \$153K from FY 2020 budget and 14% or \$82K higher than the Cost of Service Study (COSS) target, of \$588K. Proposed FY 2021 Net Earnings combined with Depreciation Cash and Receipt from Issuing Bonds provides approximately \$1.7 million to fund Capital Projects and Debt Service requirements. This results in a Net Increase in Cash Flow from Operations of \$257K. The FY 2021 proposed budget projects a Total Ending Cash Balance of \$3 million which is higher than COSS Projected Cash Balance of \$1.7 million and the COSS Recommended Minimum Cash Balance of \$1.4 million.

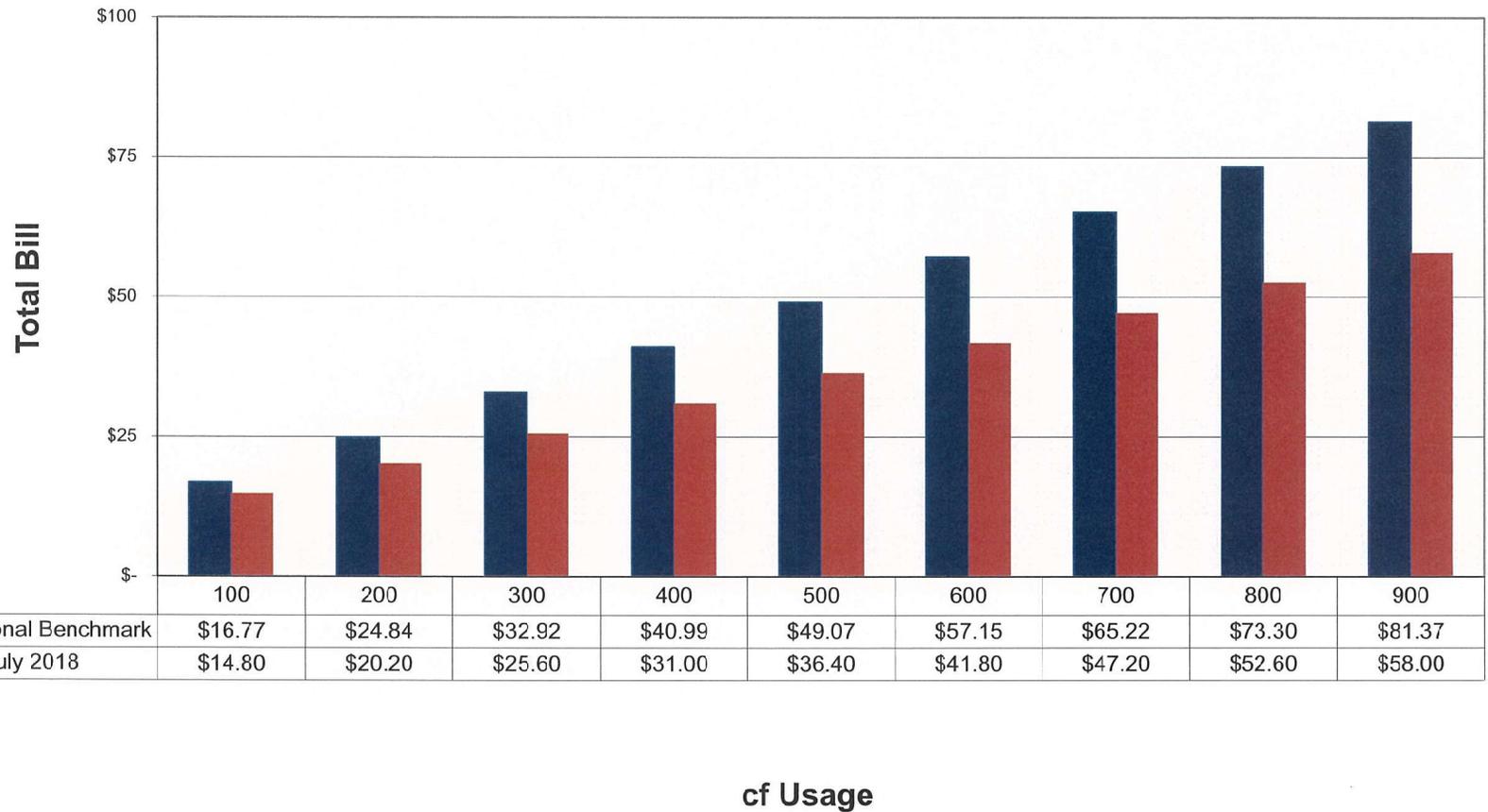
Approval Recommendation

The Proposed budgets for FY 2021 will afford the Sewer Division to:

1. Continue to provide highly reliable and responsive service that the customers expect and at rates that are fair, competitive and viewed as providing value to the customer.
2. Allow for the efficient operation and maintenance of the sewer distribution system while concentrating maintenance on non-project related equipment.
3. Meet debt service requirements and fund growing infrastructure and technology needs.
4. Support compensation plans sufficient to attract and retain skilled, high-tech workers.

Management recommends the proposed operations and capital budgets for FY 2021 and cash flow plan be approved as proposed.

**Groton Utilities Sewer vs. Benchmark
Residential Bills
(various cf usage levels)**



GU is 25.8% less than the Regional Benchmark at 500cf.

GROTON UTILITIES

SEWER DIVISION

2020/2021 BUDGET

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**Sewer Division
FY 2020/2021**

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	Approved FY 2020 Budget	Proposed FY 2021 Budget	Variance 2021 Budget vs. 2020 Budget		Variance 2021 Budget vs. 2019 Actual	
OPERATING REVENUES									
Residential		\$ 1,174,738	\$ 1,166,171	\$ 1,158,215	\$ 1,170,487	\$ 12,272	1%	\$ (4,251)	0%
Residential - North Slope		36,379	40,310	37,670	38,345	675	2%	1,966	5%
Commercial		581,628	600,650	559,258	589,724	30,466	5%	8,096	1%
Free City Sewer Service		8,499	4,789	-	10,000	10,000	100%	1,501	18%
Industrial		2,507,327	2,620,216	2,122,929	2,536,772	413,843	16%	29,445	1%
Total Sewer Revenues	\$ -	\$ 4,308,572	\$ 4,432,137	\$ 3,878,072	\$ 4,345,328	\$ 467,256	11%	\$ 36,756	1%
OTHER OPERATING REVENUES									
Customer Service Charges						-		-	
New Customer Fees						-		-	
Late Payment Charges		6,056	5,187	5,000	6,500	1,500	23%	444	7%
Misc. Service Revenues						-		-	
Total Other Operating Revenue	\$ -	\$ 6,056	\$ 5,187	\$ 5,000	\$ 6,500	\$ 1,500	23%	\$ 444	7%
Total Revenue	\$ -	\$ 4,314,628	\$ 4,437,324	\$ 3,883,072	\$ 4,351,828	\$ 468,756	11%	\$ 37,200	1%

Revenues are based on historical sales data ended on 12/31/2019

No change on Rates for FY 2021

GROTON UTILITIES
Sewer Division Budget Summary
OPERATING EARNINGS

		FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	Approved FY 2020 Budget	Proposed FY 2021 Budget	Variance 2021 Budget vs. 2020 Budget		Variance 2021 Budget vs. 2019 Budget	
REVENUE:										
TOTAL REVENUES		\$ -	\$ 4,314,628	\$ 4,437,324	\$ 3,883,072	\$ 4,351,828	\$ 468,756	12%	\$ 37,200	1%
OPERATION & MAINTENANCE EXPENSE										
Sewer Operations 3905	Payroll	\$ -	\$ 688,501	\$ 674,965	\$ 728,551	\$ 921,365	\$ 192,814	26%	\$ 232,864	34%
Customer Care 4000 - 4900	Payroll	-	120,722	120,665	120,577	130,539	9,962	8%	9,817	8%
Info & Tech 5000	Payroll	-	73,331	79,399	86,300	89,900	3,600	4%	16,569	23%
Administration 9000	Payroll	-	73,409	74,319	83,200	80,508	(2,692)	-3%	7,099	10%
Administrative & General 9900	Payroll	-	-	-	-	-	-	-	-	-
Subtotal		\$ -	\$ 955,963	\$ 949,348	\$ 1,018,628	\$ 1,222,312	\$ 203,684	20.0%	\$ 266,349	28%
Sewer Operations 3905	Other	-	728,238	751,508	883,922	1,184,212	300,290	34%	455,974	63%
Customer Care 4000 - 4900	Other	-	45,971	60,470	73,162	74,150	988	1%	28,179	61%
Info & Tech 5000 - 5600	Other	-	58,011	79,083	114,100	124,600	10,500	9%	66,589	115%
Administration 9000	Other	-	12,107	24,521	40,630	39,990	(640)	-2%	27,883	230%
Administrative & General 9900	Other	-	484,006	518,549	518,891	674,042	155,151	30%	190,036	39%
Subtotal		\$ -	\$ 1,328,333	\$ 1,434,131	\$ 1,630,705	\$ 2,096,994	\$ 466,289	29%	\$ 768,661	58%
Total Operating & Maintenance Expense		\$ -	\$ 2,284,295	\$ 2,383,479	\$ 2,649,333	\$ 3,319,306	\$ 669,973	25%	\$ 1,035,010	45%
DEPRECIATION		\$ -	\$ 236,243	\$ 320,853	\$ 329,167	\$ 279,403	\$ (49,763)	-15%	\$ 43,161	18%
Taxes Payroll										
Sewer Operations 3905	Payroll Tax	-	46,886	47,846	60,000	60,000	-	0%	13,114	28%
Customer Care 4000 - 4900	Payroll Tax	-	8,356	8,484	9,200	10,000	800	9%	1,644	20%
Info & Tech 5000	Payroll Tax	-	5,375	5,975	6,600	6,900	300	5%	1,525	28%
Administration 9000	Payroll Tax	-	5,010	5,246	6,200	6,160	(40)	-1%	1,150	23%
Administrative & General 9900	Payroll Tax	-	-	-	-	-	-	-	-	-
Total Taxes		\$ -	\$ 65,626	\$ 67,550	\$ 82,000.0	\$ 83,060	\$ 1,060	1%	\$ 17,434	27%
TOTAL OPERATING EXPENSE		\$ -	\$ 2,586,164	\$ 2,771,882	\$ 3,060,500	\$ 3,681,769	\$ 621,270	20%	\$ 1,095,605	42%
OPERATING EARNINGS		\$ -	\$ 1,728,463	\$ 1,665,442	\$ 822,572	\$ 670,059	\$ (152,514)	-19%	\$ (1,058,405)	-61%

Groton Utilities
Sewer Division Budget Income and Other Charges

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	Approved FY 2020 Budget	Proposed FY 2021 Budget	Variance 2021 Budget vs. 2020 Budget		Variance 2021 Budget vs. 2019 Budget	
OPERATING EARNINGS	\$ -	\$ 1,728,463	\$ 1,665,442	\$ 822,572	\$ 670,059	\$ (152,514)	-19%	\$ (1,058,405)	-61%
INTEREST & OTHER CHARGES:									
Merchandising & Jobing Contract Work Expense	-	-	-	-	-	-			
Bond Interest Expense GU	-	259,697	227,650	227,650	261,450	33,800	15%	1,753	1%
Subtotal Other Expense	\$ -	\$ 259,697	\$ 227,650	\$ 227,650	\$ 261,450	\$ 33,800	15%	\$ 1,753	1%
Merchandising & Jobing Contract Income	-	-	-	-	-	-			
Interest Income	-	4,525	-	-	4,400	4,400	#DIV/0!	(125)	-3%
Subtotal Other Income	\$ -	\$ 4,525	\$ -	\$ -	\$ 4,400	\$ 4,400	#DIV/0!	\$ (125)	-3%
TOTAL INTEREST AND OTHER CHARGES	\$ -	\$ (255,172)	\$ (227,650)	\$ (227,650)	\$ (257,050)	\$ (29,400)	13%	\$ (1,878)	1%
NET EARNINGS	\$ -	\$ 1,473,291	\$ 1,437,792	\$ 594,922	\$ 413,009	\$ (181,914)	-31%	\$ (1,060,282)	-72%

GROTON UTILITIES
Sewer Division Budget Cash Flow

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	Approved FY 2020 Budget	Proposed FY 2021 Budget
NET CASH FROM OPERATIONS	\$ -	\$ 1,473,291	\$ 1,437,792	\$ 594,922	\$ 413,009
PLUS:					
Depreciation	-	236,243	320,853	329,167	279,403
Proposed Receipts from Bond Fund reallocations			-		
Cash Receipts from Bond Issuing				-	995,000
Cash Reserve					-
TOTAL FUNDS GENERATED	<u>\$ -</u>	<u>\$ 1,709,534</u>	<u>\$ 1,758,645</u>	<u>\$ 924,089</u>	<u>\$ 1,687,412</u>
LESS:					
Non-Bonded Capital Projects:					
Sewer Operation Projects		-	250,000	250,000	-
IT Projects Sewer Division Allocation		19,261	49,900	65,400	45,500
CC Projects Sewer Division Allocation		-	3,300	15,000	15,400
Vehicles					-
Bonded Capital Projects			-	-	995,000
Cash Reserves Contributions:					
Digester Cleaning					-
SCADA					-
Vehicles Replacements					-
Major Plant Pump & Motor Service					-
Bond Principal Requirements			325,000	323,000	325,000
Working Capital		3,705	50,000	50,000	50,000
TOTAL FUNDS REQUIRED	<u>\$ -</u>	<u>\$ 22,966</u>	<u>\$ 678,200</u>	<u>\$ 703,400</u>	<u>\$ 1,430,900</u>
NET CASH FLOW FROM OPERATIONS	<u>\$ -</u>	<u>\$ 1,686,568</u>	<u>\$ 1,080,445</u>	<u>\$ 220,689</u>	<u>\$ 256,512</u>
Plus Total Beginning Cash Balance	<u>\$ -</u>	<u>\$ 1,686,568</u>	<u>\$ 1,662,640</u>	<u>\$ 2,767,012</u>	<u>\$ 2,767,012</u>
Total Ending Cash Balance	<u>\$ 1,686,568</u>	<u>\$ 2,767,012</u>	<u>\$ 1,883,329</u>	<u>\$ 1,883,329</u>	<u>\$ 3,023,524</u>

GROTON UTILITIES

SEWER DIVISION

2020/2021 BUDGET

PROFORMA ANALYSIS

GROTON UTILITIES - SEWER DIVISION

PROFORMA INCOME STATEMENT

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	Approved FY 2020 Budget	Proposed FY 2021 Budget
REVENUE:					
Residential	\$ -	\$ 1,174,738	\$ 1,166,171	\$ 1,158,215	\$ 1,170,487
Residential - North Slope		36,379	40,310	37,670	38,345
Commercial	-	581,628	600,650	559,258	589,724
Free City Sewer Service	-	8,499	4,789	-	10,000
Industrial	-	2,507,327	2,620,216	2,122,929	2,536,772
TOTAL SEWER REVENUE	\$ -	\$ 4,308,572	\$ 4,432,137	\$ 3,878,072	\$ 4,345,328
OTHER SEWER REVENUE	-	6,056	5,187	5,000	6,500
TOTAL REVENUE	\$ -	\$ 4,314,628	\$ 4,437,324	\$ 3,883,072	\$ 4,351,828
EXPENSES:					
OPERATION EXPENSES	-	2,275,797	2,378,690	2,649,333	3,309,306
Free City Sewer Service	-	8,499	4,789	-	10,000
DEPRECIATION (additions related to Capital Projec	-	236,243	320,853	329,167	279,403
TAXES	-	65,626	67,550	82,000	83,060
TOTAL OPERATING EXPENSES	\$ -	\$ 2,586,164	\$ 2,771,882	\$ 3,060,500	\$ 3,681,769
OPERATING EARNINGS	\$ -	\$ 1,728,463	\$ 1,665,442	\$ 822,572	\$ 670,059
INTEREST & OTHER CHARGES					
Plus OTHER INCOME & DEDUCTIONS net	-	4,525	-	-	4,400
Less INTEREST ON LONG TERM DEBT	-	259,697	227,650	227,650	261,450
TOTAL INTEREST AND OTHER CHARGES	\$ -	\$ (255,172)	\$ (227,650)	\$ (227,650)	\$ (257,050)
NET INCOME/(NET LOSS) before debt principal	\$ -	\$ 1,473,291	\$ 1,437,792	\$ 594,922	\$ 413,009

PROFORMA CASH FLOW

PLUS:					
Receipts From Bond Fund	-	-	-	-	995,000
DEPRECIATION	-	236,243	320,853	329,167	279,403
Working Capital	-	-	-	-	-
TOTAL FUNDS GENERATED	\$ -	\$ 1,709,534	\$ 1,758,645	\$ 924,089	\$ 1,687,412
LESS:					
Non-Bonded Capital:					
Operations Projects	-	-	250,000	250,000	-
IT Projects	-	19,261	49,900	65,400	45,500
Vehicles Replacements	-	-	-	-	-
CC Capital Projects	-	-	3,300	15,000	15,400
Bond Fund Project Expenditures	-	-	-	-	995,000
Contributions to Sewer Cash Reserve Fund	-	-	-	-	-
Bond Principal Requirements	-	-	325,000	323,000	325,000
Working Capital	-	3,705	50,000	50,000	50,000
TOTAL FUNDS REQUIRED	\$ -	\$ 22,966	\$ 678,200	\$ 703,400	\$ 1,430,900
NET CASH FLOW FROM OPERATIONS	\$ -	\$ 1,686,568	\$ 1,080,445	\$ 220,689	\$ 256,512
Plus Total Beginning Cash Balance	\$ -	\$ -	\$ 1,686,568	\$ 1,662,640	\$ 2,767,012
Total Ending Cash Balance	\$ -	\$ 1,686,568	\$ 2,767,012	\$ 1,883,329	\$ 3,023,524

GROTON UTILITIES

SEWER DIVISION

2020/2021 BUDGET

CAPITAL PROJECTS

**GROTON UTILITIES
Sewer Division
FY 2021**

Bonded Capital Projects

#	Bonded Capital Projects	Fund	Estimated Completion	FY 2021	Notes
1	Upgrade existing radio system	S2020	10/1/2020	\$ 150,000	PAF & Pump Stations
2	Pump Equipment Lift Stations	S2020	12/1/2020	\$ 45,000	Pump Stations
3	Replacement USTs	S2020	12/1/2020	\$ 400,000	Pump Stations
4	Sodium Hypochlorite System	S2020	4/1/2021	\$ 200,000	PAF
5	Building Repairs	S2020	6/30/2025	\$ 200,000	PAF & Pump Stations
	Total Bonded Capital Project Cost			\$ 995,000	

CAPITAL BUDGET- FY 2021		
SEWER DIVISION		
IT Department		
Proposed Non-Bonded Capital Projects	2020-2021	
	Proposed	Necessity and Purpose
New host servers - Ops	\$ 40,000	Replace existing EOL/EOS equipment
New storage array - Ops	180,000	Replace existing EOL/EOS equipment
Network Security Enhancement/Upgrades	55,000	Replace existing EOL/EOS equipment
Wi-Fi Upgrades/Enhancements/Replacements	25,000	Upgrades to existing only - does not include WTP
CARRY OVER FROM PRIOR :		
Replace HVAC in Ops Data Center	40,000	Carried over pending space plan
Doc Mgmt System Phase 2	50,000	On-going
Renovations to Office Space	65,000	Placeholder pending space plan
	TOTAL \$ 455,000	
Electric Allocation	273,000	
Water Allocation	136,500	
Sewer Allocation	45,500	
Customer Care Department		
Re-design CC office -Carry over from FY2020 Budget	\$ 117,000	
Carpeting	15,000	
Asbestos Removal	22,000	
Total	\$ 154,000	
Electric Allocation	92,400	
Water Allocation	46,200	
Sewer Allocation	15,400	