



GROTON UTILITIES

SEWER DIVISION

OPERATING AND CAPITAL  
BUDGET

FY 2023

Proposed 4/13/2022

UC Approved 4/20/2022

City Council Approved 6/6/2022

# GROTON UTILITIES

## SEWER DIVISION

### FY 2023 BUDGET

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# Groton Utilities – Sewer Division

## FY 2023 Budget

### Proposed April 13, 2022

The fiscal year 2023 proposed budget for Groton Utilities – Sewer Division is presented with Actual FY2021, Projected FY2022, and Approved FY2022 Budget for comparison purposes.

#### Revenue Development

Revenues are developed using the historical sales data ended December 2021 and applying rates in effect February 1, 2022 and February 1, 2023 as applicable. Overall cubic feet sales budgeted for FY2023 are 13% lower than last year's budget. Proposed FY2023 Sewer revenue of \$4M is 5% or \$205K lower than last year's budget driven by decrease of cubic feet sales offset by the rate increase.

#### 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.

#### Operation and Maintenance (O&M) Expenses

O&M expenses are developed using historical information and adjusted for known changes. Total O&M expenses proposed for FY2023 are \$3.3M which is decreased by 3% or \$98K compared to last year's budget due to the changes as follows:

- Labor budget increased by 10% or \$125K due to:
  - Standard increases for union and non-union employees combined with proposed performance base step increases
  - Reallocate 0.1 FTE from Water division to Sewer division
  - Increase of labor allocation of maintenance of mains from Water division by \$59K
- Non-Labor expense budget decreased by 11% or \$223K due to:
  - Sewer Operations – decrease 15% or \$179K
  - Customer Care and Key Accounts – increase 5% or \$4K
  - IT – decrease 2% or \$3K
  - Admin & Finance – increase 12% or \$5K
  - Administrative & General – decrease 6% or \$40K

## **Capital Projects**

Total proposed capital budget for FY2023 is \$3.84M which will be funded by a combination of annual depreciation and receipts of \$3.3M from financing. FY2023 capital budget includes:

Non-Bonded Capital Projects of \$542K for

- City Works for Sewer Operations - \$100K
- Sewer Treatment Facility Technology & Security - \$200K
- Sewer Pump Station - \$175K
- Sewer Distribution System Upgrades - \$25K
- Customer Care Projects - \$19.2K
- IT Projects – \$22.8K

Bonded Capital Projects of \$3.3M for

- Sewer Treatment Facility Improvement - \$2.2M
- Sewer Pump Station - \$600K
- Sewer Distribution System Upgrades - \$500K

## **Cash Flow**

Net cash flow provided from operations by FY2023 including the capital project financing results in a decrease of \$793K which will reduce the projected operating cash balance from \$3.7M to \$2.9M which will still be \$720K over the COSS recommended minimum cash balance.

## **Rate Comparison**

The GU average residential customer current Sewer bills for 500 cubic feet is 33% or \$19 below the Benchmark's current rates.

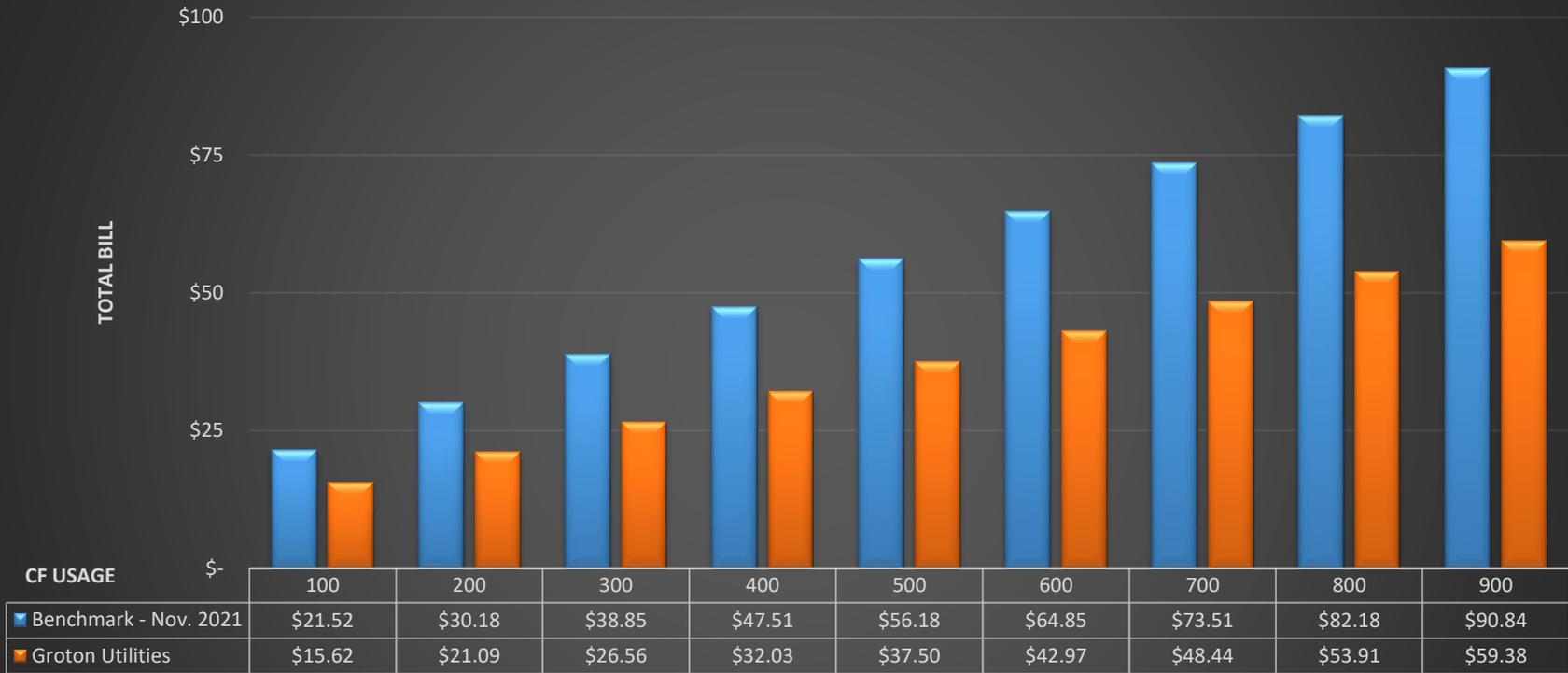
## **Approval Recommendation**

The Proposed budgets for FY2023 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 FY2023 and cash flow plan be approved as proposed.

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



**GU is 33% less than Benchmark at 500cf.**

# GROTON UTILITIES

## Sewer Division

### REVENUE BUDGET

	FY 2021 Actual	FY 2022 Projected	Approved FY 2022 Budget	Approved FY 2023 Budget	Variance FY23 Budget vs. FY22 Budget
OPERATING REVENUES					
Residential	\$ 1,208,150	\$ 1,210,468	\$ 1,176,275	<b>\$ 1,229,837</b>	\$ 53,562 4%
Residential - North Slope	41,487	40,771	39,099	<b>38,659</b>	(440) -1%
Commercial	584,324	617,384	587,018	<b>623,637</b>	36,619 6%
Free City Sewer Service	6,717	10,727	10,000	<b>10,000</b>	- 0%
Industrial	2,688,774	1,680,258	2,431,295	<b>2,136,346</b>	(294,949) -14%
				-	
Total Sewer Revenues	<b>\$ 4,529,452</b>	<b>\$ 3,559,607</b>	<b>\$ 4,243,687</b>	<b>\$ 4,038,479</b>	<b>\$ (205,208) -5%</b>
Other Operating Revenues					
Late Payment Charges	\$ 3,588	\$ 8,699	\$ 6,500	<b>\$ 6,500</b>	\$ - 0%
Misc. Service Revenues	5,340	13,880	6,000	<b>6,000</b>	- 0%
Total Other Operating Revenues	<b>\$ 8,928</b>	<b>\$ 22,579</b>	<b>\$ 12,500</b>	<b>\$ 12,500</b>	<b>\$ - 0%</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 4,538,379</b>	<b>\$ 3,582,186</b>	<b>\$ 4,256,187</b>	<b>\$ 4,050,979</b>	<b>\$ (205,208) -5%</b>

*Revenues are based on historical sales data ended on 12/31/2021*

*New Rates effective on 2/1/2022 with 3% increase*

*New Rates effective on 2/1/2023 with 3% increase*

## GROTON UTILITIES

### Sewer Division

### OPERATING EARNINGS

		FY 2021 Actual	FY 2022 Projected	Approved FY 2022 Budget	Approved FY 2023 Budget	Variance FY23 Budget vs. FY22 Budget	
OPERATING REVENUES		\$ 4,538,379	\$ 3,582,186	\$ 4,256,187	<b>\$ 4,050,979</b>	\$ (205,208)	-5%
OPERATING EXPENSES							
OPERATION & MAINTENANCE EXPENSE							
Sewer Operations 3905	Payroll	\$ 847,965	\$ 983,148	\$ 993,880	<b>\$ 1,103,248</b>	\$ 109,368	11%
Customer Care 4000 - 4900	Payroll	134,140	135,848	125,686	<b>137,628</b>	11,942	10%
Info & Tech 5000	Payroll	80,883	89,146	91,400	<b>93,800</b>	2,400	3%
Administration 9000	Payroll	77,959	76,690	81,601	<b>83,100</b>	1,499	2%
Administrative & General 9900	Payroll	-	-	-	-		
Subtotal		<u>\$ 1,140,947</u>	<u>\$ 1,284,831</u>	<u>\$ 1,292,567</u>	<u><b>\$ 1,417,777</b></u>	<u>\$ 125,209</u>	<u>10%</u>
Sewer Operations 3905	Other	\$ 872,020	\$ 1,000,782	\$ 1,181,185	<b>\$ 1,002,290</b>	\$ (178,895)	-15%
Customer Care 4000 - 4900	Other	50,064	67,952	82,420	<b>86,180</b>	3,760	5%
Info & Tech 5000 - 5600	Other	77,964	81,018	118,800	<b>116,000</b>	(2,800)	-2%
Administration 9000	Other	10,413	32,918	45,450	<b>39,980</b>	(5,470)	-12%
Administrative & General 9900	Other	538,607	622,937	663,505	<b>623,757</b>	(39,748)	-6%
Subtotal		<u>\$ 1,549,068</u>	<u>\$ 1,805,607</u>	<u>\$ 2,091,360</u>	<u><b>\$ 1,868,207</b></u>	<u>\$ (223,153)</u>	<u>-11%</u>
TOTAL OPERATION & MAINTENANCE EXPENSE		<u>\$ 2,690,015</u>	<u>\$ 3,090,438</u>	<u>\$ 3,383,927</u>	<u><b>\$ 3,285,984</b></u>	<u>\$ (97,944)</u>	<u>-3%</u>
DEPRECIATION		<u>\$ 252,489</u>	<u>\$ 282,753</u>	<u>\$ 284,600</u>	<u><b>\$ 284,600</b></u>	<u>\$ -</u>	<u>0%</u>
Taxes Payroll							
Sewer Operations 3905	Payroll Tax	\$ 45,410	\$ 59,663	\$ 59,300	<b>\$ 61,700</b>	\$ 2,400	4%
Customer Care 4000 - 4900	Payroll Tax	9,162	9,874	9,600	<b>11,300</b>	1,700	18%
Info & Tech 5000	Payroll Tax	5,886	6,667	7,000	<b>7,200</b>	200	3%
Administration 9000	Payroll Tax	5,428	5,367	6,240	<b>6,360</b>	120	2%
Administrative & General 9900	Payroll Tax						
Total Taxes		<u>\$ 65,886</u>	<u>\$ 81,571</u>	<u>\$ 82,140</u>	<u><b>\$ 86,560</b></u>	<u>\$ 4,420</u>	<u>5%</u>
TOTAL OPERATING EXPENSES		<u>\$ 3,008,390</u>	<u>\$ 3,454,763</u>	<u>\$ 3,750,667</u>	<u><b>\$ 3,657,143</b></u>	<u>\$ (93,524)</u>	<u>-2%</u>
OPERATING EARNINGS		<u>\$ 1,529,990</u>	<u>\$ 127,423</u>	<u>\$ 505,520</u>	<u><b>\$ 393,836</b></u>	<u>\$ (111,684)</u>	<u>-22%</u>

**GROTON UTILITIES**  
**Sewer Division**  
**OTHER INCOME & EXPENSE**

	<b>FY 2021 Actual</b>	<b>FY 2022 Projected</b>	<b>Approved FY 2022 Budget</b>	<b>Approved FY 2023 Budget</b>	<b>Variance FY23 Budget vs. FY22 Budget</b>
OPERATING EARNINGS	\$ 1,529,990	\$ 127,423	\$ 505,520	<b>\$ 393,836</b>	\$ (111,684) -22%
OTHER INCOME (EXPENSE)					
Bond Interest Expense	\$ 184,009	\$ 205,329	\$ 201,880	<b>\$ 355,580</b>	\$ 153,700 76%
Subtotal Other Expense	\$ 184,009	\$ 205,329	\$ 201,880	<b>\$ 355,580</b>	\$ 153,700 76%
Merchandising & Jobing Contract Income	\$ 3,790	\$ -	\$ -	\$ -	-
Interest Income	740	4,400	4,400	<b>700</b>	(3,700) -84%
Subtotal Other Income	\$ 4,530	\$ 4,400	\$ 4,400	<b>\$ 700</b>	\$ (3,700) -84%
TOTAL OTHER INCOME (EXPENSE)	\$ (179,479)	\$ (200,929)	\$ (197,480)	<b>\$ (354,880)</b>	\$ (157,400) 80%
NET EARNINGS	<b>\$ 1,350,511</b>	<b>\$ (73,506)</b>	<b>\$ 308,040</b>	<b>\$ 38,956</b>	<b>\$ (269,084) -87%</b>

GROTON UTILITIES

SEWER DIVISION

FY 2023 BUDGET

PROFORMA ANALYSIS

# GROTON UTILITIES

## Sewer Division

### PROFORMA INCOME STATEMENT

	FY 2021 Actual	FY 2022 Projected	Approved FY 2022 Budget	Approved FY 2023 Budget	Variance FY23 Budget vs. FY22 Budget
<b>OPERATING REVENUES:</b>					
Residential	\$ 1,249,636	\$ 1,251,239	\$ 1,215,374	<b>\$ 1,268,496</b>	\$ 53,122 4%
Commercial	591,042	628,111	597,018	<b>633,637</b>	36,619 6%
Industrial	2,688,774	1,680,258	2,431,295	<b>2,136,346</b>	(294,949) -12%
Total Sewer Revenues	<b>\$ 4,529,452</b>	<b>\$ 3,559,607</b>	<b>\$ 4,243,687</b>	<b>\$ 4,038,479</b>	\$ (205,208) -5%
Other Sewer Revenues	\$ 8,928	\$ 22,579	\$ 12,500	<b>\$ 12,500</b>	- 0%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 4,538,379</b>	<b>\$ 3,582,186</b>	<b>\$ 4,256,187</b>	<b>\$ 4,050,979</b>	\$ (205,208) -5%
<b>OPERATING EXPENSES:</b>					
Operation Expense	\$ 2,690,015	\$ 3,090,438	\$ 3,383,927	<b>\$ 3,285,984</b>	\$ (97,944) -3%
Depreciation	252,489	282,753	284,600	<b>284,600</b>	- 0%
Taxes	65,886	81,571	82,140	<b>86,560</b>	4,420 5%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 3,008,390</b>	<b>\$ 3,454,763</b>	<b>\$ 3,750,667</b>	<b>\$ 3,657,143</b>	\$ (93,524) -2%
<b>OPERATING EARNINGS</b>	<b>\$ 1,529,990</b>	<b>\$ 127,423</b>	<b>\$ 505,520</b>	<b>\$ 393,836</b>	\$ (111,684) -22%
<b>OTHER INCOME (EXPENSE)</b>					
Plus: Other Income & Deductions net	\$ 4,530	\$ 4,400	\$ 4,400	<b>\$ 700</b>	\$ (3,700) -84%
Less: Interest Expense on Long Term Debt	(184,009)	(205,329)	(201,880)	<b>(355,580)</b>	(153,700) 76%
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>\$ (179,479)</b>	<b>\$ (200,929)</b>	<b>\$ (197,480)</b>	<b>\$ (354,880)</b>	\$ (157,400) 80%
<b>NET EARNINGS</b>	<b>\$ 1,350,511</b>	<b>\$ (73,506)</b>	<b>\$ 308,040</b>	<b>\$ 38,956</b>	\$ (269,084) -87%
<b>PROFORMA CASH FLOW</b>					
<b>NET EARNINGS</b>	<b>\$ 1,350,511</b>	<b>\$ (73,506)</b>	<b>\$ 308,040</b>	<b>\$ 38,956</b>	\$ (269,084) -87%
<b>PLUS:</b>					
Depreciation	\$ 252,489	\$ 282,753	\$ 284,600	<b>\$ 284,600</b>	\$ - 0%
<b>FUNDS GENERATED</b>	<b>\$ 1,603,000</b>	<b>\$ 209,247</b>	<b>\$ 592,640</b>	<b>\$ 323,556</b>	\$ (269,084) -45%
<b>LESS:</b>					
Capital Projects	\$ 216,883	\$ 952,800	\$ 1,335,100	<b>\$ 3,842,000</b>	\$ 2,506,900 188%
Transfer from Capital Bond Fund Reserve	-	(730,000)	(995,000)	<b>(3,300,000)</b>	(2,305,000) 232%
Bond Principal Requirements	325,000	325,000	325,000	<b>574,750</b>	249,750 77%
Working Capital	46,817	-	50,000	-	(50,000) -100%
<b>FUNDS REQUIRED</b>	<b>\$ 588,700</b>	<b>\$ 547,800</b>	<b>\$ 715,100</b>	<b>\$ 1,116,750</b>	\$ 401,650 56%
<b>NET CASH FLOW FROM OPERATIONS</b>	<b>\$ 1,014,300</b>	<b>\$ (338,553)</b>	<b>\$ (122,460)</b>	<b>\$ (793,194)</b>	\$ (670,734) 548%
Operating Fund Balance - Beginning	\$ 3,059,113	\$ 4,073,413	\$ 4,110,147	<b>\$ 3,734,859</b>	
Operating Fund Balance - Ending	<b>\$ 4,073,413</b>	<b>\$ 3,734,859</b>	<b>\$ 3,987,687</b>	<b>\$ 2,941,665</b>	
Capital Bond Fund Balance - Beginning	\$ -	\$ -	\$ -	<b>\$ 4,265,000</b>	
Proceeds from Bond Issuing	-	4,995,000	995,000	-	
Transfer to Bonded Capital Projects	-	(730,000)	(995,000)	<b>(3,300,000)</b>	
Capital Bond Fund Balance - Ending	<b>\$ -</b>	<b>\$ 4,265,000</b>	<b>\$ -</b>	<b>\$ 965,000</b>	
<b>TOTAL CASH BALANCE</b>	<b>\$ 4,073,413</b>	<b>\$ 7,999,859</b>	<b>\$ 3,987,687</b>	<b>\$ 3,906,665</b>	

GROTON UTILITIES

SEWER DIVISION

FY 2023 BUDGET

CAPITAL PROJECTS

# GROTON UTILITIES

## Sewer Division CAPITAL BUDGET

PROJECT	FY 2023 BUDGET	DESCRIPTION
<b>NON-BONDED CAPITAL PROJECTS</b>		
Operations		
Sewer Treatment Facility	\$ 200,000	Technology/Security
City Works - Sewer Operations	100,000	Computer Maintenance Management System
Sewer Pump Stations	175,000	Roofs, By-Pass Pumping, HVAC, VFD, Pumps Replacement and Piping, Bar Racks, SCADA, Engineering and Technology and etc.
Distribution System	25,000	Replacement & Lining of Sewer Mains, Manholes Covers and etc.
Subtotal	<u>\$ 500,000</u>	
IT		
Replace Primary Network Device - Municipal Building	\$ 5,000	
Replace Primary Network Device - Operations	2,500	
Replace Remote Access Device - Municipal Building	2,000	
Replace System Appliance - Operations	3,500	
Network Storage Device - Operations	2,300	
Network Traffic Monitor - Municipal Building	7,500	
Subtotal	<u>\$ 22,800</u>	
Customer Care		
Re-design Customer Care office	\$ 12,000	
Carpeting	2,000	
Asbestos Removal	2,200	
Digital Sign - Key Accts	3,000	
Subtotal	<u>\$ 19,200</u>	
<b>TOTAL NON-BONDED CAPITAL PROJECTS</b>	<b>\$ 542,000</b>	
<b>BONDED CAPITAL PROJECTS</b>		
Waste Water Treatment Facility	\$ 2,200,000	Sewer Treatment Facility, Sodium Hypo System, Flow Meters, Blowers, Roof, Mixer/Controllers for Secondary Treatment, Generator, Pumps and etc.
Sewer Pump Stations	600,000	Wet Wells, Electrical, Outside Structures Ventilation, Roofs, By-Pass Pumping, Generators, VFD, Pumps, Piping and etc.
Distribution System	500,000	Lining of Sewer Mains and Manholes, Sewer Mains, Manhole Covers and Manholes, Video, Engineering and etc.
<b>TOTAL BONDED CAPITAL PROJECTS</b>	<u><b>\$ 3,300,000</b></u>	
<b>TOTAL CAPITAL PROJECTS</b>	<u><u><b>\$ 3,842,000</b></u></u>	