

Memo

To: David Leathers
From: Kevin Karr
Date: September 30, 2022
Re: 2023 District Heating Division Budget

Please find the attached Budget Worksheets for the District Heating Division. Included are the Budget Worksheet, O & M Expense Detail, and the Capital Projects Summary for 2022 through 2027.

Net income for 2022 is projected to be \$55K, which is \$34K above the budget target of \$21K. Revenues from heat sales for 2022 are projected to be \$1.28M, which is \$1K (0.8%) under budget. Operating expenses for 2022 are projected to be \$1.17M, which is \$39K (3.22%) under budget. Energy costs are projected to be \$25K (4.31%) over budget; this is expected due to market volatility. Meanwhile, system repairs are expected to be \$19K (20.65%) under budget.

Cash for the District Heating Division remains stable, around \$3M as there is no immediate need for significant capital improvements.

Heat sales for 2023 are expected to be \$1.25M. Operating expenses for 2023 are budgeted to be \$1.2M, which is comparable to the 2022 projections. Budgeted expenses for 2023 include no change to the amount paid to the Electric Division for reimbursed expenses and \$24K increase to the Energy purchased compared to 2022 projections. Net Loss for 2023 is budgeted to be \$3K due to a projected decrease in sales.

The 2023 Capital budget includes \$100K for summer pump replacement and overhauls.

District Heating Division

Goals

To increase revenues
To maintain current customers
To maintain current rates
Pay off Debt Financing
Maintain current cash levels or higher
Continue to exercise extreme cost control in division

Concerns

Amount of time plant runs - expectation is that plant will continue to run less than years ago
Affect one customer could have on entire division
Aging Infrastructure
Not spending enough in capital
Volatility of the energy market- war in Ukraine
Uncertainty of future of division
Challenged competitiveness with Natural gas

Assumptions to Build 2023 Budget

No recommended rate change in 2023
No considerable changes in technology or customer behavior
No organic growth
No significant capital upgrades
Management employees receive overall average 3.0% salary increase in 2023

	Actual 2020	Actual 2021	Budget 2022	Projection 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026	Budget 2027
Receipts:									
Cash Balance 1/1	2,833,429	2,911,362	2,965,877	2,965,877	3,023,571	2,897,455	2,796,298	2,688,925	2,644,876
Investments			-		-	-	-	-	-
Restricted Cash									
Heat and Cooling Sales Revenue	1,267,422	1,268,052	1,288,329	1,278,533	1,255,672	1,249,394	1,243,147	1,236,931	1,230,746
Miscellaneous Revenues	13,614	594	3,000	1,875	2,500	3,500	10,500	10,500	10,500
	4,114,465	4,180,008	4,257,206	4,246,285	4,281,743	4,150,348	4,049,944	3,936,356	3,886,123
Expenditures:									
Operation & Maintenance	910,863	929,773	949,115	912,249	951,279	958,965	968,684	979,421	990,339
Tax Equivalent-City	84,674	79,984	87,606	85,000	84,500	82,622	80,785	78,983	77,222
Bond Principal	134,536	141,089	150,943	157,500	162,544	174,000	165,000	175,000	185,000
Bond Interest	51,820	50,939	60,676	52,965	52,965	44,964	36,550	28,075	28,075
Capital Projects	16,878	12,346	95,000	15,000	133,000	93,500	110,000	30,000	30,000
Cash Balance 12/31	2,915,694	2,965,877	2,913,865	3,023,571	2,897,455	2,796,298	2,688,925	2,644,876	2,575,487

	Actual 2020	Actual 2021	Budget 2022	Projection 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026	Budget 2027
Operating Revenue:									
Sales of Hot Water	\$1,220,431	\$1,268,052	\$1,288,329	\$1,278,533	\$1,255,672	\$1,249,394	\$1,243,147	\$1,236,931	\$1,230,746
Sales of Cold Water	47,185								
Operating Expenses:									
Energy Purchased	504,427	557,921	580,000	605,158	629,000	635,290	641,643	648,059	654,540
Basic Service Charge	94,190	94,644	94,179	94,179	94,179	94,650	94,650	94,650	94,650
Rep. & Maintenance	134,159	74,528	92,300	72,500	105,000	105,525	106,053	106,583	107,116
Administrative & General	178,087	202,680	182,636	140,412	123,100	123,500	126,339	130,129	134,033
Depreciation	228,238	173,301	173,214	173,565	173,565	170,094	166,692	163,358	160,091
Tax Equivalent - City	84,674	79,984	87,606	85,000	84,500	82,622	80,785	78,983	77,222
Total Operating Expense	1,223,775	1,183,058	1,209,935	1,170,814	1,209,344	1,211,680	1,216,161	1,221,763	1,227,652
Net Operating Income:	\$43,841	\$84,994	\$78,394	\$107,719	\$46,328	\$37,713	\$26,986	\$15,168	\$3,095
Other Income:									
Interest	13,108	594	2,000		2,000	2,000	9,000	9,000	9,000
Miscellaneous	506		1,000		1,500	1,500	1,500	1,500	1,500
Gross Income:	57,455	85,587.63	81,394	107,719	49,828	41,213	37,486	25,668	13,595
Misc. Income Deductions:									
Interest Payments:									
District Heating	51,820	50,939	60,676	52,965	52,965	44,964	36,550	28,075	28,075
District Cooling	-		-		-	-	-	-	-
Change in Fair Value of Investments	(2,493)								
Refunding Bond Issuance									
Loss on Discontinued Operations		131,828							
Net Income:	3,142	(97,179)	20,718	54,754	(3,137)	(3,751)	936	(2,407)	(14,480)

Net Income to offset Bond Principal Payment	134,536		150,943	157,500	162,544	174,000	165,000	175,000	185,000
Net Income to offset Principal on Water Div. Loan									

Net Annual Operating Income

Rate Increase			0.0%		0.0%	0.0%	0.0%		
Increase Amount			\$0		\$0	\$0	\$0		
TEP									
Growth:			0%		-1.79%	-0.50%	-0.50%		

Project No	PA Project Name	2018	2019	2020	2021	2022 Budget	2022 Projection	2023 Budget	
Energy Purchased									
05-7050-00	DH705CUT	Electric/Water/Sewer-Chiller	64,651	51,569	47,954	\$ 1,521	\$ -	158	-
05-7050-00	DH705UT	Natural Gas/Electric purchased	22,580	24,010	20,015	\$ 22,577	\$ 30,000	30,000	29,000
05-7050-00		Energy Purchased - DH	535,054	504,276	436,458	\$ 533,823	\$ 550,000	575,000	600,000
Total Energy Purchased			622,285	579,855	504,427	\$ 557,921	\$ 580,000	605,158	629,000
Repair & Maintenance									
05-7210-00	DH721GIS	DH GIS general operation exp.	92	-	238	\$ -	\$ -	-	-
05-7210-00	DH723DHP	District Heat Maintenance General	57,470	78,553	51,973	\$ 34,667	\$ 35,000	40,000	45,000
05-7230-00	DH723CH	R&M Chiller	12,034	21,210	10,461	\$ -	\$ -	-	-
05-7230-00	DH723M	R&M Mains	50,061	48,036	62,746	\$ 26,962	\$ 50,000	25,000	50,000
05-7230-00	DH723S	R&M Services	-	3,488	4,577	\$ -	\$ 2,500	-	-
05-7230-00	SH723SLT	Softener Salt Purchase	-	-	4,164	\$ 7,608	\$ 4,500	7,000	7,500
05-7230-00		T&D Operations	16,261	2,279	-	\$ -	\$ -	-	-
05-7230-00	DH723MT	R&M Meters/Accessory Equipt	-	-	-	\$ 5,291	\$ 300	500	2,500
Total Repair & Maintenance			135,917	153,566	134,159	\$ 74,528	\$ 92,300	72,500	105,000
Administrative & General									
05-7810-00	DH781ACT	DH Accounting Dept	10,134	7,877	9,350	\$ 8,309	\$ 9,057	9,500	9,000
05-7810-00	DH781ADM	DH Administrative General Exp	126,143	145,464	155,282	\$ 181,415	\$ 159,904	117,012	100,000
05-7810-00	DH781L	DH Legal Expense	6,357	4,728	4,548	\$ 3,839	\$ 5,000	4,500	4,500
05-7810-00	DH781PR	DH Purchasing/Stores Dept	7,287	13,655	7,038	\$ 6,748	\$ 7,175	7,000	7,200
05-7850-00		Insurance	-	1,323	1,869	\$ 2,369	\$ 1,500	2,400	2,400
Total Administrative & General			149,921	173,047	178,087	\$ 202,680	\$ 182,636	140,412	123,100
Depreciation									
05-7199-00		Depreciation - Natural Gas Plant	144,410	145,498	145,489	\$ 145,489	\$ 145,498	145,498	145,498
05-7299-00		T&D - Depreciation Expense	77,430	23,122	23,822	\$ 24,145	\$ 24,049	24,400	24,400
05-7899-00		Depreciation Exp. - Office Equipt	3,904	3,755	3,667	\$ 3,667	\$ 3,667	3,667	3,667
Total Depreciation			277,262	227,635	228,238	\$ 173,301	\$ 173,214	173,565	173,565
Interest Accrued									
05-7925-00		Int Long Term Debt 2010 DH Bonds	91,516	84,223	70,042	\$ 66,282	\$ 60,676	60,676	52,965
Total Interest Accrued			111,728	85,841	70,042	\$ 66,282	\$ 60,676	60,676	52,965
SUBTOTAL			1,297,112	1,219,944	1,114,953	\$ 1,074,712	\$ 1,088,826	1,052,311	1,083,630
05-7010-00		Station Expense - Operations	96,086	93,816	94,190	\$ 94,644	\$ 94,179	94,179	94,179
05-7911-00		Tax Equivalvent Payment	112,176	88,964	84,674	\$ 79,984	\$ 87,606	85,000	84,500
Total Expenses			1,505,374	1,402,724	1,293,817	\$ 1,249,340	\$ 1,270,611	1,231,490	1,262,309

	2022 Budget	2022 Projection	2023 Budget	2024 Budget	2025 Budget	2026 Budget	2027 Budget
Summary:							
Meter Replacement Program		\$ 15,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Distribution Line Installations	\$ 20,000		\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Service connection - CHC Building							
Gas Boiler Plant	\$ 75,000		\$ 103,000	\$ 63,500	\$ 80,000	\$ -	\$ -
DHS Energy Project							
TOTALS	\$ 95,000	\$ 15,000	\$ 133,000	\$ 93,500	\$ 110,000	\$ 30,000	\$ 30,000

Distribution Line Installations Detail:

Valves and Services	\$ 20,000		\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
	\$ 20,000	\$ -	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000

Gas Boiler Plant Detail:

Water circulation pumps/economizer-Aux boiler							
LPDH Pump replacement							
Summer Pumps Replacement/Overhaul			\$ 100,000	\$ 60,000			
District Heat Booster			\$ 3,000	\$ 3,500			
Replace Aux 1 Boiler			\$ -				
Aux Boiler #1 Controls	\$ 75,000		\$ -		80000		
Aux Boiler #2 Controls							
	\$ 75,000	\$ -	\$ 103,000	\$ 63,500	\$ 80,000	\$ -	\$ -



**BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK**

#221006 By Ms. Brackman:

Resolved, That the District Heating Division Budget for 2023, anticipating cash and investments on hand of \$3,023,571 cash receipts of \$1,258,172, and cash disbursements of \$1,384,288, leaving a cash balance of \$2,897,455, be and hereby is adopted; and be it further

Resolved, That the disbursements shall be divided \$300,009 for Fixed Charges, \$951,279 for Operation and Maintenance, and \$133,000 for Capital Projects, all as set forth in said budget for 2023; and be it further

Resolved, That the amounts set forth in the budget schedules for the benefit of each account against which charges may properly be made, on file in the office of the Board, are hereby appropriated for the purposes therein stated, and the officers and employees of the Board are hereby authorized and directed to contract for necessary expenditures in accordance therewith.

Discussion: There is no rate adjustment for 2023. This final budget has been reviewed by and is recommended by the BPU Board Finance & Capital Projects Committee.

ADOPTED. Ayes: 6 Nays: 0
October 24, 2022

***I HEREBY CERTIFY** that the above resolution is a true and correct copy of the original resolution adopted by the Board of Public Utilities, City of Jamestown, New York, at a regular session held October 24, 2022, a legal quorum being present and voting.*

*Board of Public Utilities
City of Jamestown, New York
December 27, 2022*

CERTIFIED RESOLUTION

Jamestown Board of Public Utilities