



GRAND RAPIDS PUBLIC UTILITIES COMMISSION

2023 PROPOSED OPERATIONS & CAPITAL BUDGET

The preparation of the GRPU 2024 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 2023. This allows team members to have ownership in the budget preparation process and monitoring the 2024 actual versus budget once approved by the Commission. The 2024 budget was developed using a zero-based approach, historical costs, and current supply chain pricing and availability. Specifically, wages/labor was the focus for the zero-based budget approach and a planned allocations between operations and capital wages/labor.

Forecasted financial information, from the rate studies, was used as a base and then adjusted for actual financial activities and pricing for 2024. Thus, the proposed 2024 budgets are slightly different from the rate study forecasts.

The electric and wastewater collections utilities are showing a net income in the 2024 proposed budget, while water displays a net loss per the 2024 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 as proposed in each utility rate study has been included in the budgeted revenues for 2024. As seen in the 2024 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, bond interest and PILOT payments, and training costs for new employees. This budget year there are some key expenses which are not yet finalized – labor costs and some benefit costs. There are some one-time expenses which are included in the 2024 proposed expense budget; including, an updated water cost of service study, consulting services for RPF ERP implementation, and preventative maintenance repairs on utility operating equipment.

The 2024 Proposed Expenses by Category pie chart illustrates GRPU three largest cost categories are: (1) purchased power at \$11.1 million, (2) production at \$4.1 million, and (3) distribution at \$1.9 million. The actual detail expenses for 2020, 2021, 2022, 2023 year-to-date

through September, and proposed 2024 budget by line item for each utility are provide for your review. The 2023 forecasted end-of year will be provided at the December 13 meeting.

Capital purchases/projects of \$35.8 million are proposed over the next five years. The proposed capital purchases/projects for 2024 are \$12.8 million per the Capital Plan 2024 thru 2028 Department Summary report. The electric utility has \$1.79 proposed capital projects; water utility has capital proposed at \$5.79 million, domestic wastewater collection at \$1.6 million, wastewater treatment at \$2.56 million, combined service center and technology proposed budget for 2024 is \$1.0 million. Individual projects by utility is listed in the Capital Plan 2024 thru 2028 Projects by Department report. Managers will present some key operations and capital proposed 2024 budget expenses.