

**BLOCK ISLAND WATER COMPANY
FY 2021
BUDGET PRESENTATION
7/6/2020**

The budget presented today takes into account the estimated impact COVID-19 may have on Island's tourist-driven economy. Some planned projects, training, and employee compensation adjustments have been deferred. This budget reflects a 12.5% increase in User Fees and a 12.5% increase to the Monthly Customer Charge. Even with these changes, a large draw from the reserves is required. While this draw is tolerable for a single year, it can not be relied upon as a long term strategy. With a high level of uncertainty, the summer flows will have to be closely monitored. Flexibility will be key. Stronger than planned July and August flows will allow greater flexibility going forward; weaker than planned flows will require further mid-year reduction of expenditures.

FY 2021 Block Island Water Company Operating Budget

REVENUE

User Fees

Revenue projections were calculated with an estimated 50% reduction in summer flows. This budget reflects a 12.5% increase to User Fees in preparation for the Water Main Replacement Project. This rate increase combined with the expected reduction in summer demand results in a 39.5% decrease in User Fee revenue compared to FY 2020.

Customer Charge

The Monthly Customer Charge reflects a 12.5% increase to continue moving toward the goal of 100% debt service funding.

Impact of Rate Increase on each Customer Class

The combined increase of the User Fees and Monthly Customer Charge would affect the average customer within each customer class on an annual basis as follows:

<u>Customer Class</u>	<u>Annual \$ Impact</u>
Low Impact 1	\$137.46
Low Impact 2	\$237.61
High Impact 1	\$678.19
High Impact 2	\$375.21

Penalty Fees

Estimated fees were reduced by \$15,000 as a significantly slower tourist season will likely result in fewer customers exceeding their allocation.

Fire Protection Fees

A 52.7% increase to Fire Protection Charges is reflected in this budget. This rate increase will bring the revenue closer to covering the cost of providing those services. The Water Company maintains 44 hydrants. The annual fee will increase from \$500 to \$1,200 per hydrant. The Sprinkler charge will increase 10% from \$1,391.50 to \$1,530.65.

Contribution from Reserve

Contribution from Reserves will increase 156.3% from FY 2020 in order to fund the Operating Budget. Combined with funding required for the Capital Budget, this draw of \$240,333 from reserves would put the Block Island Water Company at 56% of the target reserve level.

EXPENSES

Wages, Benefits & Taxes

All wage increases have been deferred and overtime has been removed. The 3.1% reduction in the benefit line is almost fully driven by the Town's decision to use the available funds in their premium stabilization account held with the Trust. This reduces the overall cost of health benefits for FY 2021.

Consultants/Other

The \$1,500 reduction is based on projects planned in FY 2021.

Training/Travel/Conference

All elective training opportunities have been postponed.

Electricity

Electricity reduced 27% relative to decreased water production.

Supplies/Chemicals

This line is reduced \$6,000 due to decreased production and elimination of some extra projects.

Laboratory Testing

Lab Testing increases 64.2% due to mandatory testing that is required every few years.

System Maintenance

This 20.2% reduction is based on operational needs for FY 2021.

Debt Service

Debt Service remains relatively the same in FY 2021. A placeholder for the High Street Water Main Debt Service is shown on this budget as a reminder of the expense that is forthcoming.

FY 2021 Block Island Water Company Capital Budget

The Block Island Water Company's Capital Projects will be funded by reserves. The Cathodic Protection System Replacement Project which was originally planned for Spring 2020 but was postponed due to COVID. The \$30,000 project is now planned for Fall 2020 in conjunction with tank inspections.

The Truck Replacement was originally on the Capital Improvement Plan for FY 2022 but has become a priority for FY 2021. The truck will be financed over 5 years at an expense of \$8,367.41 annually.

The High Street/Payne Rd. Water Main Replacement Project was slated to begin in Fall 2020. The total cost of the project is \$2.402M with a \$1.059M USDA grant and a debt of \$1.343M. Authorization for borrowing by the taxpayers and construction timetables are contingent upon the status of COVID related restrictions. The Debt Service related to this project will likely be reflected in FY 2022.