

## 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 FY2006 Revenues; Summary of Comparative Operating & Income Data; Capital Budgets for Fiscal Year 2008; and Capital Budgets for Fiscal Years 2008 - 2012.

The first set of data, Enterprise Funds as Part of FY2006 Revenues (Page III-3), includes data and a pie chart showing the total FY2006 revenues generated by the Town, divided into revenues from the General Fund, the Light, Sewer, and Water Funds, and the Special Revenue Funds. This data shows that each fund generated the following percentage of total FY2006 revenues: 66.7% by the General Fund, 16.5% by the Light Fund, 3.4% by the Water Fund, 2.5% by the Sewer Fund, and 11.0% by the Special Revenue Funds (including Solid Waste, Grants & Gifts, Cemetery, School Lunch, Recreation, and Parking Meter Funds). Thus, 33.3%, or \$32,973,671 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 funds, for Fiscal Years 2006 to 2008, and also indicates the percent change in these figures from the current year to that for the proposed budget. As the data indicate, operating and net income for each fund is projected to change as follows:

- Light Fund - Operating income increases from \$1,221,538 to \$1,590,824 and net income increases from \$1,881,279 to \$2,280,815;
- Water Fund - Operating income decreases from \$636,748 to \$615,725 and net income decreases from \$620,125 to \$487,395;
- Sewer Fund - Operating income decreases from a negative \$131,463 to a negative \$277,558 and net income decreases from \$295,396 to a negative \$188,485;
- Swim and Fitness Center Fund - Operating income decreases from \$19,322 to negative \$14,129 and net income decreases from \$69,322 to \$57,871; and,
- Solid Waste Fund - Operating income for the Curbside Program decreases from \$1,251 to \$27 and for the Composting Program decreases from negative \$30,996 to negative \$44,112.

The third and fourth sets of data, Capital Budgets from Current Resources for Fiscal Year 2008 (Page III-5); and Total Capital Budgets for Fiscal Years 2008 -2012 (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. 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.

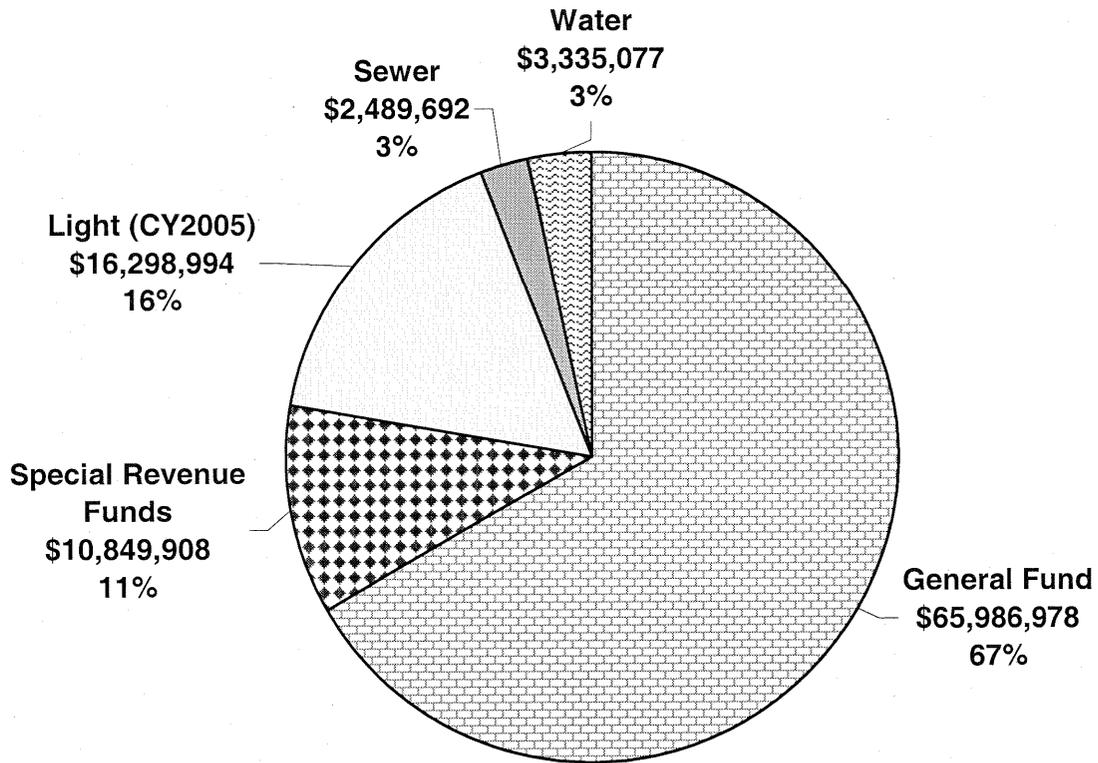
As can be seen from the FY08-FY12 table, while there are some years with substantial capital expenditures for each of the Light, Water, Sewer, and Swim & Fitness Center Funds (there is no capital associated with the Solid Waste Fund), these higher programmed expenditures are offset by years of lower expenditures within the program period of five years. In CY2007, spending for the Light Fund focuses on distribution plant improvements (\$1,309,000). In FY2008, the major item in the Water Fund is water main replacements (\$925,000). In FY2008, the Sewer Fund allocates \$5,585,000 for the Wastewater Treatment Plant. 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 negative NET INCOME for FY08 and for an extended period through FY15 (see Appendix Page IX-13). 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 FY08-FY17, Sewer Fund capital needs of almost \$10 million will be funded from projected operating results.

## Enterprise Funds as Part of FY2006 Total Revenues



Total Revenues	\$98,960,649
General Fund	\$65,986,978
Special Revenue Funds	\$10,849,908
<i>Partial List:</i> Grants & Gifts	
Solid Waste	
Cemetery	
School Lunch	
Recreation	
Parking Meter	
Enterprise Funds	
Light (CY 2005)	\$16,298,994
Sewer	\$2,489,692
Water	\$3,335,077

**Summary of Comparative Operating & Income Data (\$)**

	<u>CY2005 Actual</u>	<u>CY2006 Unaud. Actual</u>	<u>CY2007 Budget</u>	<u>% Change CY06 to CY07</u>
<b>1) Light Fund</b>				
Operating Revenues	16,298,994	17,313,125	16,232,244	-6.2%
Less Operating Expenses	<u>(14,690,064)</u>	<u>(16,091,587)</u>	<u>(14,641,320)</u>	<u>-9.0%</u>
Operating Income	1,608,931	1,221,538	1,590,924	30.2%
Net Income	2,066,462	1,881,279	2,280,815	21.2%
Net Available for Capital Expenditures	2,340,338	2,339,363	2,714,482	16.0%
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	<u>FY2006 Actual</u>	<u>FY2007 Rev. Budget</u>	<u>FY2008 Prop. Budget</u>	<u>% Change FY07 to FY08</u>
<b>2) Water Fund</b>				
Operating Revenues	3,335,077	3,517,000	3,721,000	5.8%
Less Operating Expenses	<u>(2,310,592)</u>	<u>(2,880,252)</u>	<u>(3,105,275)</u>	<u>7.8%</u>
Operating Income	1,024,485	636,748	615,725	-3.3%
Net Income	1,059,122	620,125	487,395	-21.4%
Net Available for Capital Expenditures	1,181,041	835,225	752,195	-9.9%
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	<u>FY2006 Actual</u>	<u>FY2007 Rev. Budget</u>	<u>FY2008 Prop. Budget</u>	<u>% Change FY07 to FY08</u>
<b>3) Sewer Fund</b>				
Operating Revenues	1,925,279	1,981,000	2,080,000	5.0%
Less Operating Expenses	<u>(1,828,139)</u>	<u>(2,112,463)</u>	<u>(2,357,558)</u>	<u>11.6%</u>
Operating Income	97,140	(131,463)	(277,558)	111.1%
Net Income	841,581	295,396	(188,485)	-163.8%
Net Available for Capital Expenditures	1,683,155	1,084,794	315,471	-70.9%
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	<u>FY2006 Actual</u>	<u>FY2007 Rev. Budget</u>	<u>FY2008 Prop. Budget</u>	<u>% Change FY07 to FY08</u>
<b>4) Swim &amp; Fitness Center Fund</b>				
Operating Revenues	N/A	2,027,400	2,228,000	9.9%
Less Operating Expenses	N/A	<u>(2,008,078)</u>	<u>(2,242,129)</u>	<u>11.7%</u>
Operating Income	N/A	19,322	(14,129)	-173.1%
Net Income	N/A	69,322	57,871	-16.5%
Net Available for Capital Expenditures	N/A	247,322	382,378	54.6%
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	<u>FY2006 Actual</u>	<u>FY2007 Rev. Budget</u>	<u>FY2008 Prop. Budget</u>	<u>% Change FY07 to FY08</u>
<b>5) Solid Waste Fund</b>				
<b><i>Curbside Program</i></b>				
Operating Revenues	830,200	840,919	901,520	7.2%
Less Operating Expenses	<u>(837,693)</u>	<u>(839,668)</u>	<u>(901,493)</u>	<u>7.4%</u>
Operating Income	(7,493)	1,251	27	-97.8%
Curbside Fund Balance	203,705	204,956	204,983	0.0%
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<b><i>Composting Site Optns</i></b>				
Revenues, Other Sources	7,025	5,950	7,300	22.7%
Less Expenses	<u>(39,390)</u>	<u>(36,946)</u>	<u>(51,412)</u>	<u>39.2%</u>
Net	<u>(32,365)</u>	<u>(30,996)</u>	<u>(44,112)</u>	<u>-42.3%</u>
Composting Fund Balance	75,437	44,441	329	-99.3%

## Capital Budgets for Fiscal Year 2008

### Summary – All Enterprise Funds

#### **Planned Expenditures from All Resources**

#### 1) Light Fund (Calendar Year 2007)

##### Transmission/Sub-transmission Plant

Structures & Improvements	\$ 39,000
Station Equipment	15,000
Underground Conductors and Devices	<u>75,000</u>
<b>Subtotal</b>	<b>129,000</b>

##### Distribution Plant

Station Equipment	\$ 24,000
Poles, Towers, and Fixtures	19,000
Overhead Conductors and Devices	78,000
Underground Conductors and Devices	510,000
Transformers	115,000
Services	122,000
Meters and Installation	131,000
Street Light and Signal Systems	<u>310,000</u>
<b>Subtotal</b>	<b>1,309,000</b>

##### General Plant

Transportation Equipment	\$ 20,000
Computer Equipment	10,000
Laboratory Equipment	<u>78,000</u>
<b>Subtotal</b>	<b>108,000</b>

**LIGHT FUND TOTAL \$1,546,000**

#### 2) Water Fund

Supply/Capacity \$ 10,000

##### Improvements

Station Equipment	\$ 20,000
Station Structures	<u>65,000</u>
<b>Subtotal</b>	<b>85,000</b>

##### Treatment

Nagog Ozone Plant Enhancements	\$ 95,000
Iron & Manganese Removal	<u>1,015,000</u>
<b>Subtotal</b>	<b>1,110,000</b>

##### Distribution

Mains Replacement	\$ 300,000
Meter Replacement	161,000
Hydrant Replacements/Additions	23,000
Building Service Lines	12,000
Pine Street Bridge Main	<u>125,000</u>
<b>Subtotal</b>	<b>621,000</b>

##### General Plant

Keyes Road, Equipment, GIS	\$ 55,000
Vehicles	<u>34,400</u>
<b>Subtotal</b>	<b>89,400</b>

**WATER FUND TOTAL \$1,915,400**

### 3) Sewer Fund

#### Pumping Plant

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

#### Collection Plant

Meter Replacement Program	\$ 40,000
Infiltration/Inflow Remediation	100,000
Service Connections	<u>10,000</u>
<b>Subtotal</b>	<b>150,000</b>

#### Wastewater Treatment Plant

Structures	\$ 25,000
Equipment	495,000
Improvements	<u>5,065,000</u>
<b>Subtotal</b>	<b>5,585,000</b>

#### Other Capital Costs

Vehicle Replacement	\$ 8,600
Keyes Road Facility	12,500
Miscellaneous Equipment	2,000
Wastewater Management Plan	<u>35,000</u>
<b>Subtotal</b>	<b>58,100</b>

**SEWER FUND TOTAL \$5,953,100**

**CAPITAL BUDGETS FOR FISCAL YEARS 2008 - 2012**  
(Light Fund, Sewer Fund, and Water Fund)

	FY2008 Budget	FY2009 Plan	FY2010 Plan	FY2011 Plan	FY2012 Plan	5-Year Cumulative
	(CY2007)	(CY2008)	(CY2009)	(CY2010)	(CY2011)	
<b>Light Fund</b>						
Distribution Plant	1,309,000	456,000	400,000	400,000	400,000	2,965,000
Trans., Sub-trans., & Gen. Plant	237,000	0	0	0	0	237,000
<b>Light Fund Totals</b>	<b>1,546,000</b>	<b>456,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>3,202,000</b>
<b>Water Fund</b>						
Vehicle Purchase/Replacement	34,400	34,400	12,000	53,280	146,080	280,160
Supply/Capacity/Protection	10,000	10,000	11,000	11,000	12,000	54,000
New Source Permit/Design/Const. Improvements	0	0	0	0	0	0
<b>Treatment</b>						
Nagog Plant	95,000	500,000	4,000,000	1,600,000	0	6,195,000
Iron & Manganese Removal Treatment Program	390,000	0	0	0	0	390,000
<b>Distribution</b>						
Mains Replacements	925,000	310,000	310,000	320,000	320,000	2,185,000
Meter/Hydrant Replacement Services	184,000	71,000	39,000	45,000	47,000	386,000
Pine Street Bridge	12,000	12,000	12,000	12,000	13,000	61,000
<b>Gen. Plant Impr. &amp; Misc. Capital</b>	<b>125,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125,000</b>
<b>Water Fund Totals</b>	<b>1,915,400</b>	<b>1,659,400</b>	<b>4,492,000</b>	<b>2,153,280</b>	<b>652,080</b>	<b>10,872,160</b>
<b>Sewer Fund</b>						
Vehicle Purchase/Replacement	8,600	8,600	3,000	13,320	36,520	70,040
Pumping Plant	160,000	70,000	20,000	20,000	20,000	290,000
Collection Plant	150,000	122,000	109,000	110,000	111,000	602,000
General Plant Improvements	14,500	14,000	10,000	10,000	11,000	59,500
Wastewater Management Plan	35,000	0	0	0	0	35,000
Wastewater Treatment Plant	5,585,000	110,000	225,000	225,000	25,000	6,170,000
<b>Sewer Fund Totals</b>	<b>5,953,100</b>	<b>324,600</b>	<b>367,000</b>	<b>378,320</b>	<b>203,520</b>	<b>7,226,540</b>
<b>Swim and Fitness Center Fund</b>						
Equipment	0	143,000	115,000	19,000	163,000	440,000
Building	20,000	30,000	22,000	22,000	74,000	168,000
<b>Swim &amp; Fitness Fund Totals</b>	<b>20,000</b>	<b>173,000</b>	<b>137,000</b>	<b>41,000</b>	<b>237,000</b>	<b>608,000</b>
<b>Grand Totals</b>	<b>9,434,500</b>	<b>2,613,000</b>	<b>5,396,000</b>	<b>2,972,600</b>	<b>1,492,600</b>	<b>21,908,700</b>

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