

GROTON UTILITIES

WATER DIVISION

OPERATING AND CAPITAL
BUDGET

2020/2021

Proposed 4/8/2020

UC Approved 4/15/2020

City Council Approved 6/1/2020

Groton Utilities – Water Division

2020 - 2021 Budget Proposed April 8, 2020

The Fiscal Year 2021 Budget proposal for Groton Utilities – Water Division is presented with Actual Fiscal Year 2018, Actual Fiscal Year 2019, Projected June 30, 2020 and the Approved 2020 Budget for comparison purposes.

Revenue Development

Water Revenues are developed using the proposed new rates effective October 1, 2020 and the historical sales data ended December 31, 2019. The new rates are the first rate increase of a three-year rate increase that has been proposed by GU Management at the March 18, 2020 Utility Commission meeting. Currently, the public hearing and approval from the Utility Commission and the City Council is on hold due to the pandemic.

Overall Cubic Feet sales budgeted for FY 2021 are 1% higher than sales budget for FY 2020. The new rates combined with increasing Cubic Feet sales results in a 4% or \$469K increase in total Water Revenues of \$11 million.

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

Non-Bonded Capital Projects

Non-Bonded Capital Project costs proposed for the Water Division total \$363K for FY 2021 which is an increase of 35% or \$301K over FY 2020.

- Water Operations Non-Bonded Capital Projects total \$180K
- Customer Care Non-Bonded Capital projects total \$154K, of which \$46K is allocated to the Water Division
- IT Non-Bonded Capital projects total \$455K, of which \$137K is allocated to the Water Division

Bonded Capital Projects

Bonded Capital Projects aside from the Water Treatment Plant (WTP) Rebuild proposed for FY 2021 are \$2.1 million. \$600K will be funded by current bonds and \$1.5 million will be funded by a five-year bonding plan. The five-year bonding plan in the amount of \$7.5 million has been proposed by GU Management and approved by the Utility Commission at their March 18, 2020 meeting. The plan will be presented to the City Council and City Freeman.

All WTP Rebuild Project expenditures for FY 2021 will be funded by the Drinking Water State Revolving Fund (DWSRF) and Grant proceeds. Debt service will not begin until the project is completed.

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.

Operating Expenses

Operating Expenses are developed using historical information and adjusted for known changes. Total Operating and Maintenance expenses proposed for FY 2021 are \$9.7 million which is a 4% or \$368K larger than FY 2020 budget.

Labor expense increased by 6.3% or \$247K from FY 2020 budget which includes; one new position budgeted in IT Operations and an increase of labor allocation from capital to expense in Water Operations.

Non-Labor expenses increased by 2% or \$121K from FY 2020 budget which includes an increase of benefit and insurance expenses of \$88K, an increase of City service charge of \$23K, bond issuing and interest expenses of \$105K related to the new bonding, an increase of IT expenses of \$31K for dark fiber connection between the Municipal Building to the Operation Complex and professional service for system upgrading and support. It also incorporates a reduction of \$83K in budgeted Water Operations.

Operating Earnings and Net Cash Flow

Operating Earnings resulting from the proposed budget are negative \$2K which is 96% or \$54K higher than FY 2020 Budget and \$637K below the COSS target Operating Earnings of \$635K. Proposed FY 2021 Net Income combined with Depreciation Cash, Receipt from Issuing Bonds and DWSRF Loan and Grant proceeds provides approximately \$13 million to fund Capital Investments and Debt Service Requirements. This results in a Net Decrease in Cash Flow from Operations of \$1.8 million. FY 2021 proposed budget projects a Total Ending Cash Balance of \$5.8 million which is about 11% less than the COSS Projected Cash Balance of \$6.5 million but is 12% more than the COSS Recommended Minimum Cash Balance of \$5.1 million.

The projected \$1.8 million deficit of Net Cash Flow includes a proposed \$1.2 million for the DPH Consent Agreement.

Approval Recommendation

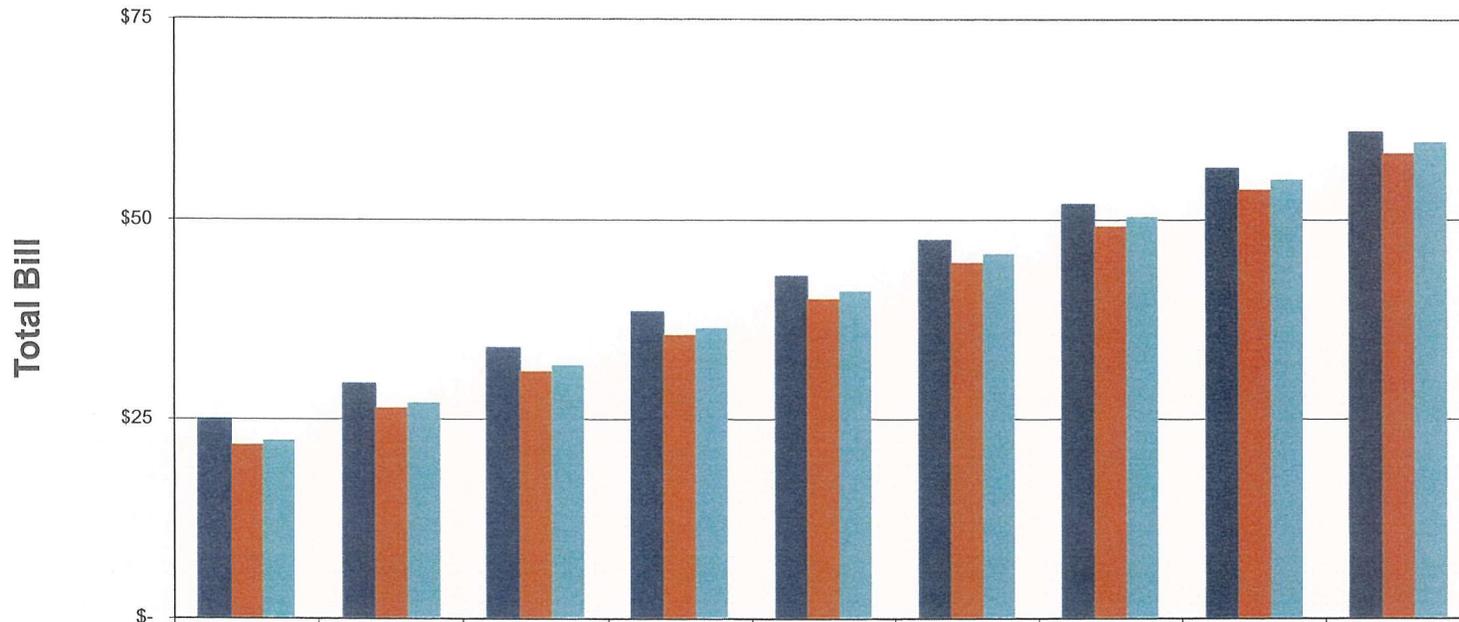
The Proposed budgets for FY 2021 will afford the Water Division to:

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 FY 2021 and cash flow plan be approved as proposed.

**Groton Utilities Water vs. Benchmark
 October 1, 2020 rates
 Residential Bills
 (various cf usage levels)**



	100	200	300	400	500	600	700	800	900
■ Regional Benchmark	\$24.81	\$29.33	\$33.85	\$38.37	\$42.89	\$47.41	\$51.93	\$56.45	\$60.97
■ GU July 2019	\$21.76	\$26.33	\$30.91	\$35.48	\$40.06	\$44.64	\$49.21	\$53.79	\$58.37
■ GU October 2020	\$22.32	\$27.00	\$31.69	\$36.37	\$41.06	\$45.75	\$50.43	\$55.12	\$59.80

cf Usage

GU will be 4.3% less than the Regional Benchmark in October 1, 2020 at 500cf.

GROTON UTILITIES

WATER DIVISION

2020/2021 BUDGET

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GROTON UTILITIES
Water Division Budget

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	Approved FY 2020 Budget	Proposed FY 2021 Budget	Variance 2021 Budget vs. 2020 Budget		Variance 2021 Budget vs. 2019 Actual	
OPERATING REVENUES									
Residential	\$ 2,890,505	\$ 3,094,718	\$ 3,173,006	\$ 3,204,721	\$ 3,295,535	\$ 90,814	3%	\$ 200,817	6%
Commercial	1,641,932	1,653,781	1,828,570	1,830,025	1,787,882	(42,143)	-2%	134,101	8%
Free City Water Service	8,828	7,865	9,253	10,000	10,000	-	0%	2,135	27%
Industrial	2,699,226	3,146,049	3,086,758	2,989,575	3,407,670	418,095	12%	261,621	8%
Hydrant & Sprinkler Revenue	393,443	392,124	392,981	393,338	394,224	886	0%	2,100	1%
Sales for Resale	1,906,384	2,056,983	2,044,566	2,151,953	2,153,477	1,524	0%	96,494	5%
								-	
Total Sales of Water	\$ 9,540,318	\$ 10,351,521	\$ 10,535,135	\$ 10,579,612	\$ 11,048,788	\$ 469,176	4%	\$ 697,267	7%
OTHER OPERATING REVENUES									
Customer Service Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100%	-	
Late Payment Charges	8,685	13,382	11,633	8,000	8,000	-	0%	(5,382)	-40%
Misc. Service Revenues	1,020	1,675	1,060	1,200	1,200	-	0%	(475)	-28%
Other Water Revenues - Lab	44,935	52,490	47,785	50,000	50,000	-	0%	(2,490)	-5%
Other Water Revenues - Pool Water	12,223	1,228	9,560	18,000	18,000	-	0%	16,773	1366%
Total Other Operating Revenue	\$ 66,862	\$ 68,774	\$ 70,038	\$ 77,200	\$ 77,200	\$ -	0%	\$ 8,426	12%
Total Revenues	\$ 9,607,181	\$ 10,420,295	\$ 10,605,174	\$ 10,656,812	\$ 11,125,988	\$ 469,176	4%	\$ 705,693	7%

Revenues are based on the 3 years avg Cu Ft sold ended on 12/31/2019
New Rates effective on 10/1/2020 pending on approval

GROTON UTILITIES
Water Division Budget Summary
OPERATING EARNINGS

		FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	Approved FY 2020 Budget	Proposed FY 2021 Budget	Variance 2021 Budget vs. 2020 Budget		Variance 2021 Budget vs. 2019 Actual	
TOTAL REVENUE		\$ 9,607,181	\$ 10,420,295	\$ 10,605,174	\$ 10,656,812	\$ 11,125,988	\$ 469,176	4%	\$ 705,693	7%
OPERATION & MAINTENANCE EXPENSE										
Water Operations 3000-3800	Payroll	\$ 2,509,310	\$ 2,762,063	\$ 3,006,417	\$ 3,031,423	\$ 3,247,299	\$ 215,876	7%	\$ 485,236	18%
Customer Care 4000 - 4900	Payroll	443,546	422,281	407,075	407,159	436,350	29,191	7%	14,069	3%
Info & Tech 5000	Payroll	244,301	220,001	238,195	258,900	269,700	10,800	4%	49,699	23%
Administration 9000	Payroll	276,195	220,243	223,071	249,800	241,524	(8,276)	-3%	21,281	10%
Administrative & General 9900	Payroll	-	-	-	-	-				
Subtotal		\$ 3,473,352	\$ 3,624,589	\$ 3,874,758	\$ 3,947,283	\$ 4,194,873	\$ 247,591	6.3%	\$ 570,284	16%
Water 3000 - 3800	Other	1,906,108	2,017,472	2,227,146	2,572,984	2,490,110	(82,874)	-3%	472,638	23%
Customer Care 4000 - 4900	Other	230,591	211,846	295,862	347,199	380,950	33,752	10%	169,104	80%
Info & Tech 5000 - 5600	Other	282,078	174,502	244,316	342,300	373,500	31,200	9%	198,998	114%
Administration 9000	Other	53,856	72,061	101,491	121,890	119,970	(1,920)	-2%	47,909	66%
Administrative & General 9900	Other	1,680,743	1,834,873	1,954,917	2,038,895	2,179,519	140,624	7%	344,646	19%
Subtotal		\$ 4,153,375	\$ 4,310,753	\$ 4,823,731	\$ 5,423,268	\$ 5,544,049	\$ 120,781	2%	\$ 1,233,296	29%
Total Operating & Maintenance Expense		\$ 7,626,727	\$ 7,935,342	\$ 8,698,489	\$ 9,370,550	\$ 9,738,922	\$ 368,372	4%	\$ 1,803,580	23%
DEPRECIATION		\$ 931,366	\$ 922,154	\$ 958,299	\$ 961,850	\$ 1,004,902	\$ 43,052	4%	\$ 82,747	9%
Taxes Payroll										
Water 3000 - 3800	Payroll Tax	220,425	236,134	255,307	258,700	258,700	-	0%	22,566	10%
Customer Care 4000 - 4900	Payroll Tax	32,449	31,003	28,536	31,100	33,400	2,300	7%	2,397	8%
Info & Tech 5000	Payroll Tax	17,911	16,691	19,525	19,800	20,600	800	4%	3,909	23%
Administration 9000	Payroll Tax	18,675	15,374	15,690	18,500	18,480	(20)	0%	3,106	20%
Administrative & General 9900	Payroll Tax									
		\$ 289,460	\$ 299,202	\$ 319,058	\$ 328,100.0	\$ 331,180	\$ 3,080	1%	\$ 31,978	11%
Taxes Property		51,011	52,156	51,046	52,000	53,000	1,000	2%	844	2%
Total Taxes		\$ 340,471	\$ 351,358	\$ 370,104	\$ 380,100	\$ 384,180	\$ 4,080	1%	\$ 32,822	9%
TOTAL OPERATING EXPENSE		\$ 8,898,564	\$ 9,208,854	\$ 10,026,892	\$ 10,712,500	\$ 11,128,004	\$ 415,503	4%	\$ 1,919,150	21%
OPERATING EARNINGS		\$ 708,616	\$ 1,211,441	\$ 578,282	\$ (55,688)	\$ (2,016)	\$ 53,673	-96%	\$ (1,213,456)	-100%

GROTON UTILITIES

Water Division 006 Budget Interest & Other Charges

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	Approved FY 2020 Budget	Proposed FY 2021 Budget	Variance 2021 Budget vs. Budget	2020	Variance 2021 Budget vs. 2019 Actual	
OPERATING EARNINGS	\$ 708,616	\$ 1,211,441	\$ 578,282	\$ (55,688)	\$ (2,016)	\$ 53,673	-96%	\$ (1,213,456)	-100%
INTEREST & OTHER CHARGES:									
Merchandising & Jobing Contract Work Expense	382,270	356,773	332,803	314,000	359,000	45,000	14%	2,227	0.6%
DPH Consent Agreement	-	226,660	210,288	1,200,000	1,200,000	-	0%	973,340	
Donations	-	-	159,945	-	-	-		-	
Bond Interest Expense GU	314,694	341,000	325,300	325,300	370,150	44,850	14%	29,150	8.5%
Amort. Of Premium On Debt (Cr)	(36,595)	(31,880)	(31,880)	(31,880)	(31,880)	-	0%	-	0.0%
Interest Expense Other	7,159	-	-	-	-	-		-	#DIV/0!
Subtotal Other Expense	\$ 667,528	\$ 892,553	\$ 996,456	\$ 1,807,420	\$ 1,897,270	\$ 89,850	5%	\$ 1,004,717	112.6%
Merchandising & Jobing Contract Income	438,091	428,289	398,621	314,000	359,000	\$ 45,000	14%	\$ (69,289)	-16.2%
Antenna Rental	334,072	342,234	346,685	330,000	304,000	(26,000)	-8%	(38,234)	-11.2%
Interest Income	32,588	59,967	-	-	67,000	67,000		7,033	11.7%
Misc. Income (Gravel Sales)	-	-	-	-	-	-		-	
Gain/(loss) on Disposition of Property	2,800	1,200	1,270	-	-	-		(1,200)	-100.0%
Miscellaneous Income DEP/FEMA/DWSRF	2,254,344	5,825,250	3,828,177	3,423,008	3,186,900	(236,108)		(2,638,350)	-45.3%
Subtotal Other Income	\$ 3,061,895	\$ 6,656,939	\$ 4,574,752	\$ 4,067,008	\$ 3,916,900	\$ (150,108)	-4%	\$ (2,740,039)	-41.2%
TOTAL INTEREST AND OTHER CHARGES	\$ 2,394,367	\$ 5,764,386	\$ 3,578,296	\$ 2,259,588	\$ 2,019,630	\$ (239,958)	-11%	\$ (3,744,756)	-65.0%
NET EARNINGS	\$ 3,102,984	\$ 6,975,827	\$ 4,156,578	\$ 2,203,900	\$ 2,017,614	\$ (186,286)	-8%	\$ (4,958,212)	-71.1%

GROTON UTILITIES
Water Division Budget Cash Flow

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	Approved FY 2020 Budget	Proposed FY 2021 Budget
NET EARNINGS	\$ 3,102,984	\$ 6,975,827	\$ 4,156,578	\$ 2,203,900	\$ 2,017,614
PLUS:					
Depreciation	931,366	922,154	958,299	961,850	1,004,902
Reciepts from Bond Issuance	3,291,226	-	-	-	1,470,000
Reciepts from DWSRF - Loan Portion	5,837,360	15,066,652	9,869,986	8,826,440	8,136,142
Contribution to Maintenance Reserve and Vehicle Reserve	228,320	228,320	60,000	60,000	-
Contribution to WTP Rebuild Restricted Reserve Fund	800,000	750,000	750,000	750,000	500,000
TOTAL FUNDS GENERATED	\$ 14,191,256	\$ 23,942,953	\$ 15,794,863	\$ 12,802,189	\$ 13,128,657
LESS:					
Non-Bonded Capital:					
Water Operations Projects	493,368	554,948	816,500	816,500	180,000
IT Projects Water Division Allocation	63,228	57,782	149,700	196,200	136,500
Vehicles and Mobile Communications	367,909	160,498	90,000	90,000	-
CC Capital Projects Approved			9,900	45,000	46,200
Bond Fund Project Expenditures	337,857	1,615,104	1,555,000	2,155,000	2,070,000
WTP Project Expenditures	8,090,148	20,889,091	13,697,696	12,249,448	11,323,042
Water Vehicle Replacement Reserve Contributions	60,000	60,000	60,000	60,000	-
Est. Contribution to WTP Rebuild Restricted Cash Reserve Fund	800,000	750,000	750,000	750,000	500,000
Maint.Of Fencing	8,980	8,980		-	-
Maint.Of Dams (reseeding)	8,980	8,980		-	-
Water Supply Master Plan Reser	-	-		-	-
Maint Water Treatment Plant Equipment	58,340	58,340		-	-
Maint of Storage Tanks	26,920	26,920		-	-
Water Main Emergency Reserve	56,100	56,100		-	-
Maint.-Operations Bldg.	9,000	9,000		-	-
Bond Principal Requirements	440,000	717,000	646,000	646,000	648,000
Working Capital	(1,058,258)	1,076,413	50,000	50,000	50,000
TOTAL FUNDS REQUIRED	\$ 9,762,570	\$ 26,049,156	\$ 17,824,796	\$ 17,058,148	\$ 14,953,742
NET INCREASE (DECREASE) IN CASH FROM OPERATIONS	\$ 4,428,685	\$ (2,106,203)	\$ (2,029,933)	\$ (4,255,959)	\$ (1,825,084)
Plus Total Beginning Cash Balance	\$ 7,297,094	\$ 11,725,780	\$ 9,619,577	\$ 11,887,564	\$ 7,589,644
Total Ending Cash Balance	\$ 11,725,780	\$ 9,619,577	\$ 7,589,644	\$ 7,631,606	\$ 5,764,560

GROTON UTILITIES

WATER DIVISION

2020/2021 BUDGET

PROFORMA ANALYSIS

GROTON UTILITIES - WATER DIVISION

PROFORMA INCOME STATEMENT

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	Approved FY 2020 Budget	Proposed FY 2021 Budget
REVENUE:					
RESIDENTIAL	\$ 2,890,505	\$ 3,094,718	\$ 3,173,006	\$ 3,204,721	\$ 3,295,535
FORT HILL RATE DISTRICT Add To Residential and Commercial					
COMMERCIAL	1,641,932	1,653,781	1,828,570	1,830,025	1,787,882
FREE CITY WATER SERVICE	8,828	7,865	9,253	10,000	10,000
INDUSTRIAL	2,699,226	3,146,049	3,086,758	2,989,575	3,407,670
HYDRANTS - PRIVATE & PUBLIC	393,443	392,124	392,981	393,338	394,224
SALES FOR RESALE	1,906,384	2,056,983	2,044,566	2,151,953	2,153,477
TOTAL WATER REVENUE	\$ 9,540,318	\$ 10,351,521	\$ 10,535,135	\$ 10,579,612	\$ 11,048,788
OTHER WATER REVENUE	66,862	68,774	70,038	77,200	77,200
TOTAL REVENUE	\$ 9,607,181	\$ 10,420,295	\$ 10,605,174	\$ 10,656,812	\$ 11,125,988
EXPENSES:					
OPERATION EXPENSES	7,617,899	7,927,477	8,689,236	9,360,550	9,728,922
Less City Water Service	8,828	7,865	9,253	10,000	10,000
DEPRECIATION (additions related to Capital Projects)	931,366	922,154	958,299	961,850	1,004,902
TAXES	340,471	351,358	370,104	380,100	384,180
TOTAL OPERATING EXPENSES	\$ 8,898,564	\$ 9,208,854	\$ 10,026,892	\$ 10,712,500	\$ 11,128,004
OPERATING EARNINGS	\$ 708,616	\$ 1,211,441	\$ 578,282	\$ (55,688)	\$ (2,016)
INTEREST & OTHER CHARGES					
Plus OTHER INCOME & DEDUCTIONS net	2,679,625	6,073,506	3,871,716	2,553,008	2,357,900
Less INTEREST ON LONG TERM DEBT	278,099	309,120	293,420	293,420	338,270
Less OTHER INTEREST	7,159	-	-	-	-
TOTAL INTEREST AND OTHER CHARGES	\$ 2,394,367	\$ 5,764,386	\$ 3,578,296	\$ 2,259,588	\$ 2,019,630
NET EARNINGS	\$ 3,102,984	\$ 6,975,827	\$ 4,156,578	\$ 2,203,900	\$ 2,017,614

PROFORMA CASH FLOW

NET EARNINGS	\$ 3,102,984	\$ 6,975,827	\$ 4,156,578	\$ 2,203,900	\$ 2,017,614
PLUS:					
Contribution to Maintenance Reserve and Vehicle Reserve	228,320	228,320	60,000	60,000	-
Contribution to WTP Rebuild Restricted Reserve Fund	800,000	750,000	750,000	750,000	500,000
Receipts from Bond Issuance	3,291,226	-	-	-	1,470,000
Receipts from DWSRF - Loan Portion	5,837,360	15,066,652	9,869,986	8,826,440	8,136,142
DEPRECIATION (including 5 yr depreciation of software)	931,366	922,154	958,299	961,850	1,004,902
TOTAL FUNDS GENERATED	\$ 14,191,256	\$ 23,942,953	\$ 15,794,863	\$ 12,802,189	\$ 13,128,657
LESS:					
Contribution to Cash Reserves	228,320	228,320	60,000	60,000	-
Est. Contribution to WTP Rebuild Restricted Cash Reserve Fund	800,000	750,000	750,000	750,000	500,000
Total Cash Reserve Requirements	\$ 1,028,320	\$ 978,320	\$ 810,000	\$ 810,000	\$ 500,000
BOND PRINCIPAL REQUIREMENTS	440,000	717,000	646,000	646,000	648,000
NONBONDED CAPITAL PROJECTS	556,596	612,730	976,100	1,057,700	362,700
Vehicles and Mobile Communications	367,909	160,498	90,000	90,000	-
BONDED CAPITAL PROJECTS	337,857	1,615,104	1,555,000	2,155,000	2,070,000
WTP Project Expenditures	8,090,148	20,889,091	13,697,696	12,249,448	11,323,042
WORKING CAPITAL	(1,058,258)	1,076,413	50,000	50,000	50,000
TOTAL FUNDS REQUIRED	\$ 9,762,570	\$ 26,049,156	\$ 17,824,796	\$ 17,058,148	\$ 14,953,742
NET INCREASE (DECREASE) IN CASH FROM OPERATIONS	\$ 4,428,685	\$ (2,106,203)	\$ (2,029,933)	\$ (4,255,959)	\$ (1,825,084)
Plus Total Beginning Cash Balance	\$ 7,297,094	\$ 11,725,780	\$ 9,619,577	\$ 11,887,564	\$ 7,589,644
Total Ending Cash Balance	\$ 11,725,780	\$ 9,619,577	\$ 7,589,644	\$ 7,631,606	\$ 5,764,560

GROTON UTILITIES

WATER DIVISION

2020/2021 BUDGET

CAPITAL PROJECTS

**GROTON UTILITIES
WATER DIVISION
FY 2021**

Non-Bonded Capital Projects

Project #	Project	Funding	Estimated Completion Date	FY2021
#1	SCADA/Radio WTP	NBCP	6/1/2021	\$ 80,000
#2	Security Upgrades	NBCP	6/30/2025	\$ 100,000
	Total Non Bonded Project Cost			\$ 180,000

Bonded Capital Projects

Project #	Project	Funding	Estimated Completion Date	FY2021
#1	Long Hill Pump Station	W12-3-1	6/30/2021	\$ 600,000
#2	Meter Replacement	W2020	6/30/2022	\$ 220,000
#3	Brandeggee Standpipe	W2020	2/1/2024	\$ 750,000
#4	Watermain Improvements	W2020	6/30/2025	\$ 500,000
	Total Bonded Project Cost			\$ 2,070,000

Total Bonded /Non Bonded Capital	\$ 2,250,000
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