

GROTON UTILITIES

WATER DIVISION

OPERATING AND CAPITAL
BUDGET

FY 2025

Proposed 4/10/2024

UC Approved 4/17/2024

City Council Approved 5/20/2024

GROTON UTILITIES

WATER DIVISION

FY 2025 BUDGET

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Groton Utilities – Water Division

FY2025 Budget

Proposed April 10, 2024

The fiscal year 2025 proposed budget for Groton Utilities – Water Division is presented with Actual FY2023, Projected FY2024, and Approved FY2024 Budget for comparison purposes.

Revenue Development

Revenues are developed using the historical sales data ended December 2023 and applying rates in effect October 1, 2023 and October 1, 2024 as applicable. Overall cubic feet sales budgeted for FY2025 are 2% lower than last year's budget. Proposed FY2025 Water revenue of \$12.9m is 3% or \$434k more than last year's budget driven by the combination of the consumption decrease 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 FY2025 of \$10.3m is 7% or \$718k higher than last year's budget due to the changes as follows:

- Labor budget increased by 7.5% or \$268k due to standard increases for union and non-union employees combined with proposed performance base step increases.
- Non-Labor expense budget increased by 7% or \$450k due to:
 - Water Operations: +7% or \$216k
 - Customer Care and Business Development: +12% or \$46k
 - IT: +25% or \$79k
 - Admin & Finance: +6% or \$7k
 - Administrative & General: +4% or \$101k

Capital Projects

Total proposed capital budget for FY2025 is \$4.5m which will be funded by a combination of annual depreciation and receipts of \$4m from financing. FY2025 capital budget includes:

Non-Bonded Capital Projects of \$267k for:

- Distribution System - \$50k
- Customer Care Projects - \$63k
- IT Projects - \$54k
- Vehicle Replacement - \$100k

Bonded Capital Projects of \$4.2m for:

- Brandegee Avenue Tank - \$3.4m
- Distribution System Upgrades - \$300k
- Pump Station Upgrades - \$164k
- Warran Dam Repairs - \$142k
- Metering - \$200k

Cash Flow

Net cash flow from operations provided by FY2025 including the capital project financing results in a decrease of \$1.5m which will reduce the projected operating cash balance from \$4m to \$2.5m which will be \$3.1m below the COSS recommended minimum cash balance.

Rate Comparison

The GU average residential customer current water bill for 500 cubic feet is 5% or \$2.54 below the Benchmark's current rate.

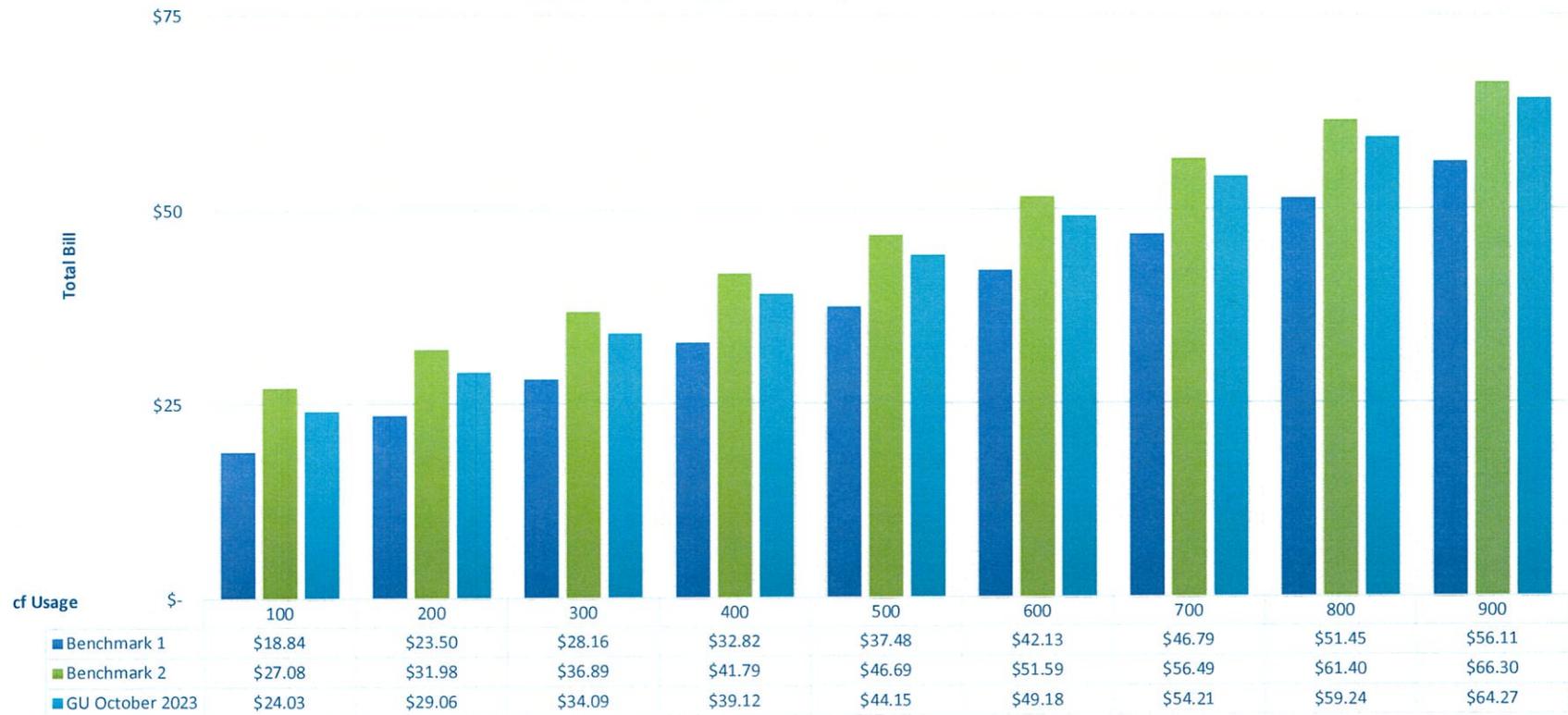
Approval Recommendation

The Proposed budgets for FY2025 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 FY2025 be approved as proposed.

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



GROTON UTILITIES

WATER DIVISION

FY 2025 BUDGET

PROFORMA ANALYSIS

GROTON UTILITIES

Water Division

PROFORMA INCOME STATEMENT

	FY 2023 Actual	FY 2024 Projected	Approved FY 2024 Budget	Proposed FY 2025 Budget	FY25 Budget vs. FY24 Budget
OPERATING REVENUES:					
Residential	\$ 3,557,523	\$ 3,574,442	\$ 3,628,588	\$ 3,670,953	\$ 42,365 1%
Commercial	1,994,349	1,941,656	2,007,456	2,048,325	40,869 2%
Industrial	3,831,750	3,848,967	4,057,977	4,177,873	119,896 3%
Hydrant & Sprinkler	398,770	399,219	399,096	404,723	5,627 1%
Sales for Resale	2,443,695	2,312,298	2,390,762	2,615,565	224,803 9%
TOTAL WATER REVENUES	\$ 12,226,088	\$ 12,076,582	\$ 12,483,879	\$ 12,917,439	\$ 433,560 3%
OTHER WATER REVENUE	\$ 99,714	\$ 89,530	\$ 90,000	\$ 90,000	\$ - 0%
TOTAL OPERATING REVENUES	\$ 12,325,802	\$ 12,166,113	\$ 12,573,879	\$ 13,007,439	\$ 433,560 3%
OPERATING EXPENSES:					
Operation Expense	\$ 9,378,921	\$ 9,126,884	\$ 9,601,218	\$ 10,318,981	\$ 717,763 7%
Depreciation	2,704,605	2,776,256	2,664,300	2,845,100	180,800 7%
Taxes	352,786	369,255	376,890	402,350	25,460 7%
TOTAL OPERATING EXPENSES	\$ 12,436,311	\$ 12,272,395	\$ 12,642,408	\$ 13,566,431	\$ 924,023 7%
OPERATING EARNINGS	\$ (110,509)	\$ (106,283)	\$ (68,529)	\$ (558,992)	\$ (490,463) 716%
OTHER INCOME (EXPENSE)					
Plus: Other Income & Deductions net	\$ 306,489	\$ 388,452	\$ 314,900	\$ 257,000	\$ (57,900) -18%
Less: Interest Expense on Long Term Debt	(1,153,097)	(1,082,940)	(1,078,050)	(1,000,100)	77,950 -7%
Less: Other Interest Expense	(356)	(48)	-	-	-
TOTAL OTHER INCOME (EXPENSE)	\$ (846,964)	\$ (694,536)	\$ (763,150)	\$ (743,100)	\$ 20,050 -3%
NET EARNINGS	\$ (957,473)	\$ (800,819)	\$ (831,679)	\$ (1,302,092)	\$ (470,413) 57%
NET EARNINGS	\$ (957,473)	\$ (800,819)	\$ (831,679)	\$ (1,302,092)	\$ (470,413) 57%
PLUS:					
Depreciation	\$ 2,704,605	\$ 2,776,256	\$ 2,664,300	\$ 2,845,100	\$ 180,800 7%
FUNDS GENERATED	\$ 1,747,132	\$ 1,975,437	\$ 1,832,621	\$ 1,543,008	\$ (289,613) -16%
LESS:					
Capital Projects	\$ 1,532,150	\$ 2,543,791	\$ 2,521,000	\$ 4,473,000	\$ 1,952,000 77%
Transfer from Capital Bond Fund Reserve	(890,413)	(1,509,291)	(1,380,000)	(4,206,000)	(2,826,000) 205%
WTP Project	-	-	-	-	-
WTP Project funded by DWSRF Loan	-	-	-	-	-
Bond Principal Requirements	4,460,500	2,756,000	2,756,000	2,756,000	- 0%
Working Capital	1,369,935	-	-	-	- 0%
FUNDS REQUIRED	\$ 6,472,172	\$ 3,790,500	\$ 3,897,000	\$ 3,023,000	\$ (874,000) -22%
NET CASH FLOW FROM OPERATIONS	\$ (4,725,041)	\$ (1,815,063)	\$ (2,064,379)	\$ (1,479,992)	
Operating Fund - Beginning Balance	\$ 10,545,465	\$ 5,820,424	\$ 6,466,921	\$ 4,005,362	
Operating Fund - Ending Balance	\$ 5,820,424	\$ 4,005,362	\$ 4,402,542	\$ 2,525,370	

GROTON UTILITIES

Water Division Revenue Budget

	FY 2023 Actual	FY 2024 Projected	Approved FY 2024 Budget	Proposed FY 2025 Budget	FY25 Budget vs. FY24 Budget	
OPERATING REVENUES						
Residential	\$ 3,557,523	\$ 3,574,442	\$ 3,628,588	\$ 3,670,953	\$ 42,365	1%
Commercial	1,985,727	1,931,450	1,997,456	2,038,325	40,869	2%
Free City Water Service	8,622	10,207	10,000	10,000	-	0%
Industrial	3,831,750	3,848,967	4,057,977	4,177,873	119,896	3%
Hydrant & Sprinkler Revenue	398,770	399,219	399,096	404,723	5,627	1%
Sales for Resale	2,443,695	2,312,298	2,390,762	2,615,565	224,803	9%
Total Water Revenues	\$ 12,226,088	\$ 12,076,582	\$ 12,483,879	\$ 12,917,439	\$ 433,560	3%
OTHER OPERATING REVENUES						
Late Payment Charges	\$ 28,564	\$ 15,849	\$ 10,000	\$ 20,000	\$ 10,000	50%
Misc. Service Revenues	9,530	19,906	20,000	20,000	-	0%
Other Water Revenues - Lab	34,010	40,195	50,000	40,000	(10,000)	-25%
Other Water Revenues - Pool Water	27,610	13,580	10,000	10,000	-	0%
Total Other Operating Revenue	\$ 99,714	\$ 89,530	\$ 90,000	\$ 90,000	\$ -	0%
TOTAL OPERATING REVENUES	\$ 12,325,802	\$ 12,166,113	\$ 12,573,879	\$ 13,007,439	\$ 433,560	3%

Revenues are based on the historic Cu Ft sold ended on 12/31/23 with adjustments

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

New Proposed Rates effective on 10/1/2024 with 5% increase

GROTON UTILITIES

Water Division

OPERATING EARNINGS

		FY 2023 Actual	FY 2024 Projected	Approved FY 2024 Budget	Proposed FY 2025 Budget	FY25 Budget vs. FY24 Budget	
TOTAL OPERATING REVENUES		\$ 12,325,802	\$ 12,166,113	\$ 12,573,879	\$ 13,007,439	\$ 433,560	3%
OPERATING EXPENSES							
OPERATION & MAINTENANCE EXPENSE							
Water Operations 3000-3800	Payroll	\$ 2,697,211	\$ 2,685,026	\$ 2,601,450	\$ 2,760,161	\$ 158,711	6%
Customer Care 4000 - 4900	Payroll	409,613	428,685	426,005	464,690	38,685	9%
Info & Tech 5000	Payroll	254,879	269,419	296,900	314,400	17,500	6%
Administration 9000	Payroll	221,912	251,877	260,040	313,200	53,160	20%
Administrative & General 9900	Payroll	-	-	-	-		
Subtotal		\$ 3,583,615	\$ 3,635,007	\$ 3,584,395	\$ 3,852,451	268,056	7.5%
Water Operations 3000-3800	Other	\$ 2,577,995	\$ 2,559,960	\$ 2,911,375	\$ 3,127,700	\$ 216,325	7%
Customer Care 4000 - 4900	Other	297,040	307,797	392,680	439,130	46,450	12%
Info & Tech 5000 - 5600	Other	295,778	229,506	314,000	393,300	79,300	25%
Administration 9000	Other	176,572	103,469	114,180	120,690	6,510	6%
Administrative & General 9900	Other	2,447,922	2,291,145	2,284,588	2,385,710	101,122	4%
Subtotal		\$ 5,795,306	\$ 5,491,877	\$ 6,016,823	\$ 6,466,530	\$ 449,707	7%
TOTAL OPERATION & MAINTENANCE EXPENSE		\$ 9,378,921	\$ 9,126,884	\$ 9,601,218	\$ 10,318,981	\$ 717,763	7%
DEPRECIATION		\$ 2,704,605	\$ 2,776,256	\$ 2,664,300	\$ 2,845,100	\$ 180,800	7%
Taxes Payroll							
Water 3000 - 3800	Payroll Tax	\$ 238,703	\$ 249,055	\$ 246,200	\$ 263,100	\$ 16,900	7%
Customer Care 4000 - 4900	Payroll Tax	33,008	33,002	35,100	38,280	3,180	9%
Info & Tech 5000	Payroll Tax	18,159	20,139	22,700	24,000	1,300	6%
Administration 9000	Payroll Tax	14,516	17,600	19,890	23,970	4,080	21%
Administrative & General 9900	Payroll Tax						
Subtotal		\$ 304,387	\$ 319,797	\$ 323,890	\$ 349,350	\$ 25,460	8%
Taxes Property		\$ 48,399	\$ 49,458	\$ 53,000	\$ 53,000	\$ -	0%
TOTAL TAXES		\$ 352,786	\$ 369,255	\$ 376,890	\$ 402,350	\$ 25,460	7%
TOTAL OPERATING EXPENSES		\$ 12,436,311	\$ 12,272,395	\$ 12,642,408	\$ 13,566,431	\$ 924,023	7%
OPERATING EARNINGS		\$ (110,509)	\$ (106,283)	\$ (68,529)	\$ (558,992)	\$ (490,463)	-716%

GROTON UTILITIES

Water Division

OTHER INCOME & EXPENSE

	FY 2023 Actual	FY 2024 Projected	Approved FY 2024 Budget	Proposed FY 2025 Budget	FY25 Budget vs. FY24 Budget	
OPERATING EARNINGS	\$ (110,509)	\$ (106,283)	\$ (68,529)	\$ (558,992)	\$ (490,463)	716%
OTHER INCOME (EXPENSE)						
Merchandising & Jobbing Expense	\$ 463,614	\$ 475,631	\$ 314,600	\$ 312,900	\$ (1,700)	-1%
DPH Consent Agreement	-	-	-	-	-	
Bond Interest Expense GU	1,201,932	1,131,756	1,126,850	\$ 1,048,900	(77,950)	-7%
Amort.Of Premium On Debt (Cr)	(48,835)	(48,816)	(48,800)	(48,800)	-	0%
Interest Expense Other	356	48	-	-	-	
Subtotal Other Expense	<u>\$ 1,617,067</u>	<u>\$ 1,558,619</u>	<u>\$ 1,392,650</u>	<u>\$ 1,413,000</u>	<u>\$ 20,350</u>	<u>1%</u>
Merchandising & Jobbing Income	\$ 457,106	\$ 522,325	\$ 314,600	\$ 312,900	\$ (1,700)	-1%
Antenna Rental	259,090	264,303	304,000	304,000	-	0%
Interest Income	45,126	77,455	10,900	53,000	42,100	386%
Gain/(loss) on Disposition of Property	-	-	-	-	-	
Miscellaneous Income DEP/FEMA/DWSRF	8,782	-	-	-	-	
Subtotal Other Income	<u>\$ 770,103</u>	<u>\$ 864,083</u>	<u>\$ 629,500</u>	<u>\$ 669,900</u>	<u>\$ 40,400</u>	<u>6%</u>
TOTAL OTHER INCOME (EXPENSE)	<u>\$ (846,964)</u>	<u>\$ (694,536)</u>	<u>\$ (763,150)</u>	<u>\$ (743,100)</u>	<u>\$ 20,050</u>	<u>-3%</u>
NET EARNINGS	<u>\$ (957,473)</u>	<u>\$ (800,819)</u>	<u>\$ (831,679)</u>	<u>\$ (1,302,092)</u>	<u>\$ (470,413)</u>	<u>57%</u>

GROTON UTILITIES

WATER DIVISION

FY 2025 BUDGET

CAPITAL PROJECTS

GROTON UTILITIES

Water Division CAPITAL BUDGET

PROJECT	FY 2025 PROPOSED	DESCRIPTION
NON-BONDED CAPITAL PROJECTS		
Operations		
Distribution System Upgrade	\$ 70,000	Includes but not limited to Installation New or Replacement of Water Mains
Vehicles Replacement	\$ 80,000	Vehicles Replacement
Subtotal	<u>\$ 150,000</u>	
IT		
Relace AHU at OPS	\$ 25,500	Carry over from FY24
Physical servers (2) for network endpoint management	18,000	
Storage Disk Upgrade - Muni Building	10,500	
Subtotal	<u>\$ 54,000</u>	
Customer Care		
Office Renovation	\$ 45,000	
Digital Sign	18,000	Carry over from FY24
Subtotal	<u>\$ 63,000</u>	
TOTAL NON-BONDED CAPITAL PROJECTS	<u><u>\$ 267,000</u></u>	
BONDED CAPITAL PROJECTS		
Brandegge Avenue Tank	\$ 3,400,000	Includes but not limited to Rehabilitation of the Standpipe, (the standpipe is a 1.46 million gallon standpipe built in 1946 of steel.)
Distribution System	300,000	Includes but not limited to Installation New or Replacement of Water Mains in Poquonnock Bridge Area, Aquarion Water Interconnect, Route 1, and Drozdyk Drive
Pump Stations	164,000	Low Lift PS-Smith Lake Intake which includes but not limited to Johnson Screens, SCADA and Piping Replacement. Various Pump Stations- Replacement of Generators and Pumps
Warren Dam	142,000	Includes but not limited to New Dam and Improvements on Existing Dams
Metering	200,000	Meter Replacement
TOTAL BONDED CAPITAL PROJECTS	<u><u>\$ 4,206,000</u></u>	
TOTAL CAPITAL PROJECTS	<u><u>\$ 4,473,000</u></u>	