

## Public Works – Enterprise Funds FY11 Budget

### Overview

The Board of Selectmen will vote on new water, sewer and storm waters rates at an upcoming hearing prior to Town Meeting. This budget assumes no use of reserves to offset the costs of running these funds. Adjustments to these budgets will be needed in the event reserves are used. The new rates will be effective with the September 2010 billing. Wages are frozen at FY10 levels, except due to staff changes or promotions.

### Water Enterprise Fund

This fund is comprised of Water Supply and Water Distribution, and from a budget standpoint there is a section of shared overhead costs called Water Operations. Supply is responsible for the administrative management, operation, maintenance and security of the drinking water supply in accordance with all Federal, State and local regulations. This division also provides technical support. Distribution is responsible for maintaining and operating the municipal water distribution system in accordance to industry standards and all applicable regulations. In addition, this division oversees water meter installation, repair and meter reading.

On a budget basis, there has been a net reduction in costs of 2.9% for the Water Enterprise Fund. However there are other factors that affect the water rates, including the use of reserves

to offset the costs, as well as the expected volume of usage. In FY10, \$425,000 in reserves offset costs. If no reserves are used this year, that alone would suggest a 5.1% increase in rates:

	<b>Operations</b>	<b>Supply</b>	<b>Distribution</b>
Wages		\$88,240 (0%)	\$544,109 (0%)
Expenses	\$298,895 (-7.7%)	\$1,831,790 (-0.6%)	\$190,684 (0%)
Debt & Capital	\$1,839,206 (-2.7%)		\$263,000 (-22.6%)
Other	\$377,367 (0%)		
<b>TOTAL</b>	<b>\$2,515,468</b> <b>(-2.9%)</b>	<b>\$1,920,030</b> <b>(-0.6%)</b>	<b>\$997,793</b> <b>(-7.2%)</b>

	<b>FY10</b>	<b>FY11</b>	<b>Change</b>
Gross budget	\$5,597,038	\$5,433,291	-2.9%
Reserves	(\$425,000)	\$0	TBA
<b>Net budget</b>	<b>\$5,172,038</b>	<b>\$5,433,291</b>	<b>+5.1%</b>

In addition, projected usage has an impact. Water conservation reduces expenses, but actually has an upward influence on water rates. This is because the 1/3 of costs that vary with usage is rate-neutral, but the 2/3 of costs that are fixed (e.g. Debt service) makes rates move contrary to the volume of water used. Recent MWRA data show water usage is down system-wide, and even a bit more in Reading.

### Sewer Enterprise Fund

The Sewer division is responsible for maintaining and operating the municipal main sewer systems in accordance with all applicable state, federal and MWRA regulations for the collection and discharge of wastewater. The specific functions are: maintenance and repair of 100 miles of sewer mains and 12 pumping stations; respond to customer complaints for sewer backups and drainage problems.

Similar to the Water Enterprise Fund, a policy on FY11 reserves have not been formalized yet. The chart below summarizes the budget:

### Sewer Enterprise Fund

Wages	\$308,147 (+7.6%)
Expenses	\$4,185,459 (+1.2%)
Debt & Capital	\$660,113 (+15.0%)
Other	\$259,004 (0%)
Gross budget	\$5,412,723 (+3.0%)
Reserves	\$0 (TBA)
<b>Net budget</b>	<b>\$5,412,723 (+5.0%)</b>

No cost of living wages increases or steps have been used in the FY11 budget. However due to staff changes made one year ago, the FY10 wage budget in sewer will be overspent and this difference will be made up with surpluses in other lines. For FY11, the wages budget is updated to reflect those prior changes.

### Storm Water Enterprise Fund

The Storm Water division consists of some activities conducted under the general fund budget, and some in the enterprise fund budget. As a whole, they are responsible for the construction, maintenance and repair of all catch basins and drainage systems.

From a budget standpoint, costs have been similar in the first few years of this enterprise fund as additional pro-active work that would not be done by the general fund contributed to improved system performance. As was mentioned in the general fund DPW section, increasing federal regulations are bringing new and potentially expensive costs, including requiring at least the full time use of one engineer. Large scale capital projects that have been in the Storm Water capital improvements plan since inception now are closer to becoming reality.

Similar to the Water Enterprise Fund, a policy on FY11 reserves have not been formalized yet. The chart below summarizes the budget:

### Storm Water Enterprise Fund

Wages	\$70,076(0%)
Expenses	\$19,750(-7.3%)
Debt & Capital	\$288,000(+44.0%)
Other	none
Gross budget	\$377,826 (+29.7%)
Reserves	\$0 (TBA)
<b>Net budget</b>	<b>\$377,826 (+29.7%)</b>