

Section III

Budget Summary

Summary Narrative

This section contains summary and comparable data and information about the financial operations of the Town's three established enterprise operations (electric, sewer, and water), its newest enterprise fund (the Swim and Fitness Center Fund), and its solid waste disposal operation, which is operated under the authority of a Town bylaw as a special revenue fund since it has no assets subject to depreciation.

Included in this section are the following charts and tables:

- Enterprise Funds as Part of FY2007 Revenues;
- Summary of Comparative Operating & Income Data;
- Capital Budgets for Fiscal Year 2009;
- Capital Budgets for Fiscal Years 2009 - 2013.

The first set of data, Enterprise Funds as Part of FY2007 Revenues (Page III-3), includes data and a pie chart showing the total FY2007 revenues generated by the Town, divided into revenues from the General Fund, the Light, Sewer, and Water Funds, and the Special Revenue Funds. In FY07, a significant revenue item was the receipt of the Alcott School state grant, shown separately. The data shows that each fund generated the following percentage of total FY2007 revenues: 61% by the General Fund, 15% by the Light Fund, 3% by the Water Fund, 4% by the Sewer Fund (which includes the billing of \$2.6 million of sewer betterments recorded in the financial statements as a receivable asset although this revenue is deferred to pay future year debt service), 2% by the Swim & Fitness Center Fund, and 9% by the Special Revenue Funds (including Solid Waste, Grants & Gifts, Cemetery, School Lunch, Community Preservation Act, Recreation, and Parking Meter Funds). Thus, 33%, or \$38,881,982 in total, was generated by the enterprise and special revenue funds.

The second set of data, Summary of Comparative Operating & Income Data (Page III-4), lists operating revenue, expense, and income, net income, and the net available for capital expenditures for each of the five "**Enterprise**" funds included in this document, for Fiscal Years 2007 to 2009, and also indicates the percent change in these figures from the current year to that for the proposed budget. As the table shows, operating and net income for each fund is projected to change as follows:

FROM FY08 BUDGET TO FY09 PROPOSED

- Light Fund - Operating income decreases from \$1,024,449 to \$1,076,224 and net income decreases from \$2,366,098 to \$1,442,127; most of the planned capital expenditure is, however, derived from the accumulated balance of the Underground Fund, and projected operating results will sufficiently cover the planned \$819,000 capital investment to be funded from operating cash.
- Water Fund - Operating income decreases from \$612,094 to \$568,603 and net income decreases from \$498,061 to \$421,178; as shown on page V-10, a significant portion of the planned capital expenditure will be funded from available cash in the Water Fund.
- Sewer Fund - Operating income decreases from a negative \$429,342 to a negative \$467,986 and net income decreases from a negative \$404,230 to a negative \$513,383; these results are a consequence of the significant increase in the non-cash Depreciation Expense; capital spending plans for both the current and the proposed budget year show a significant draw upon available cash in the Sewer Fund (page VI-10).
- Swim and Fitness Center Fund - Operating income improves from a negative \$74,974 to a negative \$38,936 and net income improves from \$27 to \$6,064; as is shown on

page VII-5, the projected cash position of the Operating Fund and Depreciation Fund will remain strong.

- Solid Waste Fund - Operating income for the Curbside Program improves from a negative \$1,471 to \$3,210, maintaining an adequate cash balance position while the cash balance earmarked for the Composting Program is drawn almost to zero. The General Fund budget for FY09 reflects this fact, with Landfill monitoring expense becoming part of the General Fund budget responsibility.

The third and fourth sets of data, Capital Budgets from Current Resources for Fiscal Year 2009 (Page III-5); and Total Capital Budgets for Fiscal Years 2009 -2013 (Page III-7), illustrate the need to constantly upgrade, replace, and, when necessary, expand capital infrastructure, buildings, and equipment in order to provide and maintain the electric, sewer, and water systems that meet the needs of the town and its citizens, and to begin routine replacement of equipment at the Swim and Fitness Center. These self-supporting operations must charge fees sufficient to offset the cost of maintaining, upgrading, replacing, and expanding these systems. These costs are reflected each year in actual acquisitions, and in the depreciation of the current capital assets of each system. Only by careful long-range capital planning and programming is it possible to sustain such complex systems while balancing the needs of adequate electric, water, and sewer systems, and the swim and fitness center, with the cost of maintaining them. Capital improvement programming identifies both the short and long-term system needs, while attempting to anticipate and spread the capital costs of the systems as equally as possible over many years of planned use, and thus moderate the impacts of these costs on the user fees charged each year.

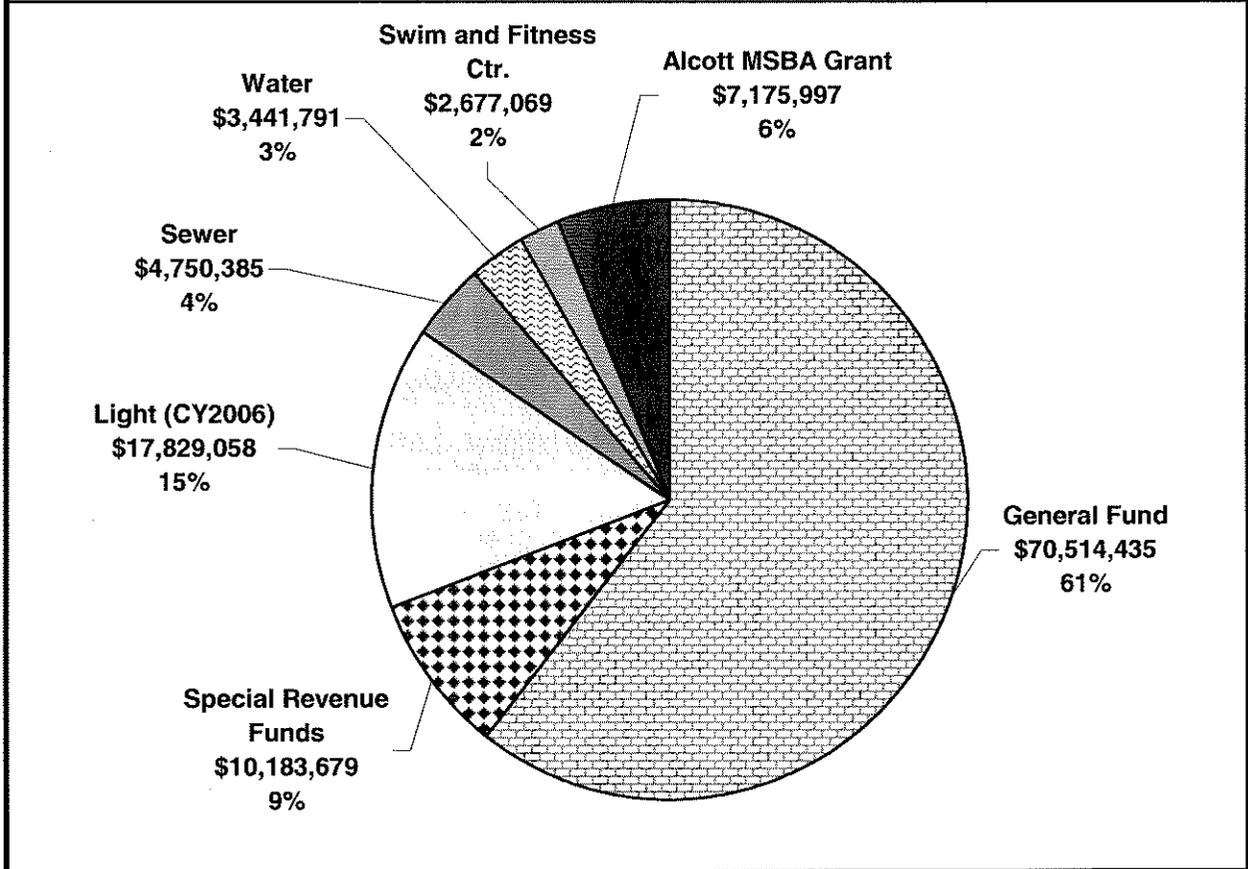
As can be seen from the FY09-FY13 table, while there are some years with substantial capital expenditures for each of the Light, Water, Sewer, and Swim & Fitness Center Funds (there is no capital associated with the Solid Waste Fund), these higher programmed expenditures are offset by years of lower expenditures within the program period of five years. In CY2008, spending for the Light Fund focuses on distribution plant improvements (\$2,366,000). In FY2009, the major item in the Water Fund is water main replacements (\$300,000). In FY2009, the Sewer Fund allocates \$230,000 for continuing improvements at the Wastewater Treatment Plant. The Fitness Center plans \$130,000 for equipment replacement. The major projects for each fund are unique, and are designed to provide major modernization upgrades.

The objective of enterprise fund accounting is to focus on the generation of cash resources needed to maintain the infrastructure. Cash is generated from NET INCOME and from the recording of DEPRECIATION charges as a non-cash expense. After allowance for any non-operating expense (primarily debt principal repayment), the remainder is the amount generated from current operations and available for capital spending purposes.

An enterprise can sustain negative net income for a brief period. Capital needs in excess of resources generated from current operations can be met temporarily, but obviously not perpetually, from accumulated cash in the enterprise fund.

The sewer fund projects substantial negative NET INCOME for FY09 and for an extended period through FY14 (see Appendix). This is due to the major investment now occurring at the Wastewater Treatment Plant and a resulting significant increase in the non-cash DEPRECIATION expense. Over the ten-year planning period FY09-FY18, Sewer Fund capital needs of almost \$4 million will be funded from projected operating results, and the cash position of the Fund is not projected to fall below \$1.5 million during this time period.

Enterprise Funds as Part of FY2007 Total Revenues



Total Revenues	\$116,572,414
General Fund	\$70,514,435
Special Revenue Funds	\$10,183,679
<i>Partial List:</i> Grants & Gifts	
Solid Waste	
Cemetery	
School Lunch	
Recreation	
Parking Meter	
Enterprise Funds	
Light (CY 2006)	\$17,829,058
Sewer	\$4,750,385
Water	\$3,441,791
Swim and Fitness Ctr.	\$2,677,069
Alcott MSBA Grant	\$7,175,997

Summary of Comparative Operating & Income Data (\$)

	CY2006 Actual	CY2007 Unaud. Actual	CY2008 Budget	% Change CY07 to CY08
1) Light Fund				
Operating Revenues	17,829,056	16,205,669	15,935,691	-1.7%
Less Operating Expenses	<u>(15,433,827)</u>	<u>(15,181,220)</u>	<u>(15,495,449)</u>	2.1%
Operating Income	2,395,229	1,024,449	440,242	-57.0%
Net Income	3,082,961	1,934,907	1,076,224	-44.4%
Net Available for Capital Expenditures	3,541,047	2,366,098	1,442,127	-39.1%
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	FY2007 Actual	FY2008 Rev. Budget	FY2009 Prop. Budget	% Change FY08 to FY09
2) Water Fund				
Operating Revenues	3,441,791	3,730,000	3,828,000	2.6%
Less Operating Expenses	<u>(2,633,590)</u>	<u>(3,117,906)</u>	<u>(3,259,397)</u>	4.5%
Operating Income	808,201	612,094	568,603	-7.1%
Net Income	780,961	498,061	421,178	-15.4%
Net Available for Capital Expenditures	881,153	759,061	782,178	3.0%
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	FY2007 Actual	FY2008 Rev. Budget	FY2009 Prop. Budget	% Change FY08 to FY09
3) Sewer Fund				
Operating Revenues	1,994,640	2,081,000	2,188,000	5.1%
Less Operating Expenses	<u>(2,272,781)</u>	<u>(2,510,342)</u>	<u>(2,655,986)</u>	5.8%
Operating Income	<u>(278,141)</u>	<u>(429,342)</u>	<u>(467,986)</u>	-9.0%
Net Income	185,754	(404,230)	(513,383)	-27.0%
Net Available for Capital Expenditures	1,105,094	222,153	143,953	-35.2%
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	FY2007 Actual	FY2008 Rev. Budget	FY2009 Prop. Budget	% Change FY08 to FY09
4) Swim & Fitness Center Fund				
Operating Revenues	2,677,069	2,143,060	2,143,060	0.0%
Less Operating Expenses	<u>(1,763,723)</u>	<u>(2,218,034)</u>	<u>(2,181,996)</u>	-1.6%
Operating Income	913,346	(74,974)	(38,936)	48.1%
Net Income	978,303	27	6,064	-
Net Available for Capital Expenditures	1,087,218	250,397	273,420	9.2%
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	FY2007 Actual	FY2008 Rev. Budget	FY2009 Prop. Budget	% Change FY08 to FY09
5) Solid Waste Fund				
<u>Curbside Program</u>				
Operating Revenues	863,586	901,520	944,275	4.7%
Less Operating Expenses	<u>(872,367)</u>	<u>(902,991)</u>	<u>(941,065)</u>	4.2%
Operating Income	(8,781)	(1,471)	3,210	-
Curbside Fund Balance	194,924	193,453	196,663	1.7%
<u>Composting Site Optns</u>				
Revenues, Other Sources	7,288	7,300	7,300	0.0%
Less Expenses	<u>(35,634)</u>	<u>(51,818)</u>	<u>(20,000)</u>	-61.4%
Net	<u>(28,346)</u>	<u>(44,518)</u>	<u>(12,700)</u>	71.5%
Composting Fund Balance	57,910	13,392	692	-94.8%

Capital Budgets for Fiscal Year 2009

Summary – All Enterprise Funds

Planned Expenditures from All Resources

1) Light Fund (Calendar Year 2008)

Transmission/Sub-transmission Plant

Station Equipment	\$ 15,000
Subtotal	15,000

Distribution Plant

Station Equipment	\$ 6,000
Poles, Towers, and Fixtures	25,000
Overhead Conductors and Devices	77,000
Underground conduits	1,482,000
Underground Conductors and Devices	150,000
Transformers	75,000
Services	132,000
Meters and Installation	240,000
Street Light and Signal Systems	179,000
Subtotal	2,366,000

General Plant

Office furnishings & equipment	\$ 10,000
Computer Equipment	20,000
Transportation Equipment	97,000
Subtotal	127,000

LIGHT FUND TOTAL \$2,508,000

2) Water Fund

<u>Supply/Capacity</u>	\$ 20,000
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Improvements

Station structures	\$ 20,000
Reservoir improvements	600,000
Station equipment	20,000
Subtotal	640,000

Treatment

Nagog Ozone Plant Enhancements	\$ 55,000
Iron & Manganese Removal	100,000
Subtotal	155,000

Distribution

Mains Replacement	\$300,000
Meter Replacement	39,000
Hydrant Replacements/Additions	30,000
Building Service Lines	12,000
Bridge Mains	105,000
Subtotal	486,000

General Plant

Keyes Road facility	\$ 26,000
Small equipment	5,000
Vehicles	42,400
Subtotal	73,400

WATER FUND TOTAL \$1,374,400

3) Sewer Fund

Pumping Plant

Station Structures	\$ 10,000
Station Equipment	<u>150,000</u>
Subtotal	160,000

Collection Plant

Meter Replacement Program	\$ 6,000
Infiltration/Inflow Remediation	150,000
Service Connections	<u>10,000</u>
Subtotal	166,000

Wastewater Treatment Plant

Structures	\$ 55,000
Equipment	25,000
Improvements	<u>150,000</u>
Subtotal	230,000

Other Capital Costs

Vehicle Replacement	\$ 10,600
Keyes Road Facility	7,000
Miscellaneous Equipment	<u>10,000</u>
Subtotal	27,600

SEWER FUND TOTAL \$583,600

4) Swim & Fitness Center Fund

Equipment & furnishings

Fitness equipment	\$130,000
Furniture	15,000
Computer equipment	6,000
Carpeting	15,000
Pool equipment	<u>6,000</u>
Subtotal	172,000

Building improvements	<u>20,000</u>
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SWIM & FITNESS CENTER FUND TOTAL \$192,000

CAPITAL BUDGETS FOR FISCAL YEARS 2009 - 2013
(Light Fund, Sewer Fund, and Water Fund)

	FY2009 Budget	FY2010 Plan	FY2011 Plan	FY2012 Plan	FY2013 Plan	5-Year Cumulative
	(CY2008)	(CY2009)	(CY2010)	(CY2011)	(CY2012)	
Light Fund						
Distribution Plant	2,366,000	400,000	400,000	400,000	400,000	3,966,000
Trans., Sub-trans., & Gen. Plant	142,000	100,000	100,000	100,000	100,000	542,000
Light Fund Totals	2,508,000	500,000	500,000	500,000	500,000	4,508,000
Water Fund						
Vehicle Purchase/Replacement	42,400	28,000	53,300	146,100	81,000	350,800
New source permitting, design	0	0	0	500,000		
Supply/Capacity/Protection	20,000	10,000	11,000	11,000	12,000	64,000
Improvements	640,000	221,000	76,000	79,000	90,000	1,106,000
Treatment						
Nagog Plant	55,000	1,000,000	3,000,000	3,000,000	0	7,055,000
Iron & Manganese Removal	100,000	0	0	0	0	100,000
Distribution						
Mains Replacements	300,000	310,000	320,000	320,000	330,000	1,580,000
Meter/Hydrant Replacement	69,000	45,000	52,000	56,000	60,000	282,000
Services	12,000	12,000	12,000	13,000	13,000	62,000
Bridge Mains	105,000	0	0	0	0	105,000
Gen. Plant Impr. & Misc. Capital	31,000	32,000	34,000	34,000	35,000	166,000
Water Fund Totals	1,374,400	1,658,000	3,558,300	4,159,100	621,000	11,370,800
Sewer Fund						
Vehicle Purchase/Replacement	10,600	7,000	13,300	36,500	10,000	77,400
Pumping Plant	160,000	110,000	110,000	35,000	36,000	451,000
Collection Plant	166,000	110,000	111,000	111,000	111,000	609,000
General Plant Improvements	17,000	10,000	10,000	11,000	11,000	59,000
Wastewater Management Plan	0	0	0	0	0	0
Wastewater Treatment Plant	230,000	270,000	200,000	75,000	75,000	850,000
Sewer Fund Totals	583,600	507,000	444,300	268,500	243,000	2,046,400
Swim and Fitness Center Fund						
Equipment, furnishings	172,000	95,000	18,000	234,000	82,000	601,000
Building	20,000	30,000	22,000	22,000	74,000	168,000
Swim & Fitness Fund Totals	192,000	125,000	40,000	256,000	156,000	769,000
Grand Totals	4,658,000	2,790,000	4,542,600	5,183,600	1,520,000	18,694,200