



GROTON UTILITIES

SEWER DIVISION

OPERATING AND CAPITAL
BUDGET

FY 2024

Proposed 4/12/2023
UC Approved 4/19/2023
City Council Approved 5/15/2023

GROTON UTILITIES

SEWER DIVISION

FY 2024 BUDGET

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Groton Utilities – Sewer Division

FY 2024 Budget

Proposed April 12, 2023

The fiscal year 2024 proposed budget for Groton Utilities – Sewer Division is presented with Actual FY2022, Projected FY2023, and Approved FY2023 Budget for comparison purposes.

Revenue Development

Revenues are developed using the historical sales data ended December 2022 and applying rates in effect February 1, 2023 and February 1, 2024 as applicable. Overall cubic feet sales budgeted for FY2024 are 0.3% lower than last year's budget. Proposed FY2023 Sewer revenue of \$4.2m is 3% or \$141k higher than last year's budget driven 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 FY2024 of \$3.4m is 5% or \$153k higher than last year's budget due to the changes as follows:

- Labor budget increased by \$4k due to:
 - Standard increases for union and non-union employees combined with proposed performance base step increases
 - Decrease of labor allocation of maintenance of collection system from Water division by \$34k

- Non-Labor expense budget increased by 8% or \$149k due to:
 - Sewer Operations: + 15% (\$147k)
 - Customer Care and Business Development: + 7% (\$6k)
 - IT: - 10% (-\$11k)
 - Admin & Finance: -5% (- \$2k)
 - Administrative & General: + 1% (\$8k)

Capital Projects

Total proposed capital budget for FY2024 is \$4.147m which will be funded by a combination of annual depreciation and receipts of \$3.75m from financing. FY2024 capital budget includes:

Non-Bonded Capital Projects of \$397k for:

- Sewer Treatment Facility: \$150k
- Sewer Pump Stations: \$175k
- Sewer Collection System: \$25k
- Customer Care Projects: \$18k
- IT Projects: \$29k

Bonded Capital Projects of \$3.75m for

- Sewer Treatment Facility Improvement - \$3.75m

Cash Flow

Net cash flow provided from operations by FY2024 including the capital project financing results in a decrease of \$658k which will reduce the projected operating cash balance from \$4.2m to \$3.5m which will still be \$1.2m over the COSS recommended minimum cash balance.

Rate Comparison

The GU average residential customer current Sewer bill for 500 cubic feet is 36% or \$21.31 below the Benchmark's current rate.

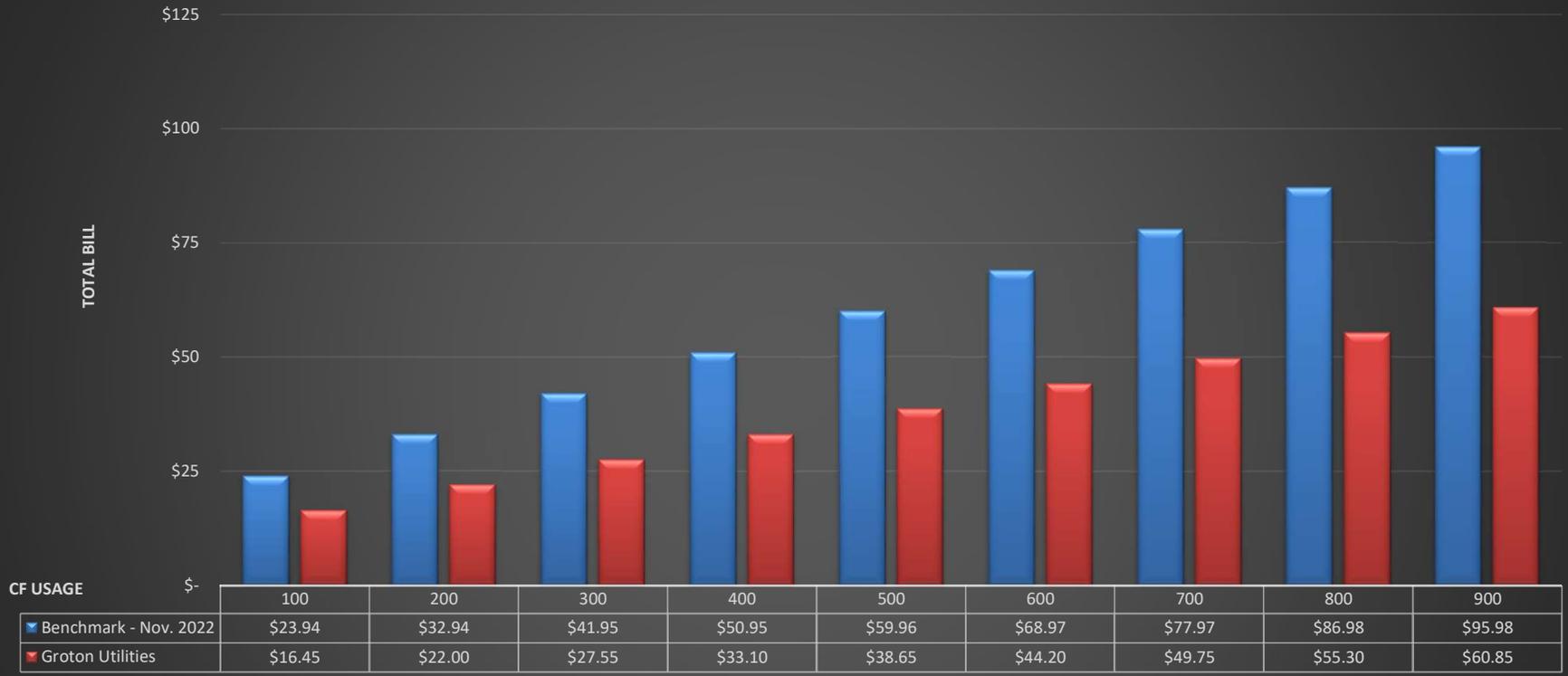
Approval Recommendation

The Proposed budgets for FY2024 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 FY2024 and cash flow plan be approved as proposed.

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



GROTON UTILITIES

Sewer Division

REVENUE BUDGET

	FY 2022 Actual	FY 2023 Projected	Approved FY 2023 Budget	Proposed FY 2024 Budget	Variance FY24 Budget vs. FY23 Budget	
OPERATING REVENUES						
Residential	\$ 1,169,479	\$ 1,218,727	\$ 1,229,837	\$ 1,288,401	\$ 58,564	5%
Residential - North Slope	35,233	36,656	38,659	36,107	(2,552)	-7%
Commercial	612,478	623,263	623,637	670,377	46,740	7%
Free City Sewer Service	7,747	10,734	10,000	10,000	-	0%
Industrial	1,950,258	2,063,815	2,136,346	2,174,122	37,776	2%
				-		
Total Sewer Revenues	\$ 3,775,194	\$ 3,953,194	\$ 4,038,479	\$ 4,179,007	\$ 140,528	3%
Other Operating Revenues						
Late Payment Charges	\$ 9,128	\$ 6,157	\$ 6,500	\$ 6,500	\$ -	0%
Misc. Service Revenues	13,030	3,710	6,000	6,000	-	0%
Total Other Operating Revenues	\$ 22,158	\$ 9,867	\$ 12,500	\$ 12,500	\$ -	0%
TOTAL OPERATING REVENUES	\$ 3,797,352	\$ 3,963,062	\$ 4,050,979	\$ 4,191,507	\$ 140,528	3%

Revenues are based on historical sales data ended on 12/31/2022

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

New Rates effective on 2/1/2024 with 3% increase

GROTON UTILITIES

Sewer Division

OPERATING EARNINGS

		FY 2022 Actual	FY 2023 Projected	Approved FY 2023 Budget	Proposed FY 2024 Budget		Variance FY24 Budget vs. FY23 Budget
OPERATING REVENUES		\$ 3,797,352	\$ 3,963,062	\$ 4,050,979	\$ 4,191,507		\$ 140,528 3%
OPERATING EXPENSES							
OPERATION & MAINTENANCE EXPENSE							
Sewer Operations 3905	Payroll	\$ 956,404	\$ 1,055,594	\$ 1,103,248	\$ 1,093,710		\$ (9,538) -1%
Customer Care 4000 - 4900	Payroll	138,357	141,727	137,629	142,482		4,853 4%
Info & Tech 5000	Payroll	86,106	90,589	93,800	99,000		5,200 6%
Administration 9000	Payroll	72,086	80,150	83,100	86,680		3,580 4%
Administrative & General 9900	Payroll	-	-	-	-		
Subtotal		\$ 1,252,952	\$ 1,368,060	\$ 1,417,777	\$ 1,421,872		\$ 4,095 0%
Sewer Operations 3905	Other	\$ 1,057,942	\$ 950,428	\$ 1,002,290	\$ 1,149,400		\$ 147,110 15%
Customer Care 4000 - 4900	Other	59,093	68,298	86,180	92,560		6,380 7%
Info & Tech 5000 - 5600	Other	64,042	84,820	116,000	104,800		(11,200) -10%
Administration 9000	Other	22,054	30,607	39,980	38,060		(1,920) -5%
Administrative & General 9900	Other	598,262	554,798	623,757	632,190		8,433 1%
Subtotal		\$ 1,801,393	\$ 1,688,951	\$ 1,868,207	\$ 2,017,010		\$ 148,803 8%
TOTAL OPERATION & MAINTENANCE EXPENSE		\$ 3,054,345	\$ 3,057,011	\$ 3,285,984	\$ 3,438,882		\$ 152,898 5%
DEPRECIATION		\$ 271,844	\$ 290,943	\$ 284,600	\$ 297,300		\$ 12,700 4%
Taxes Payroll							
Sewer Operations 3905	Payroll Tax	\$ 60,791	\$ 64,635	\$ 61,700	\$ 63,100		\$ 1,400 2%
Customer Care 4000 - 4900	Payroll Tax	9,586	10,650	11,300	11,700		400 4%
Info & Tech 5000	Payroll Tax	6,301	6,767	7,200	7,600		400 6%
Administration 9000	Payroll Tax	4,771	5,547	6,360	6,630		270 4%
Administrative & General 9900	Payroll Tax						
Total Taxes		\$ 81,450	\$ 87,599	\$ 86,560	\$ 89,030		\$ 2,470 3%
TOTAL OPERATING EXPENSES		\$ 3,407,639	\$ 3,435,553	\$ 3,657,144	\$ 3,825,212		\$ 168,068 5%
OPERATING EARNINGS		\$ 389,713	\$ 527,509	\$ 393,835	\$ 366,295		\$ (27,540) -7%

GROTON UTILITIES
Sewer Division
OTHER INCOME & EXPENSE

	FY 2022 Actual	FY 2023 Projected	Approved FY 2023 Budget	Proposed FY 2024 Budget	Variance FY24 Budget vs. FY23 Budget	
OPERATING EARNINGS	\$ 389,713	\$ 527,509	\$ 393,835	\$ 366,295	\$ (27,540)	-7%
OTHER INCOME (EXPENSE)						
Bond Interest Expense	\$ 168,473	\$ 329,552	\$ 355,580	\$ 350,600	\$ (4,980)	-1%
Subtotal Other Expense	\$ 168,473	\$ 329,552	\$ 355,580	\$ 350,600	\$ (4,980)	-1%
Merchandising & Jobbing Contract Income	\$ -	\$ -	\$ -	\$ -	-	0%
Interest Income	541	4,400	700	700	-	0%
Subtotal Other Income	\$ 541	\$ 4,400	\$ 700	\$ 700	\$ -	0%
TOTAL OTHER INCOME (EXPENSE)	\$ (167,932)	\$ (325,152)	\$ (354,880)	\$ (349,900)	\$ 4,980	-1%
NET EARNINGS	\$ 221,781	\$ 202,357	\$ 38,955	\$ 16,395	\$ (22,560)	-58%

GROTON UTILITIES

SEWER DIVISION

FY 2024 BUDGET

PROFORMA ANALYSIS

GROTON UTILITIES

Sewer Division

PROFORMA INCOME STATEMENT

	FY 2022 Actual	FY 2023 Projected	Approved FY 2023 Budget	Proposed FY 2024 Budget	Variance FY24 Budget vs. FY23 Budget	
OPERATING REVENUES:						
Residential	\$ 1,204,712	\$ 1,255,383	\$ 1,268,496	\$ 1,324,508	\$ 56,012	4%
Commercial	620,225	633,997	633,637	680,377	46,740	7%
Industrial	1,950,258	2,063,815	2,136,346	2,174,122	37,776	2%
Total Sewer Revenues	<u>\$ 3,775,194</u>	<u>\$ 3,953,194</u>	<u>\$ 4,038,479</u>	<u>\$ 4,179,007</u>	<u>\$ 140,528</u>	<u>3%</u>
Other Sewer Revenues	\$ 22,158	\$ 9,867	\$ 12,500	\$ 12,500	-	0%
TOTAL OPERATING REVENUES	<u>\$ 3,797,352</u>	<u>\$ 3,963,062</u>	<u>\$ 4,050,979</u>	<u>\$ 4,191,507</u>	<u>\$ 140,528</u>	<u>3%</u>
OPERATING EXPENSES:						
Operation Expense	\$ 3,054,345	\$ 3,057,011	\$ 3,285,984	\$ 3,438,882	\$ 152,898	5%
Depreciation	271,844	290,943	284,600	297,300	12,700	4%
Taxes	81,450	87,599	86,560	89,030	2,470	3%
TOTAL OPERATING EXPENSES	<u>\$ 3,407,639</u>	<u>\$ 3,435,553</u>	<u>\$ 3,657,144</u>	<u>\$ 3,825,212</u>	<u>\$ 168,068</u>	<u>5%</u>
OPERATING EARNINGS	<u>\$ 389,713</u>	<u>\$ 527,509</u>	<u>\$ 393,835</u>	<u>\$ 366,295</u>	<u>\$ (27,540)</u>	<u>-7%</u>
OTHER INCOME (EXPENSE)						
Plus: Other Income & Deductions net	\$ 541	\$ 4,400	\$ 700	\$ 700	\$ -	0%
Less: Interest Expense on Long Term Debt	(168,473)	(329,552)	(355,580)	(350,600)	4,980	-1%
TOTAL OTHER INCOME (EXPENSE)	<u>\$ (167,932)</u>	<u>\$ (325,152)</u>	<u>\$ (354,880)</u>	<u>\$ (349,900)</u>	<u>\$ 4,980</u>	<u>-1%</u>
NET EARNINGS	<u><u>\$ 221,781</u></u>	<u><u>\$ 202,357</u></u>	<u><u>\$ 38,955</u></u>	<u><u>\$ 16,395</u></u>	<u><u>\$ (22,560)</u></u>	<u><u>-58%</u></u>
PROFORMA CASH FLOW						
NET EARNINGS	\$ 221,781	\$ 202,357	\$ 38,955	\$ 16,395	\$ (22,560)	-58%
PLUS:						
Depreciation	\$ 271,844	\$ 290,943	\$ 284,600	\$ 297,300	\$ 12,700	4%
FUNDS GENERATED	<u>\$ 493,625</u>	<u>\$ 493,300</u>	<u>\$ 323,555</u>	<u>\$ 313,695</u>	<u>\$ (9,860)</u>	<u>-3%</u>
LESS:						
Capital Projects	\$ 807,916	\$ 1,298,323	\$ 3,842,000	\$ 4,147,000	\$ 305,000	8%
Transfer from Capital Bond Fund Reserve	(684,216)	(863,823)	(3,300,000)	(3,750,000)	(450,000)	14%
Bond Principal Requirements	325,000	574,750	574,750	575,000	250	0%
Working Capital	(899,836)	-	-	-	-	0%
FUNDS REQUIRED	<u>\$ (451,136)</u>	<u>\$ 1,009,250</u>	<u>\$ 1,116,750</u>	<u>\$ 972,000</u>	<u>\$ (144,750)</u>	<u>-13%</u>
NET CASH FLOW FROM OPERATIONS	<u>\$ 944,760</u>	<u>\$ (515,950)</u>	<u>\$ (793,195)</u>	<u>\$ (658,305)</u>	<u>\$ 134,890</u>	<u>-17%</u>
Operating Fund Balance - Beginning	\$ 3,770,374	\$ 4,715,134	\$ 3,734,859	\$ 4,199,184		
Operating Fund Balance - Ending	<u>\$ 4,715,134</u>	<u>\$ 4,199,184</u>	<u>\$ 2,941,664</u>	<u>\$ 3,540,879</u>		

GROTON UTILITIES

SEWER DIVISION

FY 2023 BUDGET

CAPITAL PROJECTS

GROTON UTILITIES

Sewer Division CAPITAL BUDGET

PROJECT	FY 2024 PROPOSED	DESCRIPTION
NON-BONDED CAPITAL PROJECTS		
Operations		
Sewer Treatment Facility	\$ 150,000	Includes but not limited to Implementation of Flow Meters, Blowers, Paving, Pumps, Scrubber, Roofs, Heating Systems and Engineering Roofs, By-Pass Pumping, HVAC, VFD, Pumps Replacement and Piping, Bar Racks, SCADA, Engineering and Technology and etc.
Sewer Pump Stations	175,000	
Collection System	25,000	
Subtotal	\$ 350,000	
IT		
Network Security Monitoring Device	\$ 7,500	
Replace AHU at Operations	6,000	
Replace UPS Units	8,000	
Alternate Fiber Path to Operations	7,500	
Subtotal	\$ 29,000	
Customer Care		
Office Renovation	\$ 15,000	
Digital Sign	3,000	
Subtotal	\$ 18,000	
TOTAL NON-BONDED CAPITAL PROJECTS	\$ 397,000	
BONDED CAPITAL PROJECTS		
Sewer Treatment Facility	\$ 3,750,000	Sewer Treatment Facility, Sodium Hypo System, Flow Meters, Blowers, Roof, Mixer/Controllers for Secondary Treatment, Generator, Pumps and etc.
TOTAL CAPITAL PROJECTS	\$ 4,147,000	