



GROTON UTILITIES

WATER DIVISION

OPERATING AND CAPITAL
BUDGET

FY 2022

Proposed 4/14/2021

UC Approved 4/21/2021

City Council Approved 6/7/2021

GROTON UTILITIES

WATER DIVISION

FY 2022 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 & OTHER</i>	<i>page 6</i>
<i>CASH FLOW</i>	<i>page 7</i>
<i>PROFORMA</i>	<i>page 8</i>
<i>CAPITAL PROJECTS</i>	<i>page 9</i>

Groton Utilities – Water Division

FY 2022 Budget Proposed April 14, 2021

The Fiscal Year 2022 Budget proposal for Groton Utilities – Water Division is presented with Actual FY2019, Actual FY2020, Projected FY2021 and Approved FY2021 Budget for comparison purposes.

Revenue Development

Water Revenues are developed using the approved new rates with 4% increase effective October 1, 2021 and the historical sales data ending December 31, 2020. Overall Cubic Feet sales budgeted for FY2022 are 2% lower than sales budget for FY2021. The new rates combined with decreasing Cubic Feet sales results in an increase of 3% or \$345K in total Water Revenues of \$11M.

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 FY2022 are \$1.8M which include:

- Water Treatment Plant Technology Phase II - \$200K
- Customer Care Non-Bonded Capital projects - \$74.4K
- IT Non-Bonded Capital projects – \$45.9K
- PCB Removal Phase I - \$500K
- DPH Interconnection Project - \$1M

Bonded Capital Projects

Bonded Capital Projects cost proposed for FY2022 are \$1.5M which include:

- Brandegee Avenue Tank - \$320K
- Distribution System - \$500K
- Low Lift Pump Station - \$575K
- Metering - \$100K

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 Operation and Maintenance expenses proposed for FY2022 are \$9M which is decreased by 7% or \$728K compared to last year's budget.

Labor expense decreased by 15% or \$616K compared to FY2021 budget. Aside from the standard increases for union and non-union employees combined with proposed performance base step increase, the decrease of labor expense is driven by the headcount reduction of 8.5 proposed for FY2022.

Non-Labor expense is decreased by 2% or \$113K compared to FY2021 budget with the changes mainly in the following area:

- Water Operations – decrease 9% (\$222K)
- Customer Care and Key Accounts – increase 3% (\$10K)
- IT – decrease 5% (\$17K)
- Administration & Finance – decrease 1% (\$2K)
- Administrative & General – increase 5% (\$118K)

Operating Earnings and Net Cash Flow

Operating Earnings resulting from the proposed FY2022 budget are \$4K which is \$2K higher than FY2021 budget but \$826K below the COSS target Operating Earnings of \$826K. Proposed FY2022 Net Earnings combined with Depreciation Cash and Receipt from Issuing Bonds provides approximately \$4.3M to fund Capital Investments and Debt Service Requirements. This results in a net decrease in cash flow from Operations of \$1.6M. FY2022 proposed budget projects a total ending cash balance of \$7.2M which is 22% more than the COSS Recommended minimum cash balance of \$5.9M.

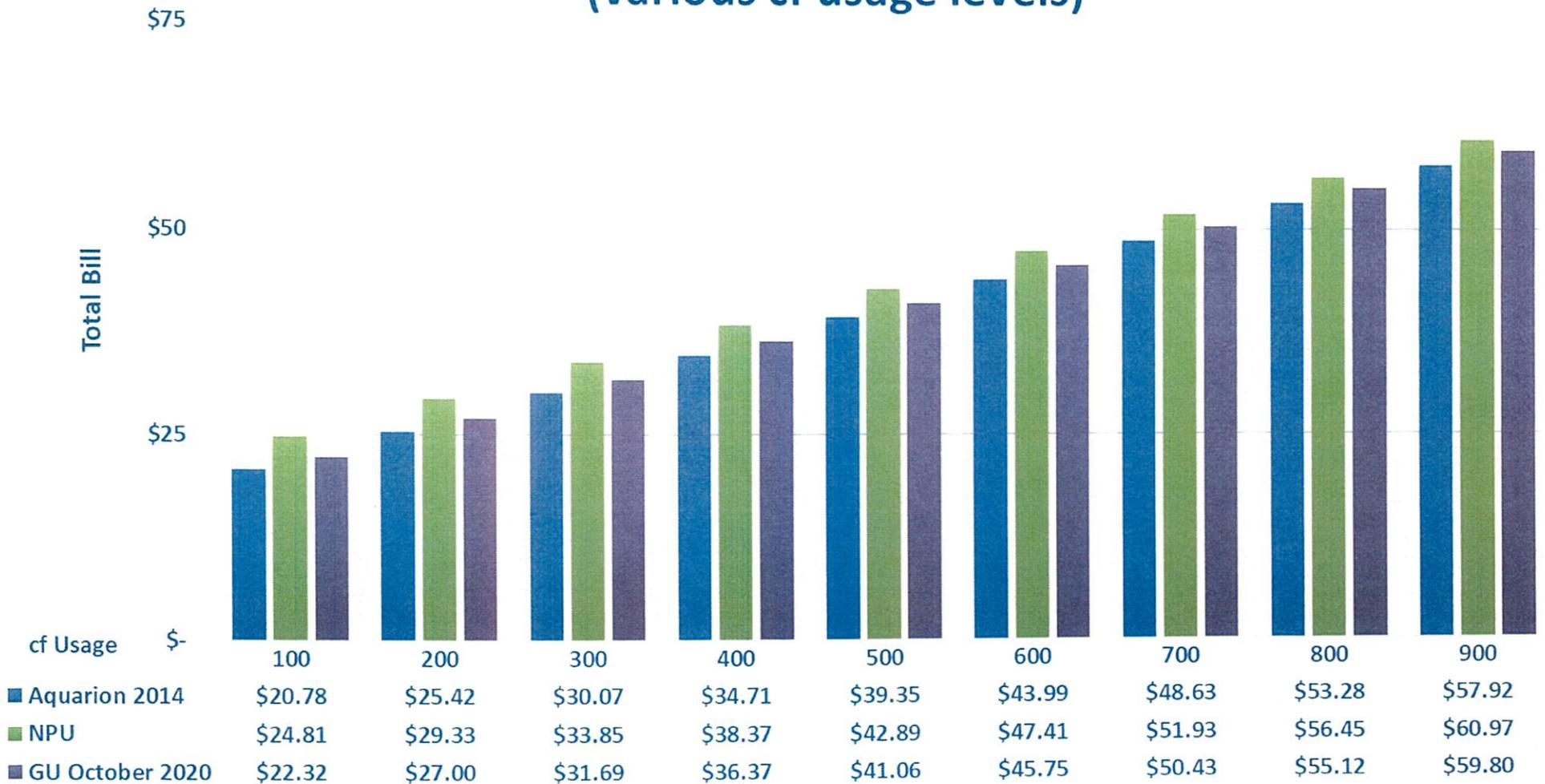
Approval Recommendation

The Proposed budgets for FY2022 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 FY2022 and cash flow plan be approved as proposed.

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



GU is 4% less NPU at 500cf.

**GROTON UTILITIES
Water Division
Budget Revenue**

	FY 2019 Actual	FY 2020 Actual	Approved FY 2021 Budget	Approved FY 2022 Budget	Variance FY2022 Budget vs. FY2021 Budget	
OPERATING REVENUES						
Residential	\$ 3,094,718	\$ 3,218,125	\$ 3,295,535	\$ 3,397,866	\$ 102,331	3%
Commercial	1,653,781	1,642,781	1,787,882	1,794,488	6,606	0%
Free City Water Service	7,865	7,428	10,000	10,000	-	0%
Industrial	3,146,049	3,275,215	3,407,670	3,639,105	231,435	6%
Hydrant & Sprinkler Revenue	392,124	389,440	394,224	396,150	1,926	0%
Sales for Resale	2,056,983	1,980,906	2,153,477	2,168,934	15,457	1%
Total Water Revenues	\$ 10,351,521	\$ 10,513,894	\$ 11,048,788	\$ 11,406,543	\$ 357,755	3%
OTHER OPERATING REVENUES						
Late Payment Charges	\$ 13,382	\$ 10,506	\$ 8,000	\$ 8,000	\$ -	0%
Misc. Service Revenues	1,675	1,857	1,200	1,200	-	0%
Other Water Revenues - Lab	52,490	37,495	50,000	50,000	-	0%
Other Water Revenues - Pool Water	1,228	778	18,000	5,000	(13,000)	-260%
Total Other Operating Revenue	\$ 68,774	\$ 50,635	\$ 77,200	\$ 64,200	\$ (13,000)	-20%
TOTAL OPERATING REVENUES	\$ 10,420,295	\$ 10,564,529	\$ 11,125,988	\$ 11,470,743	\$ 344,755	3%

*Revenues are based on the 3 years avg Cu Ft sold ended on 12/31/20 with adjustments
New Rates effective on 10/1/2021 with 4% increase*

GROTON UTILITIES
Water Division Budget Summary
OPERATING EARNINGS

		FY 2019 Actual	FY 2020 Actual	Approved FY 2021 Budget	Approved FY 2022 Budget	Variance FY 2022 Budget vs. FY 2021 Budget	
TOTAL OPERATING REVENUES		\$ 10,420,295	\$ 10,564,529	\$ 11,125,988	\$ 11,470,743	\$ 344,755	3%
OPERATING EXPENSES							
OPERATION & MAINTENANCE EXPENSE							
Water Operations 3000-3800	Payroll	\$ 2,762,063	\$ 3,127,866	\$ 3,247,299	\$ 2,637,357	\$ (609,942)	-19%
Customer Care 4000 - 4900	Payroll	422,281	398,353	436,350	422,927	(13,423)	-3%
Info & Tech 5000	Payroll	220,001	228,505	269,700	274,200	4,500	2%
Administration 9000	Payroll	220,243	210,373	241,524	244,803	3,279	1%
Administrative & General 9900	Payroll	-	-	-	-		
Subtotal		\$ 3,624,589	\$ 3,965,097	\$ 4,194,873	\$ 3,579,287	(615,586)	-14.7%
Water 3000 - 3800	Other	\$ 2,017,472	\$ 2,053,572	\$ 2,490,110	\$ 2,267,806	\$ (222,304)	-9%
Customer Care 4000 - 4900	Other	211,846	251,246	380,950	390,760	9,810	3%
Info & Tech 5000 - 5600	Other	174,502	221,127	373,500	356,400	(17,100)	-5%
Administration 9000	Other	72,061	102,597	119,970	118,350	(1,620)	-1%
Administrative & General 9900	Other	2,111,388	1,882,758	2,179,519	2,297,595	118,076	5%
Subtotal		\$ 4,587,268	\$ 4,511,300	\$ 5,544,049	\$ 5,430,911	\$ (113,138)	-2%
TOTAL OPERATION & MAINTENANCE EXPENSE		\$ 8,211,857	\$ 8,476,397	\$ 9,738,922	\$ 9,010,198	\$ (728,724)	-7%
DEPRECIATION		\$ 922,154	\$ 951,636	\$ 1,004,902	\$ 2,090,856	\$ 1,085,954	108%
Taxes Payroll							
Water 3000 - 3800	Payroll Tax	\$ 236,134	\$ 254,672	\$ 258,700	\$ 248,882	\$ (9,818)	-4%
Customer Care 4000 - 4900	Payroll Tax	31,003	30,114	33,400	32,400	(1,000)	-3%
Info & Tech 5000	Payroll Tax	16,691	16,909	20,600	21,000	400	2%
Administration 9000	Payroll Tax	15,374	14,776	18,480	18,720	240	1%
Administrative & General 9900	Payroll Tax						
Subtotal		\$ 299,202	\$ 316,471	\$ 331,180.0	\$ 321,002	\$ (10,178)	-3%
Taxes Property		\$ 52,156	\$ 50,078	\$ 53,000	\$ 53,000	\$ -	0%
TOTAL TAXES		\$ 351,358	\$ 366,549	\$ 384,180	\$ 374,002	\$ (10,178)	-3%
TOTAL OPERATING EXPENSES		\$ 9,485,369	\$ 9,794,582	\$ 11,128,004	\$ 11,475,056	\$ 347,052	3%
OPERATING EARNINGS		\$ 934,926	\$ 769,947	\$ (2,016)	\$ (4,313)	\$ (2,297)	114%

GROTON UTILITIES

Water Division Budget Income & Expense

	FY 2019 Actual	FY 2020 Actual	Approved FY 2021 Budget	Approved FY 2022 Budget	Variance FY2022 Budget vs. FY2021 Budget	
OPERATING EARNINGS	\$ 934,926	\$ 769,947	\$ (2,016)	\$ (4,313)	\$ (2,297)	114%
OTHER INCOME (EXPENSE)						
Merchandising & Jobbing Contract Work Expense	\$ 356,773	\$ 303,359	\$ 359,000	\$ 326,500	\$ (32,500)	-9%
DPH Consent Agreement	226,660	169,156	1,200,000	-	(1,200,000)	-100%
Donations	-	159,945	-	-	-	0%
Bond Interest Expense GU	341,000	320,505	370,150	1,135,300	765,150	207%
Amort.Of Premium On Debt (Cr)	(31,880)	(31,881)	(31,880)	(31,880)	(0)	0%
Interest Expense Other	-	-	-	-	-	
Subtotal Other Expense	\$ 892,553	\$ 921,084	\$ 1,897,270	\$ 1,429,920	\$ (467,350)	-25%
Merchandising & Jobbing Contract Income	\$ 428,289	\$ 399,411	\$ 359,000	\$ 326,500	\$ (32,500)	-9%
Antenna Rental	342,234	348,071	304,000	304,000	-	0%
Interest Income	59,967	47,651	67,000	47,000	(20,000)	-30%
Gain/(loss) on Disposition of Property	1,200	635	-	-	-	
Miscellaneous Income DEP/FEMA/DWSRF	5,825,250	3,841,473	3,186,900	-	(3,186,900)	-100%
Subtotal Other Income	\$ 6,656,939	\$ 4,637,241	\$ 3,916,900	\$ 677,500	\$ (3,239,400)	-83%
TOTAL OTHER INCOME (EXPENSE)	\$ 5,764,386	\$ 3,716,157	\$ 2,019,630	\$ (752,420)	\$ (2,772,050)	-137%
NET EARNINGS	\$ 6,699,312	\$ 4,486,104	\$ 2,017,614	\$ (756,733)	\$ (2,774,347)	-138%

GROTON UTILITIES
Water Division Budget Cash Flow

	FY 2019 Actual	FY 2020 Actual	Approved FY 2021 Budget	Approved FY 2022 Budget
NET EARNINGS	\$ 6,699,312	\$ 4,486,104	\$ 2,017,614	\$ (756,733)
PLUS:				
Depreciation	\$ 922,154	\$ 951,636	\$ 1,004,902	\$ 2,090,856
Receipts from Bond Issuing	-	-	1,470,000	2,995,000
Receipts from DWSRF Loan	15,066,652	9,911,805	8,136,142	-
Contribution to Maintenance Reserve and Vehicle Reserve	228,320	60,000	-	-
Contribution to WTP Rebuild Restricted Reserve Fund	750,000	750,000	500,000	-
TOTAL FUNDS GENERATED	\$ 23,666,438	\$ 16,159,545	\$ 13,128,657	\$ 4,329,123
LESS:				
Non-Bonded Capital Projects:				
Operations	\$ 554,948	\$ 627,240	\$ 180,000	\$ 200,000
Vehicles and Mobile Communications	160,498	112,431	-	-
IT	57,782	24,293	136,500	45,900
Customer Care	-	-	46,200	74,400
PCB Removal				500,000
DPH Consent Agreement Project				1,000,000
Bond Fund Capital Projects	1,615,104	986,714	2,070,000	1,495,000
WTP Project Expenditures	20,889,091	12,720,138	11,323,042	-
Water Vehicle Replacement Reserve Contributions	60,000	60,000	-	-
Est. Contribution to WTP Rebuild Restricted Cash Reserve Fund	750,000	750,000	500,000	-
Maint.Of Fencing	8,980	-	-	-
Maint.Of Dams (reseeding)	8,980	-	-	-
Maint Water Treatment Plant Equipment	58,340	-	-	-
Maint of Storage Tanks	26,920	-	-	-
Water Main Emergency Reserve	56,100	-	-	-
Maint.-Operations Bldg.	9,000	-	-	-
Bond Principal Requirements	717,000	646,000	648,000	647,000
Bond Principal Requirements - WTP	-	-	-	1,950,000
Working Capital	799,898	1,126,706	50,000	50,000
TOTAL FUNDS REQUIRED	\$ 25,772,641	\$ 17,053,523	\$ 14,953,742	\$ 5,962,300
NET CASH FLOW FROM OPERATIONS	\$ (2,106,203)	\$ (893,978)	\$ (1,825,084)	\$ (1,633,177)
Plus Total Beginning Cash Balance	\$ 11,725,780	\$ 9,619,577	\$ 7,589,644	\$ 8,821,983
Total Ending Cash Balance	\$ 9,619,577	\$ 8,725,599	\$ 5,764,560	\$ 7,188,806

GROTON UTILITIES

WATER DIVISION

FY 2022 BUDGET

PROFORMA ANALYSIS

GROTON UTILITIES - WATER DIVISION

PROFORMA INCOME STATEMENT

	FY 2019 Actual	FY 2020 Actual	Approved FY 2021 Budget	Approved FY 2022 Budget	Variance 2022 Budget vs. 2021 Budget	
OPERATING REVENUES:						
RESIDENTIAL	\$ 3,094,718	\$ 3,218,125	\$ 3,295,535	\$ 3,397,866	\$ 102,331	3%
COMMERCIAL	1,661,646	1,650,209	1,797,882	1,804,488	6,606	0%
INDUSTRIAL	3,146,049	3,275,215	3,407,670	3,639,105	231,435	7%
HYDRANTS - PRIVATE & PUBLIC	392,124	389,440	394,224	396,150	1,926	0%
SALES FOR RESALE	2,056,983	1,980,906	2,153,477	2,168,934	15,457	1%
TOTAL WATER REVENUES	\$ 10,351,521	\$ 10,513,894	\$ 11,048,788	\$ 11,406,543	\$ 357,755	3%
OTHER WATER REVENUE	\$ 68,774	\$ 50,635	\$ 77,200	\$ 64,200	\$ (13,000)	-17%
TOTAL OPERATING REVENUES	\$ 10,420,295	\$ 10,564,529	\$ 11,125,988	\$ 11,470,743	\$ 344,755	3%
OPERATING EXPENSES:						
OPERATION EXPENSES	\$ 8,211,857	\$ 8,476,397	\$ 9,738,922	\$ 9,010,198	\$ (728,724)	-7%
DEPRECIATION	922,154	951,636	1,004,902	2,090,856	1,085,954	108%
TAXES	351,358	366,549	384,180	374,002	(10,178)	-3%
TOTAL OPERATING EXPENSES	\$ 9,485,369	\$ 9,794,582	\$ 11,128,004	\$ 11,475,056	\$ 347,052	3%
OPERATING EARNINGS	\$ 934,926	\$ 769,947	\$ (2,016)	\$ (4,313)	\$ (2,297)	114%
OTHER INCOME (EXPENSE)						
Plus OTHER INCOME & DEDUCTIONS net	\$ 6,073,506	\$ 4,004,781	\$ 2,357,900	\$ 351,000	\$ (2,006,900)	-85%
Less INTEREST ON LONG TERM DEBT	309,120	288,624	338,270	1,103,420	765,150	226%
TOTAL OTHER INCOME (EXPENSE)	\$ 5,764,386	\$ 3,716,157	\$ 2,019,630	\$ (752,420)	\$ (2,772,050)	-137%
NET EARNINGS	\$ 6,699,312	\$ 4,486,104	\$ 2,017,614	\$ (756,733)	\$ (2,774,347)	-138%
PROFORMA CASH FLOW						
NET EARNINGS	\$ 6,699,312	\$ 4,486,104	\$ 2,017,614	\$ (756,733)	\$ (2,774,347)	-138%
PLUS:						
Contribution to Maint. & Vehicle Reserve	\$ 228,320	\$ 60,000	\$ -	\$ -	\$ -	#DIV/0!
Contribution to WTP Rebuild Reserve	750,000	750,000	500,000	-	(500,000)	-100%
Receipts from Bond Issuing	-	-	1,470,000	2,995,000	1,525,000	104%
Receipts from DWSRF Loan	15,066,652	9,911,805	8,136,142	-	(8,136,142)	-100%
Depreciation	922,154	951,636	1,004,902	2,090,856	1,085,954	108%
TOTAL FUNDS GENERATED	\$ 23,666,438	\$ 16,159,545	\$ 13,128,657	\$ 4,329,123	\$ (8,799,534)	-67%
LESS:						
Contribution to Maint. & Vehicle Reserve	\$ 228,320	\$ 60,000	\$ -	\$ -	\$ -	#DIV/0!
Contribution to WTP Rebuild Reserve	750,000	750,000	500,000	-	(500,000)	-100%
Bond Principal Requirements	717,000	646,000	648,000	2,597,000	1,949,000	301%
Capital Projects	2,388,332	1,750,679	2,432,700	3,315,300	882,600	36%
WTP Project	20,889,091	12,720,138	11,323,042	-	(11,323,042)	-100%
Working Capital	799,898	1,126,706	50,000	50,000	-	0%
TOTAL FUNDS REQUIRED	\$ 25,772,641	\$ 17,053,523	\$ 14,953,742	\$ 5,962,300	\$ (8,991,442)	-60%
NET CASH FLOW FROM OPERATIONS	\$ (2,106,203)	\$ (893,978)	\$ (1,825,084)	\$ (1,633,177)	\$ 191,907	-11%
Plus Total Beginning Cash Balance	\$ 11,725,780	\$ 9,619,577	\$ 7,589,644	\$ 8,821,983	\$ 1,232,339	16%
Total Ending Cash Balance	\$ 9,619,577	\$ 8,725,599	\$ 5,764,560	\$ 7,188,806	\$ 1,424,247	25%

GROTON UTILITIES

WATER DIVISION

FY 2022 BUDGET

CAPITAL PROJECTS

**GROTON UTILITIES
Water Division
Capital Budget**

Non-Bonded Capital Projects

PROJECT	Fund Source	FY 2022 Budget	Description
Operations:			
WTP Technology	NBC	\$ 200,000	WTP Technology Phase 2
PCB Removal	NBC	\$ 500,000	
DPH Consent Agreement Project	NBC	\$ 1,000,000	Norwich Connection (GU/Ledyard/NPU)
Subtotal		\$ 1,700,000	
IT:			
IT Security Upgrades at Municipal Building	NBC	\$ 15,000	
IT Security Upgrades at Operations	NBC	\$ 7,500	
Replace Backup Appliance at Operations	NBC	\$ 8,400	
Doc Mgmt. System Migration	NBC	\$ 15,000	
Subtotal		\$ 45,900	
Customer Care and Key Accounts:			
Re-design Customer Care office	NBC	\$ 36,000	
Carpeting	NBC	\$ 6,000	
Asbestos Removal	NBC	\$ 6,600	
Software Upgrade - Kiosk	NBC	\$ 15,000	
Digital Sign	NBC	\$ 9,000	
Stark Server	NBC	\$ 1,800	
Subtotal		\$ 74,400	
Total Non-Bonded Capital Projects		\$ 1,820,300	

Bonded Capital Projects

PROJECT	Fund Source	FY 2022 Budget	Description
Brandegee Avenue Tank	2021 Bond	\$ 320,000	Includes but not limited to Replacement of the Standpipe (the standpipe is a 1.46 million gallon standpipe built in 1946 of steel.)
Distribution System	2021 Bond	\$ 500,000	Includes but not limited Installation New or Replacement of Water Mains in Poquonnock Bridge Area, Aquarion Water Interconnect, Route 1 and Drozdyk Drive
Low Lift Pump Station	2021 Bond	\$ 575,000	Entire rebuilt of low lift station pumps which includes but not limited to pumps and piping replacement, traveling screens, electrical upgrades, roof replacement, safety and security enhancements, site work, siding and eel mitigation
Metering	2021 Bond	\$ 100,000	Meter Replacement
Total Bonded Capital Projects		\$ 1,495,000	

Total Capital Projects

\$ 3,315,300