

**SEWER FUND
(EAST HANOVER TOWNSHIP MUNICIPAL AUTHORITY)
2024 BUDGET ANALYSIS AND NOTES**

ANALYSIS: The Sewer Fund is the responsibility of the East Hanover Township Municipal Authority (EHTMA). It is primarily funded by quarterly sewer fees charged to property owners connected to the sanitary sewer system. The proceeds fund costs pertaining to operating, maintaining, and upgrading the system. The Sewer Fund budget follows a different approval process because it is governed by an authority; it is included here for convenience purposes, although the final 2024 budget figures could change because of this different process.

The two biggest changes to the Sewer Fund budget from 2023 to 2024 pertain to expenditures. The first is the cost of hiring an additional employee who would work primarily at the wastewater treatment plant (WWTP) with the goal of becoming a licensed operator. The second is the cost for the Funck's grinder pump replacement project. Even with these significant increases, the 2024 budget projects a year-end surplus and assumes the sewer rate per EDU remains unchanged. The 2024 budget also includes costs for the Authority Engineer to perform an evaluation of the WWTP with the goal of proactively identifying areas of obsolescence and potential improvement that can be considered, designed, and ultimately implemented beginning in 2025.

NOTES:

- The 2023 year-end projection for Interest on Checking (341.01) more than quintuples the budget figure due to the significant increase in interest rates over the past year and the Authority taking advantage of high-return investment opportunities. The 2024 budget figure for this account accordingly shows a significant increase in line with the rather conservative 2023 year-end projection.
- Sewer Repair Permit (321.62) is an account established in mid-2023 for inspections of sewer repairs. The permit fee is \$125, so the 2024 budget figure assumes two permits issued annually.
- The 2024 budget amounts for Payment Engineering Fees (361.32) and Payment Legal Fees (361.35) are decreased from their respective 2023 budget amounts to better reflect the 2023 year-end projections. However, the corresponding expense accounts for Engineering Fees Reimbursable (408.11) and Solicitor Reimbursable (404.45) are decreased by the same amount for the 2024 budget, so this does not represent a net change to it.
- The budget amount for Sewer Use Charge (364.12) decreases in 2024 to \$800,000, which is in line with the 2022 actual figure and the 2023 year-end projection. Delinquent sewer fees have at times been included in this account (especially those collected by Keystone Collections), which skewed the figures in 2021. (Delinquent sewer fees will be accounted for consistently in account 364.00 to remedy this in 2024.) Importantly, the 2024 budget amount conservatively does not assume connections for the expansion of Grantville Commons in 2024, nor does the Connection Fees account (account 364.11).
- Amounts are budgeted in 2024 pertaining to the collection of delinquent sewer fees for Sewer Charges Delinquent (364.00) and new account Delinquent Collections Costs

(404.31) based on preliminary conversations with firms who provide delinquent collection services.

- Contracted Services (400.31) is decreased in 2024 as going forward the Authority will not be under contract with Stein Consulting Group. In addition to the costs for the recording secretary, additional funds have been included in this account for 2024 if the Authority desires to use an outside consultant for a project.
- Advertising (400.34) is increased in 2024 as 2023 expenses have demonstrated that previous years' budget amounts are insufficient for advertising the type of projects the Authority undertakes.
- The 2023 year-end projection for Billing Service (400.35) appears high because it anticipates paying more than four quarters of Keystone Collections Group's charges due to delays in the billing company invoicing the Authority (which can be seen in the artificially low costs in 2021 and 2022). The 2024 budget assumes that sewer bills will be billed by Dallas Data Systems (rather than Keystone Collections Group) on the same bill as the stormwater fees in 2024. This will result in a reduction in overall billing expenses when considering sewer fees and stormwater fees as a whole. Based on the number of customers, 80% of these combined billing costs will be incurred by the Stormwater Fund and 20% will be incurred by the Sewer Fund.
- The 2022 expenses for Legal Svcs/Consulting - Manada Basin (404.20), Engineering Code Updates (408.20), and Engineering - Manada Basin (408.30, 408.31, and 408.33) were for costs associated with the Manada Basin project capitalized prior to 2023 that needed to be reclassified as expenses due to the project not going forward. As such, these non-cash expenses are removed from the cash flow analysis.
- The 2024 budget amount of \$40,000 for Engineering Services (408.10) was based on conversations with GHD, the EHTMA Engineer, and is comprised of the following:
 - Retainer services: \$7,000
 - General engineering: \$5,000
 - "Due diligence" reviews that are not reimbursable: \$1,000
 - Remaining work on the GIS modernization project: \$2,000
 - Funck's pump station construction phase services: \$5,000
 - WWTP system evaluation: \$20,000
- The 2024 budget amount for Plant Payroll-Staff (429.13, representing the Sewer Fund's reimbursement to the Township for WWTP operators' personnel costs) is significantly increased from 2023 due to the anticipated hiring of another employee who will work primarily at the WWTP. It is assumed that 80% of the total personnel costs for this new employee would be charged to the Sewer Fund via this account.
- The 2024 budget amount for Plant Payroll-Public Works (429.14, representing the Sewer Fund's reimbursement to the Township for Public Works employees' personnel costs while working on the sewer system) is in line with the 2022 actual costs for this account. This is because Public Works staff will be doing more sewer-related work in 2024 than in 2023 (and this would be similar to the level of work in 2022), namely mowing the sewer rights-of-way and assisting with sewer collection system operations and maintenance work.
- Expenses for Supplies (429.24) have been running higher over the past few years. The 2024 budget amount of \$28,000 is conservatively comprised of the following (which is

based on analyzing costs from 2021-2023): \$21,000 for alum, \$3,000 for UV bulbs, and \$4,000 for other.

- The actual costs for Computer Hardware/Software (429.27) are higher in 2023 than other years due to the scheduled and budgeted replacement of the WWTP computer. As the computer was purchased in 2023, the 2024 budget amount has been reduced accordingly.
- Contracted Operator Services (429.30) is a new account for contracted backup operator services. Such backup services are necessary due to the limited number of licensed WWTP operators on staff and the EHTMA entered into a contract with Skelly & Loy for these services on an emergency or short-term basis.
- Repairs and Maintenance (429.37) is projecting high in 2023 due to several unique expenses that are not anticipated to recur in 2024, such as replacing failed transfer switch controllers at two different pump stations and work on the UV system. It also includes purchasing pumps and mixer motors to ensure there is adequate backup equipment on hand. As such, the budget amount is increased slightly to \$30,000 in 2024, which is generally in line with the actual costs from 2022.
- The 2024 budget figure of \$65,000 for Sludge Removal (429.45) is reduced from the prior year's budget to bring it into line with actual costs from recent years.
- Training/Conferences (429.46) is budgeted at \$10,000 to allow for increased educational and/or training costs associated with hiring an operator-in-training.
- Contracted Collection System O&M (429.49) is a new account for those tasks identified on the sewer collection system operations and maintenance manual that must be contracted out. Per this manual, in 2024 it is anticipated the Authority will need to contract cleaning and televising the sanitary sewer in Area 1.
- It is anticipated Capital Improvements (492.30) should incur no more than \$45,000 in actuator replacement costs in 2023. The 2024 budget amount of \$170,000 is comprised of \$150,000 for upgrading the Funck's grinder pump (this is based on the approved bid from Custer's Excavating with contingency added) and \$20,000 for replacing the WWTP office's heat pump and air conditioning unit with a mini-split unit.
- The \$25,168 incurred in 2023 for Capital Equipment (492.60) pertains to the Muffin Monster project approved in 2022 (the invoice only arrived in early-2023). The 2024 budget figure of \$25,000 is just an allocation should there be a need to purchase capital equipment in 2024 we are not aware of now.
- \$40,000 is budgeted as a 2024 interfund transfer from the Operating Account to the Capital Reserve Account (between \$40,000 and \$100,000 have been budgeted for this purpose in past years). This means a \$13,550 decrease in cash flow is anticipated for the Operating Account for 2024.

EAST HANOVER TOWNSHIP MUNICIPAL AUTHORITY
SEWER FUND (FUND 08)
2024 BUDGET

| REVENUES | 2021 Actual | 2022 Actual | 2023 Budget | 2023 YTD at 8/31/23 | 2023 Year-End Projection | 2024 Budget |
|--|-------------|-------------|-------------|---------------------|--------------------------|-------------|
| 341.01 Interest on Checking | 4,401 | 11,194 | 6,000 | 33,656 | 46,000 | 45,000 |
| Subtotal - Interest | 4,401 | 11,194 | 6,000 | 33,656 | 46,000 | 45,000 |
| 321.62 Sewer Repair Permit | 0 | 0 | 0 | 125 | 250 | 250 |
| 361.32 Payment Engineering Fees | 6,489 | 8,770 | 9,500 | 990 | 2,500 | 6,000 |
| 361.35 Payment Legal Fees | 0 | 10,995 | 9,500 | 416 | 2,500 | 6,000 |
| 364.11 Connection Fees | 25,550 | 7,300 | 0 | 0 | 0 | 0 |
| Subtotal - Fees | 32,039 | 27,065 | 19,000 | 1,531 | 5,250 | 12,250 |
| 364.12 Sewer Use Charge | 815,761 | 800,086 | 830,000 | 586,412 | 800,000 | 800,000 |
| 364.13 Reserve Capacity | 74,880 | 56,160 | 0 | 0 | 0 | 0 |
| 364.00 Sewer Charges Delinquent | 3,146 | 0 | 0 | 0 | 0 | 2,500 |
| Subtotal - Sewer Charges | 893,787 | 856,246 | 830,000 | 586,412 | 800,000 | 802,500 |
| 331.10 District Justice Reimbursements | 203 | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Miscellaneous | 203 | 0 | 0 | 0 | 0 | 0 |
| TOTAL REVENUES | 930,430 | 894,506 | 855,000 | 621,598 | 851,250 | 859,750 |

| EXPENDITURES | 2021 Actual | 2022 Actual | 2023 Budget | 2023 YTD at 8/31/23 | 2023 Year-End Projection | 2024 Budget |
|--|-------------|-------------|-------------|---------------------|--------------------------|-------------|
| 400.10 Auditing Services | 8,500 | 8,500 | 9,000 | 8,500 | 8,500 | 9,000 |
| 400.21 Office Supplies | 110 | 393 | 500 | 33 | 400 | 500 |
| 400.23 Postage | 149 | 0 | 200 | 60 | 100 | 200 |
| 400.31 Contracted Services | 1,116 | 1,720 | 15,000 | 7,564 | 15,000 | 10,000 |
| 400.34 Advertising | 40 | 0 | 100 | 308 | 500 | 500 |
| 400.35 Billing Service | 4,551 | 4,329 | 6,500 | 5,598 | 7,800 | 10,000 |
| 400.36 Electric | 31,762 | 31,140 | 35,000 | 21,131 | 32,000 | 34,000 |
| 400.45 Telephone Service | 3,635 | 4,041 | 5,000 | 3,579 | 5,000 | 5,000 |
| 400.50 Internet Service | 1,242 | 1,087 | 1,400 | 922 | 1,300 | 1,400 |
| 404.10 Legal Services | 41,364 | 29,816 | 38,000 | 26,495 | 40,000 | 40,000 |
| 404.11 Legal Services - MS4 | 0 | 618 | 0 | 0 | 0 | 0 |
| 404.20 Legal Svcs/Consulting - Manada Basin (Note 1) | 0 | 59,372 | 0 | 0 | 0 | 0 |
| 404.31 Delinquent Collections Costs - NEW ACCOUNT | 0 | 0 | 0 | 0 | 0 | 2,500 |
| 404.45 Solicitor Reimbursable | -0 | 11,723 | 9,500 | 416 | 2,500 | 6,000 |
| 406.35 Bonding | 356 | 481 | 400 | 0 | 400 | 400 |
| 406.39 Bank Service Fee | 675 | 475 | 500 | 280 | 450 | 500 |
| 408.10 Engineering Services | 12,242 | 30,214 | 28,500 | 13,940 | 28,500 | 40,000 |
| 408.11 Engineering Fees Reimbursable | 6,556 | 8,123 | 9,500 | 1,030 | 2,500 | 6,000 |
| 408.20 Engineering Code Updates (Note 1) | 0 | 2,948 | 0 | 0 | 2,875 | 0 |
| 408.30/408.31/408.33 Engng - Manada Basin (Note 1) | 0 | 328,730 | 0 | 0 | 0 | 0 |
| 408.40 New O & M Manual | 0 | 0 | 22,000 | 16,692 | 22,000 | 0 |
| 429.12 Wastewater Admin/Management | 23,129 | 14,428 | 17,000 | 12,262 | 18,000 | 19,000 |
| 429.13 Plant Payroll - Staff | 147,722 | 133,282 | 140,000 | 96,352 | 165,000 | 220,000 |
| 429.14 Plant Payroll - Public Works | 5,609 | 14,639 | 5,000 | 3,140 | 5,000 | 15,000 |
| SUBTOTAL - EXPENDITURES (PAGE 1) | 288,757 | 686,059 | 343,100 | 218,302 | 357,825 | 420,000 |

EAST HANOVER TOWNSHIP MUNICIPAL AUTHORITY
SEWER FUND (FUND 08)
2024 BUDGET (CONTINUED)

| EXPENDITURES (CONTINUED) | 2021 Actual | 2022 Actual | 2023 Budget | 2023 YTD at 8/31/23 | 2023 Year-End Projection | 2024 Budget |
|---|-------------|-------------|-------------|---------------------|--------------------------|-------------|
| 429.24 Supplies | 14,662 | 23,467 | 20,000 | 15,490 | 25,000 | 28,000 |
| 429.26 Tools and Equipment | 5,728 | 6,296 | 6,000 | 465 | 6,000 | 6,000 |
| 429.27 Computer Hardware/Software | 0 | 0 | 2,500 | 1,505 | 2,500 | 500 |
| 429.30 Contracted Operator Services (New Account) | 0 | 0 | 0 | 0 | 5,000 | 10,000 |
| 429.31 Lab Services | 9,614 | 8,230 | 11,000 | 6,937 | 10,500 | 11,000 |
| 429.32 Permit Fees | 150 | 1,150 | 1,500 | 1,150 | 1,500 | 1,500 |
| 429.33 Mileage | 330 | 355 | 500 | 277 | 500 | 500 |
| 429.37 Repairs and Maintenance | 17,354 | 30,979 | 29,000 | 42,560 | 70,000 | 30,000 |
| 429.38 Equipment Rentals | 1,825 | 4,383 | 4,000 | 0 | 0 | 4,000 |
| 429.42 Dues and Subscriptions | 436 | 440 | 1,000 | 60 | 800 | 800 |
| 429.43 Pumping/Jetting Services | 0 | 2,923 | 5,000 | 2,504 | 3,000 | 3,000 |
| 429.45 Sludge Removal | 66,762 | 54,902 | 70,000 | 28,840 | 65,000 | 65,000 |
| 429.46 Training/Conferences | 385 | 470 | 500 | 230 | 500 | 10,000 |
| 486.20 Insurance | 0 | 0 | 0 | 0 | 0 | 25,000 |
| 492.30 Capital Improvements | 20,595 | 16,645 | 23,000 | 17,476 | 23,000 | 23,000 |
| 492.60 Capital Equipment | 17,820 | 48,938 | 45,000 | 0 | 45,000 | 170,000 |
| 492.60 Capital Equipment | 23,540 | 0 | 25,000 | 25,168 | 25,168 | 25,000 |
| SUBTOTAL - EXPENDITURES (PAGE 2) | 179,201 | 199,177 | 244,000 | 142,662 | 283,468 | 413,300 |

| SURPLUS/(SHORTFALL) AND CHANGES TO OPERATING ACCOUNT CASH BALANCE | 2021 Actual | 2022 Actual | 2023 Budget | 2023 YTD at 8/31/23 | 2023 Year-End Projection | 2024 Budget |
|---|-------------|-------------|-------------|---------------------|--------------------------|-------------|
| Total Revenues (from Page 1) | 930,430 | 894,506 | 855,000 | 621,598 | 851,250 | 859,750 |
| Total Expenditures (from Page 1 and Page 2) | 467,959 | 885,236 | 587,100 | 360,964 | 641,293 | 833,300 |
| SURPLUS/(SHORTFALL) | 462,471 | 9,270 | 267,900 | 260,634 | 209,957 | 26,450 |
| Interfund Transfers | | | | | | |
| To Manada Basin Project Account (Note 2) | 320,000 | 240,000 | 0 | 0 | 0 | 0 |
| To Capital Reserve Acct - Budg Xfer (Note 3) | 100,000 | 40,000 | 100,000 | 0 | 100,000 | 40,000 |
| To Capital Reserve Acct - Other Xfers (Note 4) | 100,430 | 63,460 | 0 | 0 | 0 | 0 |
| Non-cash adjusting journal entries (Note 1) | 0 | -391,050 | 0 | 0 | 0 | 0 |
| Change in Cash Balance - Operating Account | -57,959 | 56,860 | 167,900 | 260,634 | 109,957 | -13,550 |
| Beginning Cash Balance - Operating Account | | | 148,280 | | | 261,315 |
| Ending Cash Balance - Operating Account | | | 316,180 | | | 247,765 |

| CASH BALANCES AT YEAR-END | 2021 Actual | 2022 Actual | 2023 Year-End Projection | 2024 Budget |
|-----------------------------------|-------------|-------------|--------------------------|-------------|
| Cash - Operating Account | 104,294 | 151,358 | 261,315 | 247,765 |
| Cash - Manada Basin Acct (Note 5) | 1,743,378 | 1,975,760 | 0 | 0 |
| Cash - Capital Rsv Acct (Note 5) | 557,918 | 662,891 | 2,769,497 | 2,809,497 |
| Total Cash On Hand | 2,405,590 | 2,790,009 | 3,030,812 | 3,057,262 |

Note 1 = Costs associated with the Manada Basin project capitalized in prior years and shown as a non-cash outlay expense in 2022 due to the project not going forward.
Note 2 = \$320,000 annual net revenue transferred to Manada Basin Account in lieu of principal and interest at rate of \$26,666.66 each month thru September 2022.
Note 3 = Budgeted annual transfers to the Capital Reserve Account.
Note 4 = Historically tapping fees and capacity reservation fees have been transferred to the Capital Reserve Account.
Note 5 = The Manada Basin Account was closed in mid-2023 and the funds were transferred in full to the Capital Reserve Account.