



# **GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

## **2023 PROPOSED OPERATIONS & CAPITAL BUDGET**

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The preparation of the GRPU 2023 proposed operations and capital budget was a team approach. The managers, directors, and key team positions were involved in budget preparation discussions and on-going actual versus budget discussions in 2022. This allows team members to have ownership in the budget preparation process and monitoring the 2023 actual versus budget once approved by the Commission. The 2023 budget was developed using a zero-based approach, historical costs, and current supply chain pricing and availability.

Forecasted financial information, from the rate studies, was used as a base and then adjusted for actual financial activities and pricing for 2023. Thus, the proposed 2023 budgets are slightly different from the rate study forecasts.

The electric and water utilities are showing a net income in the 2023 proposed budget, while wastewater collection displays a net loss per the 2023 Budget Summary worksheet. Wastewater treatment revenue is collected from GRPU major customer (UPM-Blandin) and equals the operation expenses, except for depreciation. Depreciation is a required accounting transaction which has no effect on the operating cash flow.

Rate increases (decreases) as proposed in each utility rate study has been included in the budgeted revenues for 2023. As seen in the 2023 Proposed Revenue by Classification chart the top four total utility revenue sources are (1) city residential sales, (2) city demand and energy sales, (3) city commercial sales, and (4) wastewater treatment customer charges.

Operating expenses include known costs; for example, average insurance increases of 5%, labor contract increases of 2.5%, bond interest and PILOT payments, and training costs for new employees. There are some one-time expenses which are included in the 2023 proposed expense budget; including, a compensation study, consulting services for RPF ERP evaluation and contract negotiation, and preventative maintenance repairs on utility operating equipment.

The 2023 Proposed Expenses by Category pie chart illustrates GRPU three largest cost categories are: (1) purchased power at \$12.5 million, (2) production at \$4.9 million, and (3) distribution at \$2.8 million. The actual detail expenses for 2019, 2020, 2021, 2022 year-to-date through September, 2022 forecasted to end-of year, and proposed 2023 budget by line item for each utility are provide for your review.

Capital purchases/projects of \$34 million are proposed over the next five years. The proposed capital purchases/projects for 2023 are \$12.3 million per the Capital Plan 2023 thru 2027 Department Summary report. The water utility has 2023 capital proposed at \$7.3 million, domestic wastewater collection at \$2.3 million, and wastewater treatment at \$1.2 million. Individual projects by utility is listed in the Capital Plan 2023 thru 2027 Projects by Department report. Managers are still finalizing the narrative for each individual capital purchase/project request which will be part of the final budget adoption review at the December GRPU Commission meeting.

There are six City lead projects costing \$2.9 million included in the utility 2023 proposed capital projects. Over the next five years there are approximately 20 City lead projects costing \$6.2 million or 18% of the \$34 million proposed utility capital. This will change each year as GRPU and the City work together closely on prioritizing infrastructure projects.