

The Metropolitan District  
**FISCAL YEAR 2023 BUDGET**  
Board of Finance Meeting





# AGENDA

- Budget Calendar
- Sewer Ad Valorem / Water Rate Overview
- Expenditure Analyses
- Other Revenue Analyses
- Proposed Budget
- Summary



# BUDGET CALENDAR

- 09/28 Board of Finance Meeting
- 09/29 Town Meeting #1
- 10/03 District Board refers Budget to BOF
- 10/26 Board of Finance Meeting
- 10/27 Town Meeting #2
- 11/07 Public Hearing for 2023 Budget, Rates and Ordinance Revisions
- 11/09 Board of Finance Meeting consider and approve proposed 2023 budget and rates
- 11/14 Water Bureau consider and approve 2023 Water Rates and Refer to District Board
- 12/05 MDC Government Committee – Ordinance revisions and refer to District Board
- 12/05 MDC District Board adopts Budget
- By 12/31 Levy Tax/ Publish Ordinance



# AD VALOREM/WATER RATE OVERVIEW

## Three key steps for Sewer ad valorem and Water rate calculations:

- 1) Identify the operational expenditures (opex)
- 2) Subtract “other” revenues (orev)
- 3) Allocate remainder using
  - Town revenue weighted average calculation for Sewer’s Ad Valorem tax, and
  - Consumption and service charges for Water rate determination



# AD VALOREM/WATER RATE OVERVIEW

**Proposed 2023 District operating budget is \$204.7 million (2.1% decrease):**

- Sewer

- 1) \$ 97.2 opex
- 2) - \$ 44.1 orev
- 3) = \$ 53.1 to be collected from member towns (**0% or no increase**)

- Water

- 1) \$107.5 opex
- 2) - \$ 16.0 orev
- 3) = \$ 91.5 to be collected from Water Sales
  - Water rate of \$3.80 (**7.1% decrease**) per CCF x 17.7 million CCF Consumption = \$67.2
  - Water service charges (domestic, commercial, industrial, other) = \$24.3



# 1) EXPENDITURE ANALYSES (sewer and water opex)

Major Object	2022 Adopted	2023 Proposed	\$ Change	% Change
Debt	\$ 68,608,100	\$ 74,227,401	\$ 5,619,301	8.2%
Total Payroll	\$ 44,892,734	\$ 48,054,185	\$ 3,161,451	7.0%
Other Miscellaneous Expenditures	\$ 52,390,229	\$ 54,477,655	\$ 2,087,426	4.0%
Pension Regular	\$ 7,917,064	\$ 7,872,627	\$ (44,437)	-0.6%
OPEB	\$ 9,266,005	\$ 7,148,406	\$ (2,117,599)	-22.9%
Insurance	\$ 6,111,238	\$ 2,110,737	\$ (4,000,501)	-65.5%
Employee Benefits	\$ 19,863,605	\$ 10,854,456	\$ (9,009,149)	-45.4%
<b>Total</b>	<b>\$ 209,048,975</b>	<b>\$ 204,745,467</b>	<b>\$ (4,303,508)</b>	<b>-2.1%</b>



# 1) EXPENDITURE ANALYSES (sewer and water opex)

**Debt:**

**\$5,619,301**

- + \$5.9 million, first payment for \$86.2 million GO 2022 bond issue
- - \$0.3 million, net reduction for credits and expiring debt



# 1) EXPENDITURE ANALYSES (sewer and water opex)

**Total Payroll - Operating:**

**\$3,161,451**

- No increase in total employee count
  - 2022 employee count of 391 OPEX and 47 CAPX equals **438 total**
  - 2023 employee count of 398 OPEX and 40 CAPX equals **438 total**  
(7 employees moved from CAPX to OPEX)
- Year-over-year OPEX payroll changes totaling \$3.2 million:
  - Anticipated cost of Cola and Steps \$ 2.4 million
  - Cost of 7 of employees moved from CAPX to OPEX \$ 0.8 million





# 1) EXPENDITURE ANALYSES (sewer and water opex)

## Other Miscellaneous expenditures:

**\$2,087,426**

- Chemicals + \$1.2 million
- General Operations (Increase Rock, Sand, & Dirt inventory, IT prof. svc.) + \$1.0 million
- Fuel + \$0.3 million
- Maintenance – Building & Equipment + \$0.4 million
- Nitrogen Credits - \$0.2 million
- Legal Services - \$0.2 million
- Special Agreements and Programs - \$0.4 million

(lower Army Corp reserve -0.6 million and Collection Service -0.2 million net of +0.3 million increase for Berlin pump station and +0.1 million miscellaneous other)



# 1) EXPENDITURE ANALYSES (sewer and water opex)

**Pension:** \$ (44,437)

- Decrease in discount rate to 6.625%
- Change of actuarial assumptions

**OPEB:** \$ (2,117,599)

- Decrease in discount rate to 6.625%
- Change of actuarial assumptions and favorable claims experience

**Insurance (General Liability, Casualty, Workers Compensation):** \$ (4,000,501)

- October 1<sup>st</sup> insurance renewal at a 2.9% reduction in premium, and
- Favorable claims history reducing contribution for 2023



# 1) EXPENDITURE ANALYSES (sewer and water opex)

## Employee Benefits:

**\$ (9,009,149)**

- - \$7.3 million, Medical Services
  - Adjusted contribution to Internal Service fund for active employees only
- - \$1.7 million, reduction of Retirement Payout Contribution net of payroll tax increases



## 2) OTHER REVENUE ANALYSES (sewer and water orev)

	2022 Adopted	2023 Proposed	\$ Change	% Change
<b>WATER</b>				
Reimbursement from OPEB	\$ -	\$ 3,995,335	\$ 3,995,335	100.0%
Water Billing Penalties	\$ 566,700	\$ 925,000	\$ 358,300	63.2%
Hydrant Maintenance	\$ 1,665,000	\$ 1,684,500	\$ 19,500	1.2%
Fire Protection Services	\$ 6,032,000	\$ 6,032,000	\$ -	0.0%
Cross-Connection/BackWater Fee	\$ 230,400	\$ 230,400	\$ -	0.0%
Non-Operating Revenues	\$ 2,401,119	\$ 2,364,497	\$ (36,622)	-1.5%
Use of Prior Year Surplus	\$ 1,400,000	\$ 800,000	\$ (600,000)	-42.9%
<b>subtotal</b>	<b>\$ 12,295,219</b>	<b>\$ 16,031,732</b>	<b>\$ 3,736,513</b>	<b>30.4%</b>
<b>SEWER</b>				
Reimbursement from OPEB	\$ -	\$ 3,252,829	\$ 3,252,829	100.0%
Contribution From Other Fund	\$ -	\$ 3,000,000	\$ 3,000,000	100%
Other Government Agencies	\$ 10,931,000	\$ 11,931,000	\$ 1,000,000	9.1%
Investment Income	\$ 40,000	\$ 153,000	\$ 113,000	282.5%
Deep Contingency	\$ 1,900,000	\$ 1,900,000	\$ -	0.0%
Sewer User Charges Revenues	\$ 13,301,902	\$ 11,584,900	\$ (1,717,002)	-12.9%
Use of Prior Year Surplus	\$ 2,700,000	\$ -	\$ (2,700,000)	-100.0%
Other Sewer Revenues	\$ 18,172,000	\$ 12,276,321	\$ (5,895,679)	-32.4%
<b>subtotal</b>	<b>\$ 47,044,902</b>	<b>\$ 44,098,050</b>	<b>\$ (2,946,852)</b>	<b>-6.3%</b>
<b>TOTAL</b>	<b>\$ 59,340,121</b>	<b>\$ 60,129,782</b>	<b>\$ 789,661</b>	<b>1.3%</b>



## 2) OTHER REVENUE ANALYSES (water orev)

### WATER

**\$3,736,513**

- Water's share of OPEB \$7.3 million reimbursement \$3,995,335
- Water Billing Penalties: \$ 358,300
  - Higher number of past due water bills
- Hydrant Maintenance \$ 19,500
  - Rate increase from \$145 to \$150
- Non-Operating Revenues \$ (36,622)
  - Miscellaneous decreases
- Use of Fund Balance \$ (600,000)
  - Army Corp maintenance, reduced from \$1.4 million in 2022 to \$0.8 million in 2023  
(slide-9 shows the expenditure reduction)



## 2) OTHER REVENUE ANALYSES (sewer orev)

### SEWER

**\$(2,946,852)**

- Sewer's share of OPEB \$7.3 million reimbursement \$ 3,252,829
- Contributions From Other Funds \$ 3,000,000
  - Hydro and Internal Service Fund
- Other Governmental Agencies: \$ 1,000,000
  - Increase in sludge revenue
- Investment Income: \$ 113,000
  - Based on next year's projections
- Sewer User Charge: \$ (1,717,002)
  - Decrease in revenue for High Flow customers
- Use of Fund Balance \$ (2,700,000)
  - 3.2% excess of 35% fund balance cap from 2020 audit
  - No excess in 2021 audit (31.3%)
- Other Sewer Revenues: \$ (5,895,679)
  - Elimination of \$5.3 million PMU Overhead for 2023 and beyond
  - Loss of \$0.6 million in other miscellaneous revenue



# 3) AD VALOREM & WATER RATE IMPACT (to be allocated)

- Sewer \$97.2 opex - \$44.1 orev = **\$53.1** to be collected from member towns
  - **0% or no increase**

- Water \$107.5 opex - \$16.0 orev = **\$91.5** to be collected from Water Sales
  - Water rate of \$3.80 per CCF x 17.7 million CCF Consumption = \$67.3 million  
**7.1% decrease from 2022's \$4.09 rate**
  - Water service charges (domestic, commercial, industrial, other) = \$24.2 million unchanged from 2022

- The **\$204.7** million proposed 2023 District's operating budget represents a **2.1% decrease**

(millions)	2022	2023	\$ Var	% Var
<b>Sewer</b>				
1) Opex	\$ 100.2	\$ 97.2	\$ (3.0)	-3.0%
2) Orev (subtract)	\$ 47.1	\$ 44.1	\$ (3.0)	-6.4%
3) Ad Valorem	\$ 53.1	<b>\$ 53.1</b>	\$ -	<b>0.0%</b>
<i>Sewer Customer Service Charges</i>				
	\$ 9.0	\$ 9.0	\$ -	0.0%
<b>Water</b>				
1) Opex	\$ 108.8	\$ 107.5	\$ (1.3)	-1.2%
2) Orev (subtract)	\$ 12.2	\$ 16.0	\$ 3.8	31.1%
3) Water rates & Service charges	\$ 96.6	<b>\$ 91.5</b>	\$ (5.1)	-5.3%
<i>Consumption Rate</i>				
	\$ 17.7	\$ 17.7	\$ -	0.0%
	\$ 4.09	\$ 3.80	\$ (0.29)	<b>-7.1%</b>
<i>Sale of Water Service Charges</i>				
	\$ 72.4	\$ 67.3	\$ (5.1)	-7.1%
	\$ 24.2	\$ 24.2	\$ -	0.0%
<i>Water rates and service charges</i>				
	\$ 96.6	\$ 91.5	\$ (5.1)	-5.3%
<b>Total</b>				
1) Opex	\$ 209.0	<b>\$ 204.7</b>	\$ (4.3)	<b>-2.1%</b>
2) Orev (subtract)	\$ 59.3	\$ 60.1	\$ 0.8	1.3%
3) Ad Valorem/Water rates and Svc. Chrgs.	\$ 149.7	\$ 144.6	\$ (5.1)	-3.4%



# SUMMARY

## ➤ Proposal includes

- No net change in personnel, 438 total
- Small decrease in pension and significant decrease in OPEB contributions
- Increased Debt Service costs due to 2022 bond issue that raised \$86.2 million
- Increase in Chemical costs due to market conditions
- Use of fund contributions
- Ad Valorem allocations, by town, are preliminary as we've yet to receive responses from West Hartford and East Hartford's town Assessors





# SUPPLEMENTAL INFORMATION:

## Average Customer Water Bill

	CCFs / Month	2022			2023			Variance		
		Rate / CCF	Monthly	Annual	Rate / CCF	Monthly	Annual	Monthly	Annual	%
<b>Member Town - Residential</b>										
Water Use Charge	8.333	\$ 4.09	\$ 34.08	\$ 409.00	\$ 3.80	\$ 31.67	\$ 380.00	\$ (2.42)	\$ (29.00)	-7.1%
CWPC	8.333	\$ 4.10	\$ 34.17	\$ 410.00	\$ 4.25	\$ 35.42	\$ 425.00	\$ 1.25	\$ 15.00	3.7%
Water Customer Service Charge			\$ 14.98	\$ 179.76		\$ 14.98	\$ 179.76	\$ -	\$ -	0.0%
Sewer Customer Service Charge			\$ 9.00	\$ 108.00		\$ 9.00	\$ 108.00	\$ -	\$ -	0.0%
<b>Total Bill</b>			<b>\$ 92.23</b>	<b>\$ 1,106.76</b>		<b>\$ 91.06</b>	<b>\$ 1,092.76</b>	<b>\$ (1.17)</b>	<b>\$ (14.00)</b>	<b>-1.3%</b>
<b>Non-Member - Residential</b>										
Water Used Charge	8.333	\$ 4.09	\$ 34.08	\$ 409.00	\$ 3.80	\$ 31.67	\$ 380.00	\$ (2.42)	\$ (29.00)	-7.1%
Customer Service Charge			\$ 14.98	\$ 179.76		\$ 14.98	\$ 179.76	\$ -	\$ -	0.0%
General Surcharge Outside of District			\$ 14.98	\$ 179.76		\$ 14.98	\$ 179.76	\$ -	\$ -	0.0%
<b>Total Bill</b>			<b>\$ 64.04</b>	<b>\$ 768.52</b>		<b>\$ 61.63</b>	<b>\$ 739.52</b>	<b>\$ (2.42)</b>	<b>\$ (29.00)</b>	<b>-3.8%</b>



# SUPPLEMENTAL INFORMATION:

## 2022 vs 2023 Water Rate Comparison (typical 5/8” residential meter)

2023	
Water Utility	Water Rate Per CCF (748 gal)
Metropolitan District (MDC)	\$3.80
Regional Water Authority (RWA)	\$4.77
Aquarion (Topstone Division)	\$6.87
CT Water	\$8.55

TREND		
Year	MDC	RWA
2023	\$3.80	\$4.77
2022	\$4.09	\$4.77
2021	\$4.05	\$4.40
2020	\$3.97	\$4.40
2019	\$3.50	\$4.40
2018	\$3.14	\$4.14
2017	\$2.77	\$3.95
2016	\$2.66	\$3.68