

GROTON UTILITIES

WATER DIVISION

OPERATING AND CAPITAL  
BUDGET

FY 2023

Proposed 4/13/2022

UC Approved 4/20/2022

City Council Approved 6/6/2022

# GROTON UTILITIES

## WATER DIVISION

### FY 2023 BUDGET

<i>SUMMARY</i> .....	<i>page 1-2</i>
<i>RATES</i> .....	<i>page 3</i>
<i>REVENUES</i> .....	<i>page 4</i>
<i>OPERATING EARNINGS</i> .....	<i>page 5</i>
<i>INTEREST &amp; OTHER</i> .....	<i>page 6</i>
<i>PROFORMA</i> .....	<i>page 7</i>
<i>CAPITAL PROJECTS</i> .....	<i>page 8</i>

## **Groton Utilities – Water Division**

### **FY 2023 Budget**

#### **Proposed April 13, 2022**

The fiscal year 2023 proposed budget for Groton Utilities – Water 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 October 1, 2021 and October 1, 2022 as applicable. Overall Cubic Feet sales budgeted for FY2023 remain the same as last year's budget level. Proposed FY2023 Water Revenue of \$11.8M is 4% or \$443K more than last year's budget driven by the rate increase.

Antenna revenues remain consistent with the previous budget. Revenues from gravel sales continues to be credited to the City.

#### **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 \$8.9M which is decreased by 1% or \$85K compared to last year's budget due to the changes as follows:

- Labor budget increased by 2% or \$65K due to:
  - Standard increases for union and non-union employees combined with proposed performance base step increases
  - Add 1 intern position in Water Project Management Team
  - Reallocate 0.6 FTE to Electric division and 0.1 FTE to Sewer division
  
- Non-Labor expense budget decreased by 3% or \$149K due to:
  - Water Operations – decrease 3% or \$57K
  - Customer Care and Key Accounts – decrease 5% or \$18K
  - IT – decrease 2% or \$8K
  - Admin & Finance – increase 1% or \$2K
  - Administrative & General – decrease 3% or \$67K

## **Capital Projects**

Total proposed capital budget for FY2023 is \$2.6M which will be funded by a combination of annual depreciation and receipts of \$1.2M from financing. FY2023 capital budget includes:

Non-Bonded Capital Projects of \$1.4M for

- City Works for Water Treatment Plant and Distribution - \$200K
- Pump Station Upgrades - \$100K
- Customer Care Projects - \$57.6K
- IT Projects – \$68.4K
- DPH Interconnection Project - \$1M (Carry from FY2022)

Bonded Capital Projects of \$1.2M for

- Brandegee Avenue Tank - \$200K
- Distribution System Upgrades - \$500K
- Pump Station Upgrades - \$225K
- Warram Dam Repairs - \$150K
- Metering - \$100K

## **Cash Flow**

Net cash flow from operations provided by FY2023 including the capital project financing results in a decrease of \$5.1M which will reduce the projected operating cash balance from \$10.7M to \$5.6M which will be \$403K below the COSS recommended minimum cash balance.

## **Rate Comparison**

The GU average residential customer current water bills for 500 cubic feet is 3% or 1.3 below the benchmark's current rates.

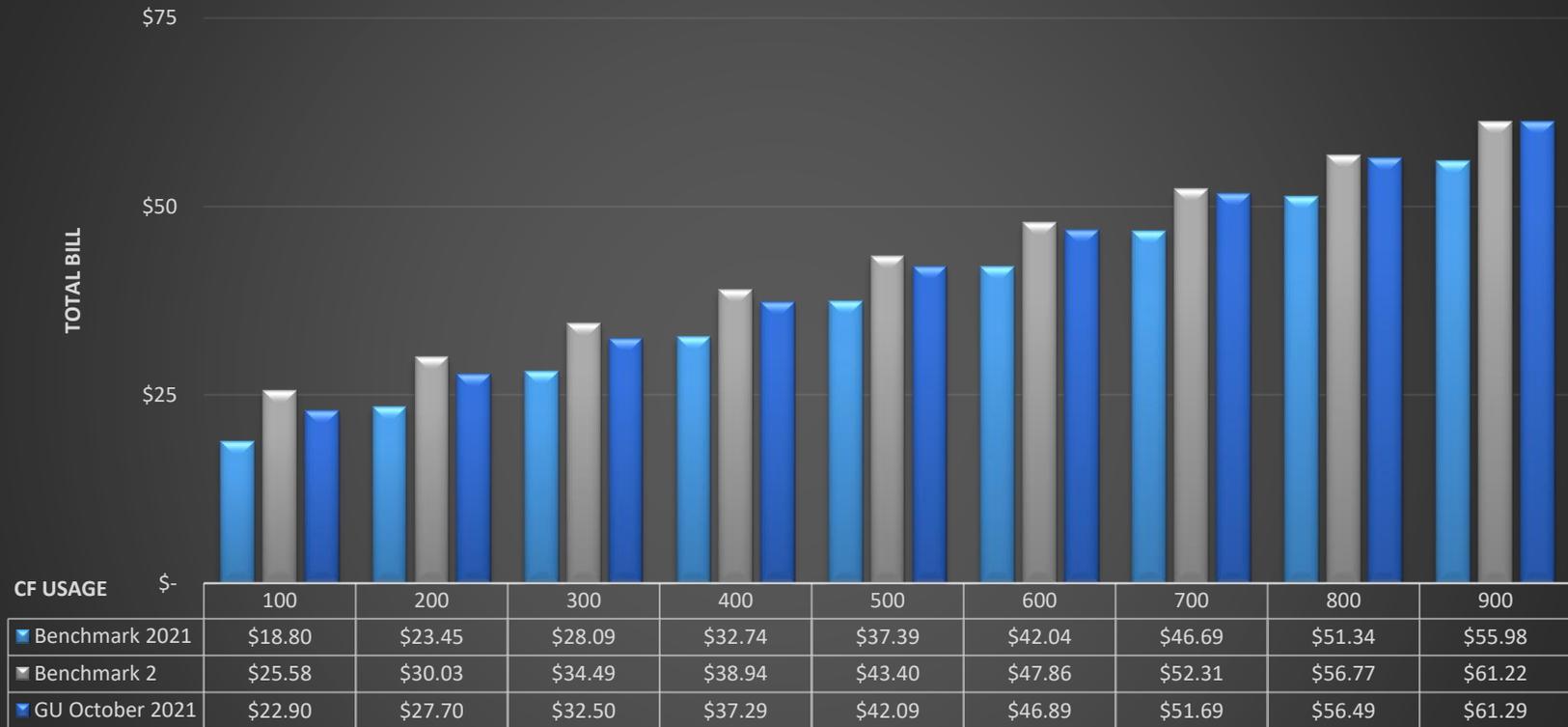
## **Approval Recommendation**

The Proposed budgets for FY2023 will afford the Water Division to:

1. Continue to provide highly reliable, safe product 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 water 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 Water vs. Benchmark Residential Bills (various cf usage levels)



**GU is 3% less Benchmark at 500cf.**

## GROTON UTILITIES

### Water Division Revenue Budget

	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	\$ 3,438,363	\$ 3,433,267	\$ 3,397,866	\$ <b>3,526,701</b>	\$ 128,835	4%
Commercial	1,710,037	1,774,996	1,794,488	<b>1,843,614</b>	49,126	3%
Free City Water Service	7,340	10,115	10,000	<b>10,000</b>	-	0%
Industrial	3,918,417	3,583,679	3,639,105	<b>3,840,514</b>	201,409	5%
Hydrant & Sprinkler Revenue	394,779	399,215	396,150	<b>396,150</b>	-	0%
Sales for Resale	2,098,674	2,140,239	2,168,934	<b>2,232,990</b>	64,056	3%
<b>Total Water Revenues</b>	<b>\$ 11,567,609</b>	<b>\$ 11,341,511</b>	<b>\$ 11,406,543</b>	<b>\$ 11,849,969</b>	<b>\$ 443,426</b>	<b>4%</b>
<b>OTHER OPERATING REVENUES</b>						
Late Payment Charges	\$ 9,047	\$ 11,552	\$ 8,000	\$ <b>10,000</b>	\$ 2,000	20%
Misc. Service Revenues	17,816	13,055	1,200	<b>15,000</b>	13,800	92%
Other Water Revenues - Lab	48,065	37,230	50,000	<b>25,000</b>	(25,000)	-100%
Other Water Revenues - Pool Water	1,075	3,865	5,000	<b>5,000</b>	-	0%
<b>Total Other Operating Revenue</b>	<b>\$ 76,003</b>	<b>\$ 65,702</b>	<b>\$ 64,200</b>	<b>\$ 55,000</b>	<b>\$ (9,200)</b>	<b>-17%</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 11,643,612</b>	<b>\$ 11,407,213</b>	<b>\$ 11,470,743</b>	<b>\$ 11,904,969</b>	<b>\$ 434,226</b>	<b>4%</b>

*Revenues are based on the 3 years avg Cu Ft sold ended on 12/31/21 with adjustments*

*New Rates effective on 10/1/2021 with 4% increase*

*New Rates effective on 10/1/2022 with 4% increase*

**GROTON UTILITIES**  
**Water Division**  
**OPERATING EARNINGS**

		<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>	
TOTAL OPERATING REVENUES		\$ 11,643,612	\$ 11,407,213	\$ 11,470,743	<b>\$ 11,904,969</b>	\$ 434,226	4%
OPERATING EXPENSES							
OPERATION & MAINTENANCE EXPENSE							
Water Operations 3000-3800	Payroll	\$ 3,451,650	\$ 2,743,916	\$ 2,637,357	<b>\$ 2,702,556</b>	\$ 65,199	2%
Customer Care 4000 - 4900	Payroll	448,335	471,905	422,927	<b>410,669</b>	(12,258)	-3%
Info & Tech 5000	Payroll	242,661	267,438	274,200	<b>281,400</b>	7,200	3%
Administration 9000	Payroll	233,869	230,064	244,803	<b>249,300</b>	4,497	2%
Administrative & General 9900	Payroll	-	-	-	-		
Subtotal		<b>\$ 4,376,515</b>	<b>\$ 3,713,323</b>	<b>\$ 3,579,287</b>	<b>\$ 3,643,925</b>	64,638	1.8%
Water 3000 - 3800	Other	\$ 2,361,240	\$ 2,032,545	\$ 2,267,806	<b>\$ 2,210,404</b>	\$ (57,402)	-3%
Customer Care 4000 - 4900	Other	240,119	315,478	390,760	<b>372,440</b>	(18,320)	-5%
Info & Tech 5000 - 5600	Other	234,065	236,012	356,400	<b>348,000</b>	(8,400)	-2%
Administration 9000	Other	112,348	96,599	118,350	<b>119,940</b>	1,590	1%
Administrative & General 9900	Other	2,080,726	2,230,193	2,297,595	<b>2,230,711</b>	(66,884)	-3%
Subtotal		<b>\$ 5,028,498</b>	<b>\$ 4,910,827</b>	<b>\$ 5,430,911</b>	<b>\$ 5,281,495</b>	\$ (149,416)	-3%
TOTAL OPERATION & MAINTENANCE EXPENSE		<b>\$ 9,405,013</b>	<b>\$ 8,624,149</b>	<b>\$ 9,010,198</b>	<b>\$ 8,925,420</b>	\$ (84,778)	-1%
DEPRECIATION		<b>\$ 970,962</b>	<b>\$ 1,158,625</b>	<b>\$ 2,090,856</b>	<b>\$ 2,317,000</b>	\$ 226,144	11%
Taxes Payroll							
Water 3000 - 3800	Payroll Tax	\$ 282,238	\$ 252,482	\$ 248,882	<b>\$ 260,300</b>	\$ 11,418	5%
Customer Care 4000 - 4900	Payroll Tax	32,729	33,157	32,400	<b>33,899</b>	1,499	5%
Info & Tech 5000	Payroll Tax	17,657	20,000	21,000	<b>21,600</b>	600	3%
Administration 9000	Payroll Tax	19,722	19,510	18,720	<b>19,080</b>	360	2%
Administrative & General 9900	Payroll Tax						
Subtotal		<b>\$ 352,346</b>	<b>\$ 325,149</b>	<b>\$ 321,002.0</b>	<b>\$ 334,879</b>	\$ 13,877	4%
Taxes Property		<b>\$ 49,949</b>	<b>\$ 50,549</b>	<b>\$ 53,000</b>	<b>\$ 53,000</b>	\$ -	0%
TOTAL TAXES		<b>\$ 402,295</b>	<b>\$ 375,698</b>	<b>\$ 374,002</b>	<b>\$ 387,879</b>	\$ 13,877	4%
TOTAL OPERATING EXPENSES		<b>\$ 10,778,270</b>	<b>\$ 10,158,473</b>	<b>\$ 11,475,056</b>	<b>\$ 11,630,299</b>	\$ 155,243	1%
OPERATING EARNINGS		<b>\$ 865,342</b>	<b>\$ 1,248,740</b>	<b>\$ (4,313)</b>	<b>\$ 274,670</b>	\$ 278,983	6469%

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

	FY 2021 Actual	FY 2022 Projected	Approved FY 2022 Budget	Approved FY 2023 Budget	Variance FY23 Budget vs. FY22 Budget	
OPERATING EARNINGS	\$ 865,342	\$ 1,248,740	\$ (4,313)	\$ 274,670	\$ 278,983	-6469%
OTHER INCOME (EXPENSE)						
Merchandising & Jobbing Expense	\$ 424,928	\$ 339,609	\$ 326,500	\$ 310,828	\$ (15,672)	-5%
DPH Consent Agreement	23,671	-	-	-	-	
Bond Interest Expense GU	287,217	559,333	1,135,300	1,170,588	35,288	3%
Amort.Of Premium On Debt (Cr)	(31,880)	(31,880)	(31,880)	(31,880)	-	0%
Interest Expense Other	-	310	-	-	-	
Subtotal Other Expense	\$ 703,936	\$ 867,372	\$ 1,429,920	\$ 1,449,536	\$ 19,616	1%
Merchandising & Jobbing Income	\$ 532,824	\$ 441,766	\$ 326,500	\$ 310,828	\$ (15,672)	-5%
Antenna Rental	355,076	344,435	304,000	304,000	-	0%
Interest Income	11,244	47,000	47,000	10,900	(36,100)	-77%
Gain/(loss) on Disposition of Property	3,100	-	-	-	-	
Miscellaneous Income DEP/FEMA/DWSRF	2,051,859	1,000,362	-	-	-	
Subtotal Other Income	\$ 2,954,103	\$ 1,833,563	\$ 677,500	\$ 625,728	\$ (51,772)	-8%
TOTAL OTHER INCOME (EXPENSE)	\$ 2,250,167	\$ 966,191	\$ (752,420)	\$ (823,808)	\$ (71,388)	9%
NET EARNINGS	\$ 3,115,508	\$ 2,214,930	\$ (756,733)	\$ (549,138)	\$ 207,595	-27%

GROTON UTILITIES

WATER DIVISION

FY 2023 BUDGET

PROFORMA ANALYSIS

# GROTON UTILITIES

## Water 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	\$ 3,438,363	\$ 3,433,267	\$ 3,397,866	\$ 3,526,701	\$ 128,835	4%
Commercial	1,717,377	1,785,110	1,804,488	1,853,614	49,126	3%
Industrial	3,918,417	3,583,679	3,639,105	3,840,514	201,409	6%
Hydrant & Sprinkler	394,779	399,215	396,150	396,150	-	0%
Sales for Resale	2,098,674	2,140,239	2,168,934	2,232,990	64,056	3%
<b>TOTAL WATER REVENUES</b>	<b>\$ 11,567,609</b>	<b>\$ 11,341,511</b>	<b>\$ 11,406,543</b>	<b>\$ 11,849,969</b>	<b>\$ 443,426</b>	<b>4%</b>
<b>OTHER WATER REVENUE</b>	<b>\$ 76,003</b>	<b>\$ 65,702</b>	<b>\$ 64,200</b>	<b>\$ 55,000</b>	<b>\$ (9,200)</b>	<b>-14%</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 11,643,612</b>	<b>\$ 11,407,213</b>	<b>\$ 11,470,743</b>	<b>\$ 11,904,969</b>	<b>\$ 434,226</b>	<b>4%</b>
<b>OPERATING EXPENSES:</b>						
Operation Expense	\$ 9,405,013	\$ 8,624,149	\$ 9,010,198	\$ 8,925,420	\$ (84,778)	-1%
Depreciation	970,962	1,158,625	2,090,856	2,317,000	226,144	11%
Property Tax	402,295	375,698	374,002	387,879	13,877	4%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 10,778,270</b>	<b>\$ 10,158,473</b>	<b>\$ 11,475,056</b>	<b>\$ 11,630,299</b>	<b>\$ 155,243</b>	<b>1%</b>
<b>OPERATING EARNINGS</b>	<b>\$ 865,342</b>	<b>\$ 1,248,740</b>	<b>\$ (4,313)</b>	<b>\$ 274,670</b>	<b>\$ 278,983</b>	<b>-6469%</b>
<b>OTHER INCOME (EXPENSE)</b>						
Plus: Other Income & Deductions net	\$ 2,505,504	\$ 1,493,954	\$ 351,000	\$ 314,900	\$ (36,100)	-10%
Less: Interest Expense on Long Term Debt	(255,337)	(527,453)	(1,103,420)	(1,138,708)	(35,288)	3%
Less: Other Interest Expense	-	(310)	-	-	-	-
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>\$ 2,250,167</b>	<b>\$ 966,191</b>	<b>\$ (752,420)</b>	<b>\$ (823,808)</b>	<b>\$ (71,388)</b>	<b>9%</b>
<b>NET EARNINGS</b>	<b>\$ 3,115,508</b>	<b>\$ 2,214,930</b>	<b>\$ (756,733)</b>	<b>\$ (549,138)</b>	<b>\$ 207,595</b>	<b>-27%</b>
<b>PROFORMA CASH FLOW</b>						
<b>NET EARNINGS</b>	<b>\$ 3,115,508</b>	<b>\$ 2,214,930</b>	<b>\$ (756,733)</b>	<b>\$ (549,138)</b>	<b>\$ 207,595</b>	<b>-27%</b>
<b>PLUS:</b>						
Depreciation	\$ 970,962	\$ 1,158,625	\$ 2,090,856	\$ 2,317,000	\$ 226,144	11%
<b>FUNDS GENERATED</b>	<b>\$ 4,086,470</b>	<b>\$ 3,373,556</b>	<b>\$ 1,334,123</b>	<b>\$ 1,767,862</b>	<b>\$ 433,739</b>	<b>33%</b>
<b>LESS:</b>						
Capital Projects	\$ 999,329	\$ 1,978,400	\$ 3,315,300	\$ 2,601,000	\$ (714,300)	-22%
Transfer from Capital Bond Fund Reserve	-	(2,740,000)	(2,995,000)	(1,175,000)	1,820,000	-61%
WTP Project	7,282,612	4,321,038	-	966,700	966,700	-
WTP Project - Receipts from DWSRF Loan	(5,247,546)	(2,578,414)	-	-	-	-
Bond Principal Requirements	648,000	648,000	2,597,000	4,460,500	1,863,500	72%
Working Capital	160,061	-	50,000	-	(50,000)	-100%
<b>FUNDS REQUIRED</b>	<b>\$ 3,842,456</b>	<b>\$ 1,629,024</b>	<b>\$ 2,967,300</b>	<b>\$ 6,853,200</b>	<b>\$ 3,885,900</b>	<b>131%</b>
<b>NET CASH FLOW FROM OPERATIONS</b>	<b>\$ 244,014</b>	<b>\$ 1,744,531</b>	<b>\$ (1,633,177)</b>	<b>\$ (5,085,338)</b>	<b>\$ (3,452,161)</b>	<b>211%</b>
Operating Fund - Beginning Balance	\$ 8,725,599	\$ 8,969,613	\$ 8,821,983	\$ 10,714,144		
Operating Fund - Ending Balance	<b>\$ 8,969,613</b>	<b>\$ 10,714,144</b>	<b>\$ 7,188,806</b>	<b>\$ 5,628,806</b>		
Capital Bond Fund Balance - Beginning	\$ -	\$ -	\$ -	\$ 2,230,000		
Proceeds from Bond Issuing		4,970,000	2,995,000	-		
Transfer to Operating Fund for Capital Projects		(2,740,000)	(2,995,000)	(1,175,000)		
Capital Bond Fund Balance - Ending	\$ -	\$ 2,230,000	\$ -	\$ 1,055,000		
<b>NET UNRESTRICTED CASH</b>	<b>\$ 8,969,613</b>	<b>\$ 12,944,144</b>	<b>\$ 7,188,806</b>	<b>\$ 6,683,806</b>		

GROTON UTILITIES

WATER DIVISION

FY 2023 BUDGET

**CAPITAL PROJECTS**

# GROTON UTILITIES

## Water Division CAPITAL BUDGET

PROJECT	FY 2023 BUDGET	DESCRIPTION
<b>NON-BONDED CAPITAL PROJECTS</b>		
Operations		
City Works - Water Treatment Plant	\$ 100,000	Computer Maintenance Management System
City Works - Distribution System	100,000	Computer Maintenance Management System
Pump Station	100,000	Pump replacement and upgrades
DPH Consent Agreement Project	<u>1,000,000</u>	Norwich Connection (GU/Ledyard/NPU)
Subtotal	\$ 1,300,000	
IT		
Replace Primary Network Device - Municipal Building	\$ 15,000	
Replace Primary Network Device - Operations	7,500	
Replace Remote Access Device - Municipal Building	6,000	
Replace System Appliance - Operations	10,500	
Network Storage Device - Operations	6,900	
Network Traffic Monitor - Municipal Building	<u>22,500</u>	
Subtotal	\$ 68,400	
Customer Care		
Re-design Customer Care office	\$ 36,000	
Carpeting	6,000	
Asbestos Removal	6,600	
Digital Sign - Key Accts	<u>9,000</u>	
Subtotal	\$ 57,600	
<b>TOTAL NON-BONDED CAPITAL PROJECTS</b>	<b>\$ 1,426,000</b>	
<b>BONDED CAPITAL PROJECTS</b>		
Brandegge Avenue Tank	\$ 200,000	Replacement of the Standpipe (the standpipe is a 1.46 million gallon standpipe built in 1946 of steel.)
Distribution System	500,000	Installation New or Replacement of Water Mains in Poquonnock Bridge Area, Aquarion Water Interconnect, Route 1 and Drozdyk Drive etc.
Pump Station	225,000	Pumps and Piping Replacement, Traveling screens, Electrical Upgrades, Roof, Safety and Security Enhancements, Site Work, Siding and Eel Mitigation etc.
Warram Dam	150,000	Rebuild
Metering	100,000	Meter Replacement
<b>TOTAL BONDED CAPITAL PROJECTS</b>	<b>\$ 1,175,000</b>	
<b>TOTAL CAPITAL PROJECTS</b>	<b><u>\$ 2,601,000</u></b>	