



TOWN OF STOUGHTON

WATER & SEWER
ENTERPRISE FUNDS

TOWN OF STOUGHTON

- Where are we?
- How did we get here?
- Where do we go from here?

TOWN OF STOUGHTON

A structural or “built-in” deficit occurs when current estimated revenues don’t equal current budgeted expenses.

Estimated revenues cannot exceed prior year’s actuals without a valid reason.

A structural deficit must be balanced by adding Certified Retained Earnings (Reserves), a General Fund subsidy or other funding source (MWRA).

TOWN OF STOUGHTON

EXAMPLE OF AN ENTERPRISE FUND WITH NO STRUCTURAL DEFICIT

ANNUAL BUDGET:

| | |
|---|--------------|
| Estimated revenues | \$ 4,000,000 |
| Budgeted expenses | \$ 4,000,000 |
| ----- | ----- |
| Structural Deficit | \$ 0 |
| Certified retained earnings (reserves) used | \$ 0 |
| General Fund (taxpayer funds) subsidy | \$ 0 |
| ----- | ----- |
| Budget Deficit | \$ 0 |
| ----- | ----- |

TOWN OF STOUGHTON

EXAMPLE OF AN ENTERPRISE FUND WITH A STRUCTURAL DEFICIT USING RESERVES TO BALANCE THE BUDGET

ANNUAL BUDGET:

| | |
|---|--------------|
| Estimated revenues | \$ 3,500,000 |
| Budgeted expenses | \$ 4,000,000 |
| | ----- |
| Structural Deficit | (\$ 500,000) |
| Certified retained earnings (reserves) used | \$ 500,000 |
| General Fund (taxpayer funds) subsidy | \$ 0 |
| | ----- |
| Budget Deficit | \$ 0 |
| | ===== |

TOWN OF STOUGHTON

EXAMPLE OF AN ENTERPRISE FUND WITH A STRUCTURAL DEFICIT USING RESERVES AND A GENERAL FUND SUBSIDY TO BALANCE THE BUDGET

ANNUAL BUDGET:

| | |
|---|--------------|
| Estimated revenues | \$ 3,500,000 |
| Budgeted expenses | \$ 4,250,000 |
| | ----- |
| Structural Deficit | (\$ 750,000) |
| Certified retained earnings (reserves) used | \$ 500,000 |
| General Fund (taxpayer funds) subsidy | \$ 250,000 |
| | ----- |
| Budget Deficit | \$ 0 |
| | ===== |

TOWN OF STOUGHTON

BORROWING CAPACITY

Communities have a debt limit of 5% of equalized valuation, except for debt incurred outside of the debt limit.

Our remaining capacity inside the debt limit is \$172,828,526 as of June 30, 2022.

Debt exclusion borrowings are outside of the debt limit.

Enterprise fund borrowings are outside of the debt limit unless the community cannot certify that rates and charges are sufficient to cover the expenses, in which case they are inside of the debt limit.

TOWN OF STOUGHTON

SEWER ENTERPRISE FUND

TOWN OF STOUGHTON

SEWER ENTERPRISE FUND

WHERE ARE WE?

| | FY2021 <u>Actual</u> | FY2022 <u>Actual</u> | FY2024 <u>Budget</u> |
|--|-------------------------|-------------------------|-------------------------|
| Operations: | | | |
| Revenues: | | | |
| User charges | \$ 7,104,906 | 6,827,678 | \$ 6,827,678 |
| Liens, etc. | 758,962 | 609,598 | 609,598 |
| | <hr/> | <hr/> | <hr/> |
| | 7,863,868 | 7,437,276 | 7,437,276 |
| Expenses: | | | |
| Salaries | 752,107 | 799,219 | 839,845 |
| MWRA Assessment | 5,227,526 | 5,434,313 | 5,887,949 |
| Other expenses | 505,059 | 489,024 | 650,861 |
| Indirect costs | 468,459 | 482,513 | 525,545 |
| Debt service | 396,080 | 411,057 | 860,014 |
| | <hr/> | <hr/> | <hr/> |
| | 7,349,231 | 7,616,126 | 8,764,214 |
| Structural (Surplus) Deficit | <hr/> | <hr/> | <hr/> |
| | 514,637 | (178,850) | (1,326,938) |
| Other financing sources (uses): | | | |
| Transfer to capital projects | | (600,000) | |
| Retained earnings | 987,030 | 481,081 | 388,387 |
| General Fund subsidy | | 91,782 | 938,551 |
| | <hr/> | <hr/> | <hr/> |
| | 987,030 | (27,137) | 1,326,938 |
| Fund (Surplus) Deficit | <hr/> | <hr/> | <hr/> |
| | \$ 1,501,667 | (205,987) | \$ - |

TOWN OF STOUGHTON

STATUS OF SEWER FUND BUDGET FOR FISCAL 2024

ANNUAL BUDGET:

| | |
|---|----------------|
| Estimated revenues | \$ 7,437,276 |
| Budgeted expenses | \$ 8,764,214 * |
| <hr/> | |
| Structural Deficit | (\$ 1,326,938) |
| Certified retained earnings (reserves) used | \$ 388,387 |
| General Fund (taxpayer funds) subsidy | \$ 938,551 |
| <hr/> | |
| Budget Deficit | \$ 0 |
| <hr/> | |

* Retirement of Debt increased 44% (\$264K) – Betterment Fees

TOWN OF STOUGHTON

HOW DID WE GET HERE?

| Fiscal Year | Resident Sewer Rate Change | Stoughton's dependence on MWRA |
|-------------|----------------------------|--------------------------------|
| 2010 | 8.00% | \$ 4.4 M |
| 2011 | 10.00% | \$ 4.4 M |
| 2012 | 5.00% | \$ 4.4 M |
| 2013 | 2.00% | \$ 4.4 M |
| 2014 | 1.00% | \$ 4.4 M |
| 2015 | 0.00% | \$ 4.7 M |
| 2016 | 0.00% | \$ 5.0 M |
| 2017 | 0.00% | \$ 5.1 M |
| 2018 | 2.00% | \$ 5.2 M |
| 2019 | 1.50% | \$ 5.2 M |
| 2020 | 3.30% | \$ 5.4 M |
| 2021 | 0.00% | \$ 5.5 M |
| 2022 | 0.00% | \$ 5.6 M |
| 2023 | 0.00 % | \$5.4 M |
| 2024 | ?? May 2, 2023 Hearing ?? | \$5.9 M |

TOWN OF STOUGHTON

Water Customers - 8,633

Sewer Customers – 7,163

TOWN OF STOUGHTON

WHERE DO WE GO FROM HERE?

COMPLETE FIXED NETWORK READING SYSTEM

BENEFITS:

1. Financial – Older meters read slower, slower meters record less volume; less volume = lost revenue. Some of the remaining Residential meters go back to the 1980's.
2. Labor – Fixed Network Reading will populate to a “clean” database and MUNIS compatibility; eliminating the labor required to develop the billing database.
3. Billing – Ability to bill more often once established; bi-monthly or monthly.
4. Leak Detection and Alarming capabilities – Catch leaks earlier than later making potentially big problems, small problems; reduce lost water; reduces or eliminates abatement requests.
5. The Town of Stoughton has completed replacement of 100% of the Commercial meters and 42% of the Residential meters.
6. Analysis shows a substantial increase of consumption captured due to the meter replacements.

NOTES: * Return on investment was estimated at 2.9 years.

** Sewer is calculated based on Water consumption.

TOWN OF STOUGHTON

Where do we go from here?

- Complete Residential Meter replacement
- Consider rate adjustments