



GROTON UTILITIES

SEWER DIVISION

OPERATING AND CAPITAL  
BUDGET

2018/2019

Proposed 4/17/2018

UC Approved 4/24/2018

City Council Approved 6/18/2018

## Groton Utilities – Sewer Division

### 2018 - 2019 Budget Draft Proposed April 26, 2018

As the result of the City Council Approval of R-18-3-27 and R-18-3-28 the first Sewer Division budget is hereby submitted to the Utility Commission for approval.

R-18-3-27 Designated the City of Groton Utilities Commission as the Water Pollution Control Authority. R-18-3-28 Established Sewer User charges for the purpose of providing Funds for the operation and maintenance expenses associated with the wastewater collection, conveyance, treatment and disposal of the City of Groton.

The process of creating a Sewer Division involved the establishment of a new enterprise fund in the City general ledger data base (GL) and defining a chart of accounts for assigning assets, liabilities, revenue and expenses. In addition, all predefined allocation in the various modules of the GL data base have to be reevaluated to comply with the new account allocation.

The current customer billing system is capable of including the Sewer Charges on City resident bills, however the data base had to be updated to identify water customers that reside in the city that are eligible to receive the new Sewer Charge.

#### **Revenue Development**

Revenues were developed using Sewer User Charges that were designed by Raftelis Financial Consultants, Inc. which will be the subject of a Public Hearing before the Utility Commission on May 7, 2018. The basis for the charges are the water meter size and the cubic feet of water measured by the customer's water meter. The water volumes for the twelve months ended February 2018 were used as a basis to develop revenues.

#### **Electric/Water/Sewer Division Allocation**

The ratio for dividing non-direct expenses between the Electric and Water and Sewer Divisions are 60/30/10% (Electric/Water/Sewer) and 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. **Accordingly 10% of the Groton Utilities Customer Care, IT, and Administration budgets have been allocation to the Sewer Division.**

#### **Non- Bonded Capital Projects**

Non-Bonded Capital Projects total \$968k for Sewer Operations, pending revenue availability, may include the following:

- Collection System Rehabilitation \$125k
- Collection System Video & Cleaning \$302k

- New Roof/Repairs \$100k
- Pump Station Rehabilitation Program \$382k

In addition, \$59k of IT and Customer Care Capital Projects are allocated to the Sewer Division.

**Bonded Capital Project**

One Bonded Capital project is being proposed to be funded by reallocation of unspent funds received from the 2013 Sewer Bond Fund as follows:

- PAF Phase 1 Completion Equipment Replacement \$426k

**Proposed Cash Reserve Contributions:**

A total of \$130k is proposed as contributions to capital reserves as follows for the purposing of offsetting cash requirement for expenditures that will be necessary in the future:

- Digester Cleaning \$35k
- SCADA \$ 5k
- Vehicle Replacements \$60k
- Major Plant Pump & Motor Service \$30k

**Operating Expenses**

Expenses were developed using actual and historical information and adjusted for known changes by the Sewer Division Management.

**Sewer Operations 3905:** Sewer Operations payroll expense is 9% more than last year’s budget. Aside from normal increases required by union contract, the payroll variance is mostly related to re-allocations between payroll and non-payroll expenses compared with last year’s process to conform to utility accounting procedures. There are no new positions for the FY 2019 budget.

Non-labor Sewer Operations Expenses increased 15% over last year’s. The two primary drivers of the increase are: Ordinary repairs which are 94% over last year’s budget and Maintenance and Replacement of Grinder Pumps which is 250% more than last year’s Budget. Ordinary Repair expense is being restored to the appropriate historical level to maintain equipment.

**Customer Care, IT and Administration:** Ten percent of the total Customer Care, IT and Administration Departments are allocated to the Sewer Division as follows:

- Customer Care \$198k
- IT \$180k
- Administration \$140k

**Administrative and General Expenses 9900:** Many of the expenses in this cost center are specific to the department. General Insurances estimated to increase 8%, and

Medical Insurance is estimated to increase 51%. Pension expense, estimated to increase 103%, the OPEB adjustment for FY 2019 estimated to increase 78% from FY 2018. Reallocation of costs between Electric, Water and Sewer in this cost center added approximately \$89k. In addition, the Sewer Division will provide the City with free sewer service values at approximately \$10k mirroring the free water service accounts.

**Net Cash Flow:** Net Cash from Operations combined with depreciation cash and 2017 Bond Fund reallocations generates \$2 million available to fund proposed capital projects, meet debt service requirements and contribute to cash reserves for future obligation and results in an overall net cash flow for FY 2019 of \$542k.

**Approval Recommendation**

The Proposed budgets for FY 2019 will afford the Electric Division to:

1. Meet debt service requirements and fund growing infrastructure and technology needs.
2. Allow for the efficient operation and maintenance of the sewer system.
3. Support compensation plans sufficient to attract and retain skilled, high-tech workers.
4. 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.

Management recommends the proposed operations and capital budgets for FY 2019 and cash flow plan be approved as proposed.

GROTON UTILITIES

SEWER DIVISION

2018/2019 BUDGET

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**GROTON UTILITIES  
Sewer Division  
FY 2018 / 2019**

<b>Proposed FYE 2019 Budget</b>
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OPERATING REVENUES

Residential	\$	4,901,552
Multi Residential		
Commercial		(9,874)
Free City Sewer Service		9,874
Industrial		

Total Sales of Water	\$	4,901,552
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Customer Service Charges  
New Customer Fees  
Late Payment Charges  
Misc. Service Revenues

Total Other Operating Revenue	\$	-
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Total Revenues	\$	4,901,552
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**GROTON UTILITIES**  
**Sewer Division Budget Summary**  
**OPERATING EARNINGS**

		Approved FYE 2018 Budget	Proposed FYE 2019 Budget	Variance 2018 Budget vs. 2019 Budget	
REVENUE:					
TOTAL REVENUE		\$ -	\$ 4,901,552	\$ 4,901,552	
<hr/>					
OPERATION & MAINTENANCE EXPENSE					
Sewer Operations 3905	Payroll	\$ 652,524	\$ 712,681	\$ 60,157	9%
Customer Care 4000 - 4900	Payroll	-	126,100	126,100	
Info & Tech 5000	Payroll	-	83,900	83,900	
Administration 9000	Payroll	-	98,800	98,800	
Administrative & General 9900	Payroll	-	-		
	Subtotal	<u>\$ 652,524</u>	<u>\$ 1,021,481</u>	<u>\$ 368,957</u>	56.5%
Sewer Operations 3905	Other	687,344	791,776	104,432	15%
Customer Care 4000 - 4900	Other	-	62,730	62,730	
Info & Tech 5000 - 5600	Other	-	89,900	89,900	
Administration 9000	Other	-	34,000	34,000	
Administrative & General 9900	Other	274,860	506,401	231,541	84%
	Subtotal	<u>\$ 962,204</u>	<u>\$ 1,484,807</u>	<u>\$ 522,603</u>	54%
Total Operating & Maintenance Expense		\$ 1,614,728	\$ 2,506,288	\$ 891,560	55%
DEPRECIATION		\$ -	\$ 334,566	\$ 334,566	
Taxes Payroll					
Sewer Operations 3905	Payroll Tax	44,946	45,952	1,006	2%
Customer Care 4000 - 4900	Payroll Tax	-	9,600	9,600	
Info & Tech 5000	Payroll Tax	-	6,400	6,400	
Administration 9000	Payroll Tax	-	7,400	7,400	
Administrative & General 9900	Payroll Tax	-	-		
Total Taxes		<u>\$ 44,946.0</u>	<u>\$ 69,352</u>	<u>\$ 24,406</u>	54%
TOTAL OPERATING EXPENSE		<u>\$ 1,659,674</u>	<u>\$ 2,910,206</u>	<u>\$ 1,250,532</u>	75%
OPERATING EARNINGS		<u>\$ (1,659,674)</u>	<u>\$ 1,991,346</u>	<u>\$ 3,651,020</u>	-220%

**Groton Utilities**  
**Sewer Division Budget Income and Other Charges**

	<b>Approved FYE 2018 Budget</b>	<b>Proposed FYE 2019 Budget</b>
OPERATING EARNINGS	\$ (1,659,674)	\$ 1,991,346
<b>INTEREST &amp; OTHER CHARGES:</b>		
Merchandising & Jobing Contract Work Expense	\$ -	-
Bond Interest Expense GU	14,075	360,629
<b>Subtotal Other Expense</b>	<b>\$ 14,075</b>	<b>\$ 360,629</b>
Merchandising & Jobing Contract Income	\$ -	-
Interest Income	-	-
<b>Subtotal Other Income</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL INTEREST AND OTHER CHARGES</b>	<b>\$ (14,075)</b>	<b>\$ (360,629)</b>
NET EARNINGS	\$ (1,673,749)	\$ 1,630,717
Long Term Debt Principal	-	-
Net after debt principal requirements	<u>\$ (1,673,749)</u>	<u>\$ 1,630,717</u>

**GROTON UTILITIES  
Sewer Division Budget Cash Flow**

<b>Proposed FYE 2019 Budget</b>
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NET CASH FROM OPERATIONS	\$ 1,630,717
PLUS:	
Depreciation	334,566
Proposed Receipts from Bond Fund reallocations	425,850
TOTAL FUNDS GENERATED	\$ 2,391,133
LESS:	
Non-Bonded Capital Projects:	909,000
Bonded Capital Projects	425,850
IT Non Bonded Capital allocation	46,000
Customer Care Non Bonded Capital allocation	13,400
Cash Reserves Contributions:	
Digester Cleaning	35,000
SCADA	5,000
Vehicles Replacements	60,000
Major Plant Pump & Motor Service	30,000
Bond Principal Requirements	325,000
Working Capital	-
TOTAL FUNDS REQUIRED	\$ 1,849,250
NET CASH FLOW FROM OPERATIONS	\$ 541,883

GROTON UTILITIES

SEWER DIVISION

2018/2019 BUDGET

PROFORMA ANALYSIS

<b>GROTON UTILITIES - SEWER DIVISION</b>	
<b>PROFORMA INCOME STATEMENT</b>	
	<b>Proposed FYE 2019 Budget</b>
<b>REVENUE:</b>	
Residential	\$ 4,901,552
Multi Residential	
Commercial	(9,874)
Free City Sewer Service	9,874
Industrial	-
	-
<b>TOTAL SEWER REVENUE</b>	<b>\$ 4,901,552</b>
<b>OTHER SEWER REVENUE</b>	<b>-</b>
<b>TOTAL REVENUE</b>	<b>\$ 4,901,552</b>
<b>EXPENSES:</b>	
<b>OPERATION EXPENSES</b>	<b>2,496,414</b>
Free City Sewer Service	9,874
<b>DEPRECIATION (additions related to Capital Projects)</b>	<b>334,566</b>
<b>TAXES</b>	<b>69,352</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 2,910,206</b>
<b>OPERATING EARNINGS</b>	<b>\$ 1,991,346</b>
<b>INTEREST &amp; OTHER CHARGES</b>	
Plus OTHER INCOME & DEDUCTIONS net	-
Less INTEREST ON LONG TERM DEBT	360,629
<b>TOTAL INTEREST AND OTHER CHARGES</b>	<b>\$ (360,629)</b>
<b>NET INCOME/(NET LOSS) before debt principal</b>	<b>\$ 1,630,717</b>
<b>PROFORMA CASH FLOW</b>	
<b>PLUS:</b>	
Receipts From Bond Fund	425,850
DEPRECIATION	334,566
Working Capital	
<b>TOTAL FUNDS GENERATED</b>	<b>\$ 2,391,133</b>
<b>LESS:</b>	
Non-Bonded Capital:	
Operations Projects	909,000
IT Projects	46,000
Vehicles Replacements	60,000
CC Capital Projects	13,400
Bond Fund Project Expenditures	425,850
Contributions to Sewer Cash Reserve Fund	70,000
Bond Principal Requirements	325,000
Working Capital	-
<b>TOTAL FUNDS REQUIRED</b>	<b>\$ 1,849,250</b>
<b>NET CASH FLOW FROM OPERATIONS</b>	<b>\$ 541,883</b>

GROTON UTILITIES

SEWER DIVISION

2018/2019 BUDGET

CAPITAL PROJECTS

**GROTON UTILITIES  
Sewer Division  
Non Bonded Capital Projects**

Labor		Other	TOTAL COST
Collectin System Rehabilitation		125,000	125,000
Collection System Video & Cleaning		301,875	301,875
New Roof 20 year guaranty 2 buildings		100,000	100,000
Pump Station Rehabilitation Program		382,125	382,125
<b>Total Non Bonded Project Cost</b>			<b>\$ 909,000</b>

**Bonded Capital Projects**

Labor		Other	TOTAL COST
			-
PAF Phase 1 Completion & Equipment Replacement		425,850	425,850
			-
			-
			-
			-
			-
			-
<b>Total Bonded Project Cost</b>			<b>\$ 425,850</b>

<b>CAPITAL BUDGET- FY 2018/2019</b>	
<b>Sewer Division</b>	
<b>IT Department</b>	
<b>Proposed Non-Bonded Capital Projects</b>	2017-2018 Proposed
<b>New for 2018-2019 Budget:</b>	
Network Security Enhancement	\$ 45,000
Renovations to Office Space	65,000
OPS Network Switch	150,000
<b>Carry-over from 2017-2018 Budget:</b>	
Replace HVAC in Ops Data Center	40,000
Document Management System Phase 2	75,000
GCPD Data Center (excess over bond issue)	85,000
<b>TOTAL</b>	<b>\$ 460,000</b>
Electric Allocation	\$ 276,000
Water Allocation	\$ 138,000
Sewer Allocation	46,000
<b>Total</b>	<b>460,000</b>
<b>Customer Care Department</b>	
Carry over from 2018-2019 Budget	\$ 107,000.00
Carpeting	\$ 12,000
Asbestos Removal	\$ 15,000
Kiosk	\$ -
<b>Total</b>	<b>\$ 134,000.00</b>
Electric Allocation	\$ 81,100.00
Water Allocation	\$ 40,200.00
Sewer Allocation	\$ 13,400.00