

# TOWN OF MILLIS DPW STUDY of ENTERPRISE FUNDS COST ANALYSIS

Presentation to Finance Committee

April 14, 2021



COMMUNITY PARADIGM ASSOCIATES, LLC

# Project History

- Comprehensive DPW Review was Initiated by Select Board
  - Numerous questions regarding the fee structure of the Town's public works enterprises (water, sewer, stormwater)
  - Initial Report to Select Board in March 2020

## March 2020 Report

# Are Direct and Indirect Costs of Enterprise Funds Reasonable?

### Findings:

- Limited Documentation of Methodology
- Limited Involvement of Existing Staff with Methodology

### Recommendation:

- Complete Revision of Methodology

# PRELIMINARY DATA

Town of Millis

## ENTERPRISE FUNDS - Direct and Indirect Costs

Summary: Cost Analysis - FY2021

		FY2021	FY2021	FY2021
		Water Enterprise	Sewer Enterprise	Stormwater Enterprise
		Budget-Art. 5	Budget-Art. 4	Budget-Art. 6
1	<b>Direct Costs (as voted by Town Meeting)</b>			
2	Compensation (salaries and wages-Table A5)			
3	FY21 Salary Budget-excluding overtime	\$ 336,180	\$ 250,759	\$ 152,657
4	Compensation-Based on Work Hour Analysis	\$ 224,639	\$ 105,773	\$ 68,996
5	<b>Difference</b>	<b>\$ 111,541</b>	<b>\$ 144,986</b>	<b>\$ 83,661</b>
6	Overtime (budget)	\$ 50,000	\$ 15,392	\$ 23,000
7				
8	Expenses-Budgeted (less debt serv. & CR Assessment)	\$ 704,741	\$ 388,461	\$ 382,214
9	Debt Service	\$ 598,022	\$ 296,808	\$ -
10	Assessment-Charles River Water Pollution Control District	\$ -	\$ 468,826	\$ -
11	<b>Total Budgeted Direct Costs (based on Row 3)</b>	<b>\$ 1,688,943</b>	<b>\$ 1,420,246</b>	<b>\$ 557,871</b>
12	<b>Total Direct Costs Based on Work Hour Analysis (based on Row 4)</b>	<b>\$ 1,577,402</b>	<b>\$ 1,275,260</b>	<b>\$ 474,210</b>
13				
14	<b>Indirect Costs (Based on FY19 Actual Expenditures)</b>	<b>Allocations/Transfer From General Fund-Based on FY19 Actual Expenditures (All links to Tab 1)</b>		
15	<i>(All Rows Below are Linked to Tab 1)</i>			
16	Vehicle Depreciation, Maintenance, Fuel and Insurance Costs	\$ 10,313	\$ 21,903	\$ 6,727
17	<b>Auto Insurance</b>	\$ 977	\$ 460	\$ 300
18	Indirect DPW Administration including Benefits	\$ 71,499	\$ 30,740	\$ 24,821
19	Workers Compensation Premiums (as Audited by MIIA)	\$ 7,275	\$ 5,660	\$ 1,465
20	Retiree Health and Pension Benefits	\$ 42,100	\$ 19,823	\$ 12,931
21	Indirect Town Expenses	\$ 76,460	\$ 72,749	\$ 33,877
22	Liability and Property Insurance	\$ 9,119	\$ 3,197	\$ 169
23	Employee Benefits (Health, Pension, Medicare and OPEB)	\$ 48,291	\$ 39,686	\$ 31,686
24	<b>Total Indirect Costs</b>	<b>\$ 266,034</b>	<b>\$ 194,217</b>	<b>\$ 111,976</b>
25	<b>Budgeted Indirect Costs</b>	<b>\$ 261,248</b>	<b>\$ 213,749</b>	<b>\$ 139,173</b>
26				
27	<b>Total Expenses-Budgeted</b>	<b>\$ 1,950,191</b>	<b>\$ 1,633,995</b>	<b>\$ 697,044</b>
28	<b>Total Expenses-Actual Based on Analysis</b>	<b>\$ 1,843,437</b>	<b>\$ 1,469,477</b>	<b>\$ 586,186</b>
29	<b>Difference (Excess Costs by Enterprise Fund)</b>	<b>\$ 106,754</b>	<b>\$ 164,518</b>	<b>\$ 110,858</b>
30	<b>PERCENT OVER</b>	<b>5.8%</b>	<b>11.2%</b>	<b>18.9%</b>
31	<b>Note: Special pay stipends have not been fully analyzed and may increase the Compensation-Based on Work Hour Analysis, Row 4</b>			

# Suggested Next Steps

1. Complete the Analysis (*Licenses and Auto Insurance*)
2. Vet Community Paradigm Methodology
3. Methodology to be Adopted by Select Board
4. Undertake FY22 Analysis to Provide Second FY Data Point (*Note: FY21 Analysis was based on COVID period*)
5. Goal of Using a 3-Year Rolling Average as the Basis for Rate Setting / Enterprise Budgets
6. Adjust Enterprise Fund Rates as Necessary

# Questions and Discussion