



GROTON UTILITIES

WATER DIVISION

OPERATING AND CAPITAL
BUDGET

FY 2024

Proposed 4/12/2023

UC Approved 4/19/2023

City Council Approved 5/15/2023

GROTON UTILITIES

WATER DIVISION

FY 2024 BUDGET

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Groton Utilities – Water Division

FY 2024 Budget

Proposed April 12, 2023

The fiscal year 2024 proposed budget for Groton Utilities – Water 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 October 1, 2022 and October 1, 2023 as applicable. Overall cubic feet sales budgeted for FY2024 are 1% higher than last year's budget. Proposed FY2024 Water revenue of \$12.5m is 5% or \$664k more than last year's budget driven by combination of the consumption increase and the rate increase.

Electric/Water 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 \$9.6m is 8% or \$676k higher than last year's budget due to the changes as follows:

- Labor budget decreased by 1.6% or \$60k due to:
 - Standard increases for union and non-union employees combined with proposed performance base step increases
 - Removed 3 FTE
 - Reduced the labor allocation to Sewer division by \$34k for maintenance of collection system

- Non-Labor expense budget increased by 14% or \$735k due to:
 - Water Operations: +32% (\$700k)
 - Customer Care and Business Development: +5% (\$20k)
 - IT: -10% (-\$34k)
 - Admin & Finance: -5% (-\$6k)
 - Administrative & General: 2% (\$54k)

Capital Projects

Total proposed capital budget for FY2024 is \$2.5m which will be funded by a combination of annual depreciation and receipts of \$1.38m from financing. FY2024 capital budget includes:

Non-Bonded Capital Projects of \$1.14m for:

- Customer Care Projects - \$54k
- IT Projects - \$87k
- DPH Interconnection Project - \$1m (Carry over from FY2023)

Bonded Capital Projects of \$1.38m for:

- Brandegee Avenue Tank - \$150k
- Distribution System Upgrades - \$500k
- Pump Station Upgrades - \$395k
- Warran Dam Repairs - \$150k
- Metering - \$200k

Cash Flow

Net cash flow from operations provided by FY2024 including the capital project financing results in a decrease of \$2.1m which will reduce the projected operating cash balance from \$6.5m to \$4.4m which will be \$1.2m below the COSS recommended minimum cash balance.

Rate Comparison

The GU average residential customer current water bill for 500 cubic feet is 1% or \$0.49 below the Benchmark's current rate.

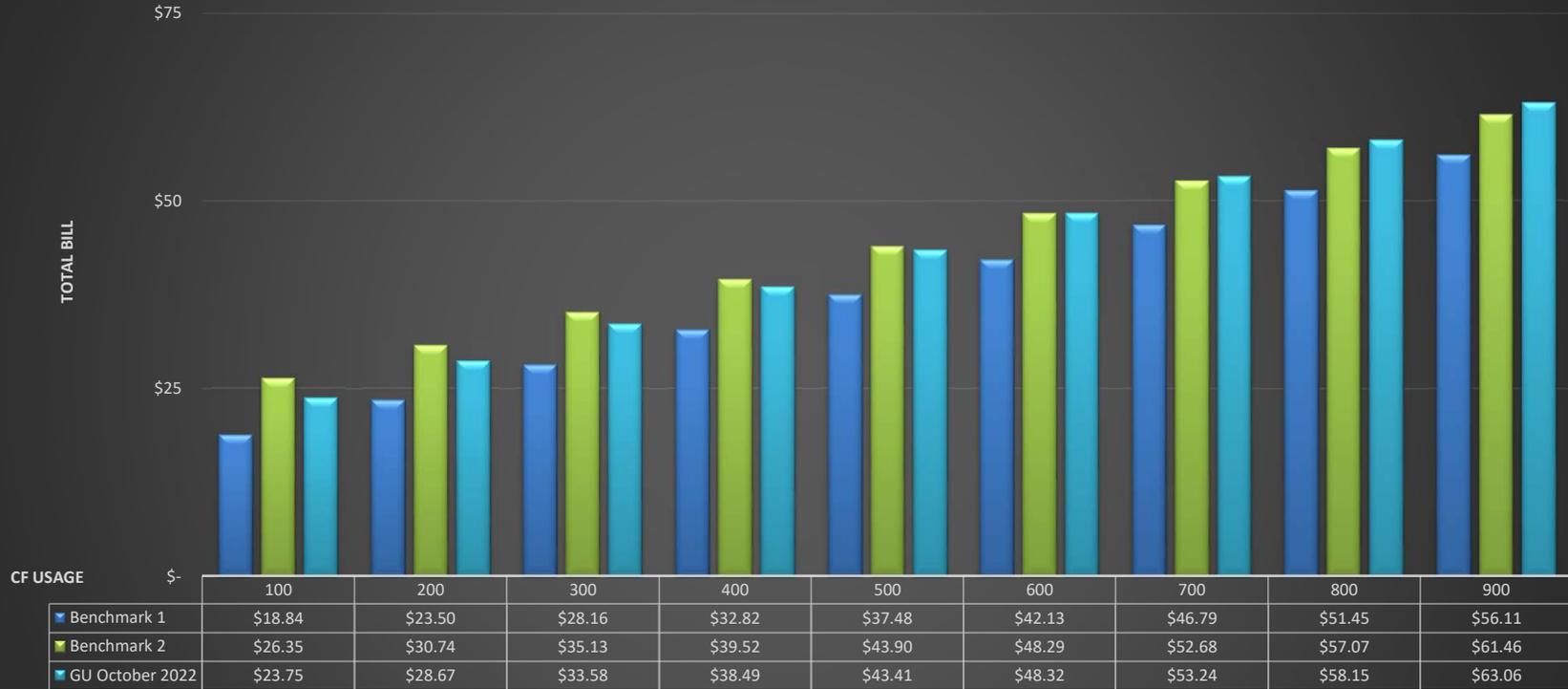
Approval Recommendation

The Proposed budgets for FY2024 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 FY2024 be approved as proposed.

Groton Utilities Water vs. Benchmark April 2023 Rates Residential Bills (various cf usage levels)



GU is 1% less than Benchmark 2 (NPU) at 500cf.

GROTON UTILITIES

Water 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	\$ 3,421,213	\$ 3,549,626	\$ 3,526,701	\$ 3,628,588	\$ 101,887	3%
Commercial	1,817,170	1,936,567	1,843,614	1,997,456	153,842	8%
Free City Water Service	8,342	9,801	10,000	10,000	-	0%
Industrial	3,481,549	3,894,173	3,840,514	4,057,977	217,463	5%
Hydrant & Sprinkler Revenue	399,747	397,164	396,150	399,096	2,946	1%
Sales for Resale	2,110,103	2,302,700	2,232,990	2,390,762	157,772	7%
Total Water Revenues	\$ 11,238,124	\$ 12,090,030	\$ 11,849,969	\$ 12,483,879	\$ 633,910	5%
OTHER OPERATING REVENUES						
Late Payment Charges	\$ 20,928	\$ 20,570	\$ 10,000	\$ 10,000	\$ -	0%
Misc. Service Revenues	19,001	14,825	15,000	20,000	5,000	25%
Other Water Revenues - Lab	32,715	29,915	25,000	50,000	25,000	50%
Other Water Revenues - Pool Water	1,410	22,760	5,000	10,000	5,000	50%
Total Other Operating Revenue	\$ 74,053	\$ 88,070	\$ 55,000	\$ 90,000	\$ 35,000	39%
TOTAL OPERATING REVENUES	\$ 11,312,178	\$ 12,178,101	\$ 11,904,969	\$ 12,573,879	\$ 668,910	5%

Revenues are based on the historic Cu Ft sold ended on 12/31/22 with adjustments

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

New Proposed Rates effective on 10/1/2023 with 5% increase

GROTON UTILITIES
Water Division
OPERATING EARNINGS

		FY 2022 Actual	FY 2023 Projected	Approved FY 2023 Budget	Proposed FY 2024 Budget	Variance FY24 Budget vs. FY23 Budget	
TOTAL OPERATING REVENUES		\$ 11,312,178	\$ 12,178,101	\$ 11,904,969	\$ 12,573,879	\$ 668,910	6%
OPERATING EXPENSES							
OPERATION & MAINTENANCE EXPENSE							
Water Operations 3000-3800	Payroll	\$ 2,831,354	\$ 2,810,235	\$ 2,702,556	\$ 2,601,450	\$ (101,106)	-4%
Customer Care 4000 - 4900	Payroll	461,692	450,856	410,669	426,005	15,336	4%
Info & Tech 5000	Payroll	258,315	271,758	281,400	296,900	15,500	6%
Administration 9000	Payroll	216,250	240,453	249,300	260,040	10,740	4%
Administrative & General 9900	Payroll	-	-	-	-		
Subtotal		\$ 3,767,611	\$ 3,773,302	\$ 3,643,925	\$ 3,584,395	(59,530)	-1.6%
Water Operations 3000-3800	Other	\$ 2,105,294	\$ 2,152,640	\$ 2,210,404	\$ 2,911,375	\$ 700,971	32%
Customer Care 4000 - 4900	Other	284,188	317,437	372,440	392,680	20,240	5%
Info & Tech 5000 - 5600	Other	192,114	254,459	348,000	314,000	(34,000)	-10%
Administration 9000	Other	76,390	116,876	119,940	114,180	(5,760)	-5%
Administrative & General 9900	Other	2,188,904	2,219,470	2,230,711	2,284,588	53,877	2%
Subtotal		\$ 4,846,890	\$ 5,060,883	\$ 5,281,495	\$ 6,016,823	\$ 735,328	14%
TOTAL OPERATION & MAINTENANCE EXPENSE		\$ 8,614,501	\$ 8,834,185	\$ 8,925,420	\$ 9,601,218	\$ 675,798	8%
DEPRECIATION		\$ 1,625,996	\$ 2,660,479	\$ 2,317,000	\$ 2,664,300	\$ 347,300	15%
Taxes Payroll							
Water 3000 - 3800	Payroll Tax	\$ 250,533	\$ 261,722	\$ 260,300	\$ 246,200	\$ (14,100)	-5%
Customer Care 4000 - 4900	Payroll Tax	32,467	33,835	33,899	35,100	1,201	4%
Info & Tech 5000	Payroll Tax	18,903	20,300	21,600	22,700	1,100	5%
Administration 9000	Payroll Tax	20,910	16,890	19,080	19,890	810	4%
Administrative & General 9900	Payroll Tax						
Subtotal		\$ 322,813	\$ 332,747	\$ 334,879	\$ 323,890	\$ (10,989)	-3%
Taxes Property		\$ 48,805	\$ 48,399	\$ 53,000	\$ 53,000	\$ -	0%
TOTAL TAXES		\$ 371,619	\$ 381,146	\$ 387,879	\$ 376,890	\$ (10,989)	-3%
TOTAL OPERATING EXPENSES		\$ 10,612,116	\$ 11,875,810	\$ 11,630,299	\$ 12,642,408	\$ 1,012,109	9%
OPERATING EARNINGS		\$ 700,062	\$ 302,290	\$ 274,670	\$ (68,529)	\$ (343,199)	125%

GROTON UTILITIES
Water 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	\$ 700,062	\$ 302,290	\$ 274,670	\$ (68,529)	\$ (343,199)	-125%
OTHER INCOME (EXPENSE)						
Merchandising & Jobbing Expense	\$ 333,336	\$ 358,183	\$ 310,828	\$ 314,600	\$ 3,772	1%
DPH Consent Agreement	-	-	-	-	-	
Bond Interest Expense GU	516,939	1,197,086	1,170,588	\$ 1,126,850	(43,738)	-4%
Amort.Of Premium On Debt (Cr)	(31,880)	(40,357)	(31,880)	(48,800)	(16,920)	53%
Interest Expense Other	479	179	-	-	-	
Subtotal Other Expense	\$ 818,874	\$ 1,515,091	\$ 1,449,536	\$ 1,392,650	\$ (56,886)	-4%
Merchandising & Jobbing Income	\$ 468,048	\$ 414,866	\$ 310,828	\$ 314,600	\$ 3,772	1%
Antenna Rental	358,090	256,459	304,000	304,000	-	0%
Interest Income	5,823	47,000	10,900	10,900	-	0%
Gain/(loss) on Disposition of Property	-	-	-	-	-	
Miscellaneous Income DEP/FEMA/DWSRF	1,009,004	17,564	-	-	-	
Subtotal Other Income	\$ 1,840,965	\$ 735,888	\$ 625,728	\$ 629,500	\$ 3,772	1%
TOTAL OTHER INCOME (EXPENSE)	\$ 1,022,090	\$ (779,202)	\$ (823,808)	\$ (763,150)	\$ 60,658	-7%
NET EARNINGS	\$ 1,722,152	\$ (476,912)	\$ (549,138)	\$ (831,679)	\$ (282,541)	51%

GROTON UTILITIES

WATER DIVISION

FY 2024 BUDGET

PROFORMA ANALYSIS

GROTON UTILITIES

Water 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	\$ 3,421,213	\$ 3,549,626	\$ 3,526,701	\$ 3,628,588	\$ 101,887	3%
Commercial	1,825,512	1,946,367	1,853,614	2,007,456	153,842	8%
Industrial	3,481,549	3,894,173	3,840,514	4,057,977	217,463	6%
Hydrant & Sprinkler	399,747	397,164	396,150	399,096	2,946	1%
Sales for Resale	2,110,103	2,302,700	2,232,990	2,390,762	157,772	7%
TOTAL WATER REVENUES	\$ 11,238,124	\$ 12,090,030	\$ 11,849,969	\$ 12,483,879	\$ 633,910	5%
OTHER WATER REVENUE	\$ 74,053	\$ 88,070	\$ 55,000	\$ 90,000	\$ 35,000	64%
TOTAL OPERATING REVENUES	\$ 11,312,178	\$ 12,178,101	\$ 11,904,969	\$ 12,573,879	\$ 668,910	6%
OPERATING EXPENSES:						
Operation Expense	\$ 8,614,501	\$ 8,834,185	\$ 8,925,420	\$ 9,601,218	\$ 675,798	8%
Depreciation	1,625,996	2,660,479	2,317,000	2,664,300	347,300	15%
Taxes	371,619	381,146	387,879	376,890	(10,989)	-3%
TOTAL OPERATING EXPENSES	\$ 10,612,116	\$ 11,875,810	\$ 11,630,299	\$ 12,642,408	\$ 1,012,109	9%
OPERATING EARNINGS	\$ 700,062	\$ 302,290	\$ 274,670	\$ (68,529)	\$ (343,199)	-125%
OTHER INCOME (EXPENSE)						
Plus: Other Income & Deductions net	\$ 1,507,629	\$ 377,706	\$ 314,900	\$ 314,900	\$ -	0%
Less: Interest Expense on Long Term Debt	(485,060)	(1,156,729)	(1,138,708)	(1,078,050)	60,658	-5%
Less: Other Interest Expense	(479)	(179)	-	-	-	-
TOTAL OTHER INCOME (EXPENSE)	\$ 1,022,090	\$ (779,202)	\$ (823,808)	\$ (763,150)	\$ 60,658	-7%
NET EARNINGS	\$ 1,722,152	\$ (476,912)	\$ (549,138)	\$ (831,679)	\$ (282,541)	51%
NET EARNINGS	\$ 1,722,152	\$ (476,912)	\$ (549,138)	\$ (831,679)	\$ (282,541)	51%
PLUS:						
Depreciation	\$ 1,625,996	\$ 2,660,479	\$ 2,317,000	\$ 2,664,300	\$ 347,300	15%
FUNDS GENERATED	\$ 3,348,148	\$ 2,183,566	\$ 1,767,862	\$ 1,832,621	\$ 64,759	4%
LESS:						
Capital Projects	\$ 2,472,337	\$ 1,709,204	\$ 2,601,000	\$ 2,521,000	\$ (80,000)	-3%
Transfer from Capital Bond Fund Reserve	(1,755,215)	(1,115,704)	(1,175,000)	(1,380,000)	(205,000)	17%
WTP Project	3,912,951	1,208,111	966,700	-	(966,700)	-100%
WTP Project funded by DWSRF Loan	(2,936,637)	-	-	-	-	-
Bond Principal Requirements	648,000	4,460,500	4,460,500	2,756,000	(1,704,500)	-38%
Working Capital	64,942	-	-	-	-	0%
FUNDS REQUIRED	\$ 2,406,378	\$ 6,262,111	\$ 6,853,200	\$ 3,897,000	\$ (2,956,200)	-43%
NET CASH FLOW FROM OPERATIONS	\$ 941,770	\$ (4,078,545)	\$ (5,085,338)	\$ (2,064,379)	\$ 3,020,959	-59%
Operating Fund - Beginning Balance	\$ 9,603,695	\$ 10,545,465	\$ 10,714,144	\$ 6,466,921		
Operating Fund - Ending Balance	\$ 10,545,465	\$ 6,466,921	\$ 5,628,806	\$ 4,402,542		

GROTON UTILITIES

WATER DIVISION

FY 2023 BUDGET

CAPITAL PROJECTS

GROTON UTILITIES

Water Division CAPITAL BUDGET

PROJECT	FY 2024 PROPOSED	DESCRIPTION
NON-BONDED CAPITAL PROJECTS		
Operations		
DPH Consent Agreement Project	1,000,000	Norwich Connection (GU/Ledyard/NPU)
Subtotal	\$ 1,000,000	
IT		
Network Security Monitoring Device	\$ 22,500	
Replace AHU at Operations	18,000	
Replace UPS Units	24,000	
Alternate Fiber Path to Operations	22,500	
Subtotal	\$ 87,000	
Customer Care		
Office Renovation	\$ 45,000	
Digital Sign	9,000	
Subtotal	\$ 54,000	
TOTAL NON-BONDED CAPITAL PROJECTS	\$ 1,141,000	
BONDED CAPITAL PROJECTS		
Brandegee Avenue Tank	\$ 150,000	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 Stations	395,000	Pumps and Piping Replacement, Traveling screens, Electrical Upgrades, Roof, Safety and Security Enhancements, Site Work, Siding and Eel Mitigation etc.
Warren Dam	135,000	
Metering	200,000	Meter Replacement
TOTAL BONDED CAPITAL PROJECTS	\$ 1,380,000	
TOTAL CAPITAL PROJECTS	\$ 2,521,000	