

# Enterprise Fund Overview

## What is an Enterprise Fund

An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Under enterprise accounting, the revenues and expenditures of the service are segregated into a separate fund with its own financial statements, rather than commingled with the revenues and expenses of all other governmental activities. Financial transactions are reported using standards similar to private sector accounting. Revenues are recognized when earned and expenses are recognized when incurred, under a full accrual basis of accounting. An enterprise fund provides management and taxpayers with information to measure performance, analyze the impact of financial decisions, determine the costs of providing a service and identify any subsidy from the general fund in providing a service.

Enterprise accounting allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy or other available funds, if any. A community may choose to recover total service costs through user charges, but it is not required.

## History

The enterprise fund statute, MGL Ch 44 § 53F ½ (formerly Chapter 41 § 39K), was enacted in 1986. Before that time, communities used special revenue funds authorized under various general laws or special acts in order to separately account for their business type services. These special revenue funds were limited, however, with regard to the services and costs covered. The funds were most commonly authorized for water, gas and electric utility departments and used primarily to account for annual operating costs, not the indirect costs, capital expenditures or fixed assets of the service. The purpose of the enterprise fund statute was to give communities the flexibility to account separately for all financial activities associated with a broader range of municipal services.

## Basis of Accounting

Proprietary fund revenues and expenses should be recognized on the accrual basis. Revenues should be recognized in the accounting period in which they are earned and become measurable; expense should be recognized in the period incurred, if measurable.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*The following major proprietary funds are classified as Proprietary funds and audited as such:*

- The Sewer Enterprise fund is used to account for the sewer activities.
- The Water Enterprise fund is used to account for the water activities.
- The Trash Enterprise fund is used to account for the Trash activities.

The following major proprietary funds are classified by the City as Special Revenue Funds but are audited and reported as proprietary funds:

- The Golf Course Enterprise fund is used to account for the Golf Course activities.

The following major proprietary fund is budgeted and revenue collected as part of the General Fund but is audited and reported as proprietary funds:

- The Parking activities enterprise fund is used to account for the parking activities activities.

**For the entire MGL on Enterprise Funds visit the Massachusetts Department of Revenue website:  
<http://www.mass.gov/Ador/docs/dls/publ/misc/EnterpriseFundManual.pdf>**

**BUREAU OF ACCOUNTS  
SCHEDULE A-2  
ENTERPRISE FUNDS**

**SALEM  
SEWER ENTERPRISE FUND - FY10**

	(b) FY09 Estimated Receipts DOR recap	(c) FY10 Estimated
<b>1. Enterprise Revenues &amp; Available Funds</b>		
User Charges	7,218,529	7,356,675
Connection Fees		
Other Departmental Revenue	150,000	150,000
Investment Income		
Intergovernmental-SESD		
<b>Total Revenues</b>	<u>7,368,529</u>	<u>7,506,675</u>
Retained Earnings Appropriated	3,000	
Other Enterprise Available Funds	600,000	
<b>Total Revenue &amp; Available Funds</b>	<u>7,971,529</u>	<u>7,506,675</u>
	<b>To Recap Part IIIB, line 3</b>	
<b>2. Total Costs Appropriated</b>		
<b>a. Costs appropriated in enterprise fund</b>		
Salary & Wages	422,676	419,504
Expenses	395,700	346,190
Insurance Expense (Deductibles)	10,000	10,000
Capital outlay	25,000	25,000
Short term debt		33,840
Reserve Fund		
Other (SESD assessment)	5,841,346	5,922,201
Retained Earnings Expenditures	3,000	
<b>Total costs appropriated in enterprise fund</b>	<u>6,697,722</u>	<u>6,756,735</u>
<b>b. Costs appropriated in the general fund (to be transferred to enterprise)</b>		
<b>Total costs appropriated in the general fund</b>	<u>673,882</u>	<u>749,940</u>
<b>Total Costs</b>	<u>7,371,604</u>	<u>7,506,675</u>
<b>3. Calculation of General Fund Subsidy</b>		
Revenue & available funds	7,971,529	7,506,675
less: Total costs	7,371,604	7,506,675
less: Prior year deficit		
<b>(Negative represents general fund subsidy)</b>	<u>599,925</u>	<u>0</u>
<b>4. Sources of Funding for Costs Appropriated in the Enterprise Fund</b>		
a. Revenue & available funds	7,371,604	7,506,675
b. Taxation		
c. Free Cash		
d. Non-Enterprise available funds		
<b>Total Sources of Funding for Costs Appropriated in Enterprise Fund</b>	<u>7,371,604</u>	<u>7,506,675</u>

**BUREAU OF ACCOUNTS  
SCHEDULE A-2  
ENTERPRISE FUNDS**

**SALEM  
WATER ENTERPRISE FUND - FY10**

	(b) FY09 Estimated Receipts DOR recap	(c) FY10 Estimated
<b>1. Enterprise Revenues &amp; Available Funds</b>		
User Charges	4,370,396	4,432,798
Connection Fees		
Other Departmental Revenue	110,000	110,000
Investment Income		
Total Revenues	<u>4,480,396</u>	<u>4,542,798</u>
Retained Earnings Appropriated**	69,000	
Other Enterprise Available Funds		
<b>Total Revenue &amp; Available Funds</b>	<u><u>4,549,396</u></u>	<u><u>4,542,798</u></u>
	<b>To Recap Part IIIB, line 3</b>	
<b>2. Total Costs Appropriated</b>		
<b>a. Costs appropriated in enterprise fund</b>		
Salary & Wages	435,276	431,504
Expenses	612,635	610,378
Out-of-state travel		
Capital outlay	25,000	25,000
Insurance Expense (Deductibles)	10,000	10,000
Other (SBWB assessment)	2,168,075	2,241,401
Other (Long Term Debt Service ~ FY09)	515,937	432,690
Short term debt (interest only)	100,000	111,700
Retained Earnings Expense	69,000	
Total costs appropriated in enterprise fund	<u>3,935,923</u>	<u>3,862,673</u>
<b>b. Costs appropriated in the general fund (to be transferred to enterprise)</b>		
Total costs appropriated in the general fund	<u>615,198</u>	<u>680,125</u>
<b>Total Costs</b>	<u><u>4,551,121</u></u>	<u><u>4,542,798</u></u>
<b>3. Calculation of General Fund Subsidy</b>		
Revenue & available funds	4,549,396	4,542,798
less: Total costs	4,551,121	4,542,798
less: Prior year deficit		
(Negative represents general fund subsidy)	<u><u>(1,725)</u></u>	<u><u>0</u></u>
<b>4. Sources of Funding for Costs Appropriated in the Enterprise Fund</b>		
a. Revenue & available funds	4,551,121	4,542,798
b. Taxation		
c. Free Cash		
d. Non-Enterprise available funds		
<b>Total Sources of Funding for Costs Appropriated in Enterprise Fund</b>	<u><u>4,551,121</u></u>	<u><u>4,542,798</u></u>

BUREAU OF ACCOUNTS  
SCHEDULE A-2  
ENTERPRISE FUNDS

SALEM  
SOLID WASTE ENTERPRISE FUND - FY10

	(b) FY09 Estimated Receipts DOR recap	(c) FY10 Estimated
<b>1. Enterprise Revenues &amp; Available Funds</b>		
User Charges	650,000	600,000
Prior Year Liens	50,000	50,000
Other Departmental Revenue		
Other Departmental Revenue (recycling)	100,000	50,000
Investment Income		
Total Revenues	800,000	700,000
Retained Earnings Appropriated**		
Other Enterprise Available Funds		
Total Revenue & Available Funds	800,000	700,000
	To Recap Part IIIB, line 3	

**2. Total Costs Appropriated**

**a. Costs appropriated in enterprise fund**

Salary & Wages	71,580	35,349
Expenses	27,200	26,700
Contracted Services - Collection		
Contracted Services - Disposal		
Contracted Services - Collection and Disposal (flat fee)	2,490,000	2,510,000
Recycling Initiative	12,000	12,000
Reserve Fund		
Total costs appropriated in enterprise fund	2,600,780	2,584,049

**b. Costs appropriated in the general fund (to be transferred to enterprise)**

	0	0
<b>Total Costs</b>	2,600,780	2,584,049

**3. Calculation of General Fund Subsidy**

Revenue & available funds	800,000	700,000
less: Total costs	2,600,780	2,584,049
less: Prior year deficit	11,054	0

(Negative represents general fund subsidy) (1,811,834) (1,884,049) 3.99%

**4. Sources of Funding for Costs Appropriated in the Enterprise Fund**

a. Revenue & available funds	800,000	700,000
b. Taxation	1,811,834	1,884,049
c. Free Cash		
d. Non-Enterprise available funds		

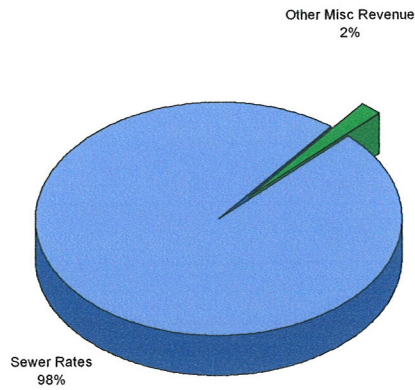
<b>Total Sources of Funding for Costs Appropriated in Enterprise Fund</b>	2,611,834	2,584,049
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**CITY OF SALEM  
REVENUE SUMMARY - ENTERPRISE FUNDS**

	Actual FY 2007	Actual FY 2008	RECAP FY 2009	Estimated FY 2010	Increase % FY 09 VS FY 10	INCREASE FY 09 VS FY 10
<b>ENTERPRISE FUND</b>						
SEWER RATES	6,474,210	6,480,185	7,368,529	7,506,675	1.87%	138,146
SEWER TRANS/OFS	600,000	601,846	600,000	-	-100.00%	(600,000)
<b>TOTAL SEWER</b>	<b>7,074,210</b>	<b>7,082,031</b>	<b>7,968,529</b>	<b>7,506,675</b>	<b>-5.80%</b>	<b>(461,854)</b>
WATER RATES	4,544,171	4,483,929	4,480,396	4,542,798	1.39%	62,402
WATER TRANS/OFS	-	129,990	-	-		0
<b>TOTAL SEWER</b>	<b>4,544,171</b>	<b>4,613,919</b>	<b>4,480,396</b>	<b>4,542,798</b>	<b>1.39%</b>	<b>62,402</b>
TRASH FEES	-	780,267	800,000	700,000	-12.50%	(100,000)
TRASH General Fund Subsidy/OFS	-	2,425,186	1,811,834	1,884,049	3.99%	72,215
<b>TOTAL SEWER</b>	<b>0</b>	<b>3,205,453</b>	<b>2,611,834</b>	<b>2,584,049</b>	<b>-1.06%</b>	<b>(27,785)</b>
<b>ENTERPRISE FUND TOTAL</b>	<b>11,618,381</b>	<b>14,901,404</b>	<b>15,060,759</b>	<b>14,633,522</b>	<b>-2.84%</b>	<b>(427,237)</b>

## ESTIMATED REVENUES SEWER ENTERPRISE FUND

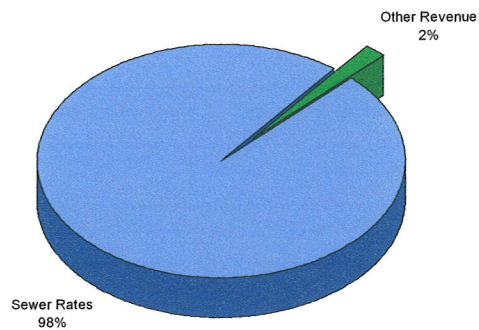
**FY 2009**



TOTAL 7,368,529

## ESTIMATED REVENUES SEWER ENTERPRISE FUND

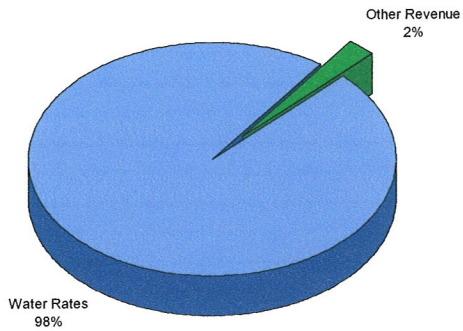
**FY 2010**



TOTAL 7,506,675

**ESTIMATED REVENUES  
WATER ENTERPRISE FUND**

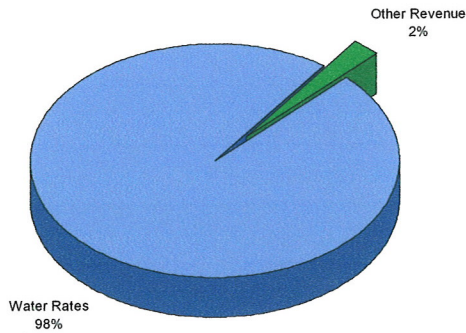
**FY 2009**



**TOTAL \$4,480,396**

**ESTIMATED REVENUES  
WATER ENTERPRISE FUND**

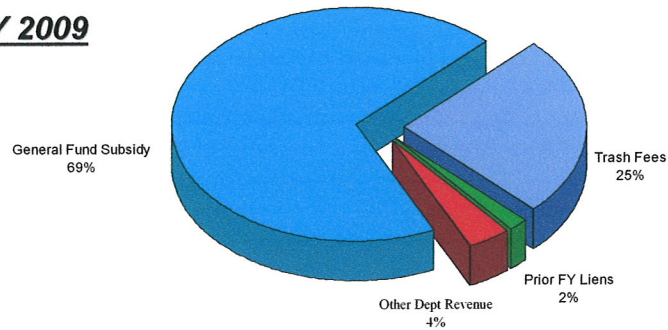
**FY 2010**



**TOTAL \$4,542,798**

## ESTIMATED REVENUES TRASH ENTERPRISE FUND

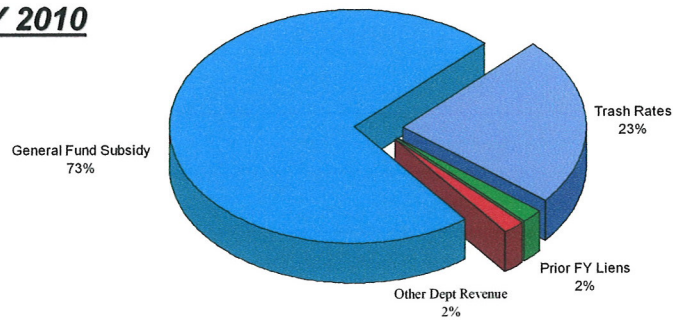
**FY 2009**



**TOTAL \$2,611,834**

## ESTIMATED REVENUES TRASH ENTERPRISE FUND

**FY 2010**



**TOTAL \$2,584,049**

## ENTERPRISE FUND REVENUE DETAIL

Revenues for enterprise funds are derived from the following sources:

- **Charges and Fees** – Amounts paid by those who use the service. These include late charges, fees and interest incurred in the collection process.
- **Other Revenue Sources (OFS)** – Includes all other receipts such as state funding, grants, surplus from South Essex Sewer District (SESD) & the Salem Beverly Water Supply Board (SBWSB) and monies from apportioned and un-apportioned betterments and special assessments relating to the enterprise fund.
- **Retained Earnings** – The operating surplus of the enterprise fund. Based on the submission of a June 30 balance sheet, the retained earnings of an enterprise may be used for appropriations only after the Bureau of Accounts certifies it as a surplus. This surplus may be used for capital projects or to offset the operating budget, which effectively reduces the user charges, rates, or general fund subsidy. Like free cash and other general fund reserves, the surplus must be appropriated before the subsequent June 20. After July 1, no appropriation can be made from the surplus until after it is certified by the Director of Accounts.
- **General Fund Subsidy** – Any revenue deficits in an enterprise fund can and should be funded by the general fund, either during the initial budgeting process (if anticipated) or raised on the Recap after year end.

The City of Salem uses the following sources to fund each enterprise fund:

**Sewer** – User fees, penalties and interest, sewer liens, backflow tests, other miscellaneous revenue and any fund balance surplus at the South Essex Sewerage District (SESD). SESD surpluses are the result of our assessment payment being more than the actual costs of running SESD.

**Water** – User fees, penalties and interest, water liens, sale of water meters, and revenue from shutoffs.

**Trash** – User fees, penalties and interest and general fund subsidy.

### SEWER ENTERPRISE FUND

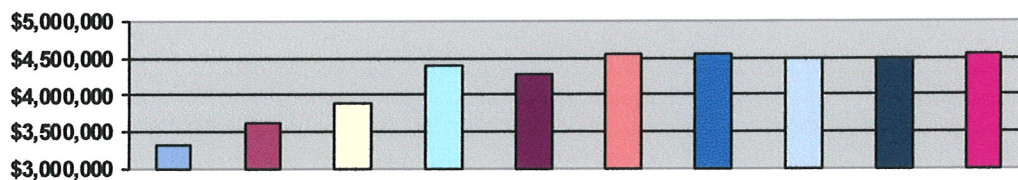
**Sewer Revenue** – The sewer revenues consist of penalties & interest, sewer rates revenues, sewer liens revenue, sewer backflow tests, and miscellaneous revenue. We also request on an annual basis that SESD send us any fund balances that they may be holding in our behalf.

In FY 2009 we received \$600,000 in December (after RECAP). That figure is not reflected in the 2009 revenue estimates on the RECAP. In FY 2010 we did not budget any fund balance transfers from

SESD due to the potential elimination of the Commonwealths sewer rate relief program. Sewer rate revenues are up due to rate increases of 5% effective July 1, 2010.

Sewer Enterprise Revenue			
Fiscal Year	Revenue	Fiscal Year	Revenue
2001	6,526,918	2006	6,990,045
2002	7,371,417	2007	7,074,210
2003	7,009,381	2008	7,082,031
2004	7,759,342	2009	7,368,529
2005	7,909,582	2010	7,506,675
			Per Recap Estimated
% Change FY09 vs FY10			1.9%

#### Water Enterprise Fund

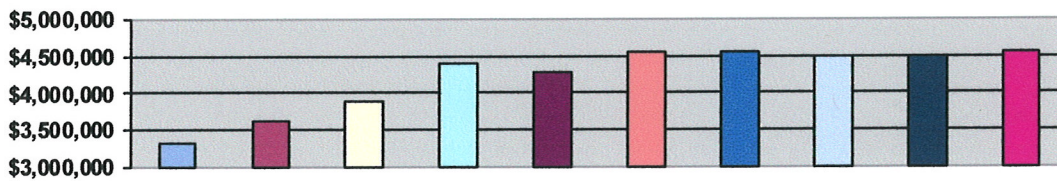


#### WATER ENTERPRISE FUND

Water Revenue – The water revenues consist of penalties & interest, water rates revenues, water liens revenue, water backflow tests, and miscellaneous revenue. Water rate revenues are up due to rate increases of 4% effective July 1, 2010.

Water Enterprise Revenue			
Fiscal Year	Revenue	Fiscal Year	Revenue
2001	3,315,709	2006	4,544,002
2002	3,625,861	2007	4,544,171
2003	3,894,865	2008	4,483,929
2004	4,402,276	2009	4,480,396
2005	4,273,573	2010	4,542,798
			Per Recap Estimated
% Change FY09 vs FY10			1.4%

### Water Enterprise Fund



### TRASH ENTERPRISE FUND

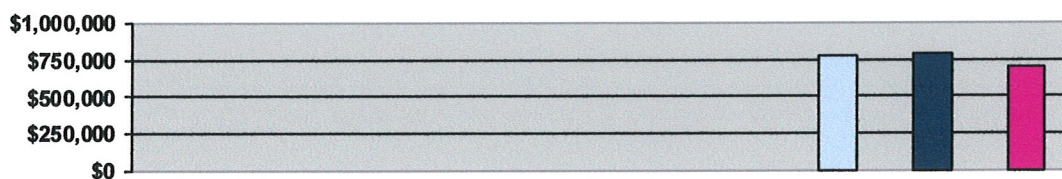
Trash Revenue – The trash revenues consist of penalties & interest and trash fee revenue. We subsidize the majority of the fund with a general fund transfer.

In FY 2007 the trash fees totaling \$449,665 were collected and expensed entirely in the general fund. In FY 2008 we created a Trash Enterprise Fund by vote of City Council.

In FY 2010 we anticipate revenue to decrease by approximately \$100,000 over the FY 2009 estimated revenues due to the current revenue trend in the Trash Enterprise Fund. We also anticipate reduction in recycling revenue due to economic factors including reductions in recycling rates.

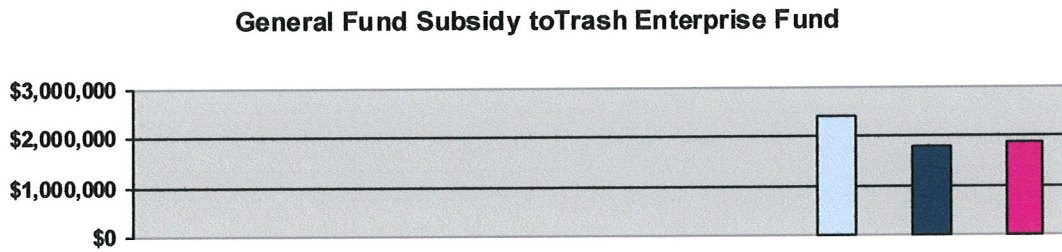
Trash Enterprise Revenue				
Fiscal Year	Revenue	Fiscal Year	Revenue	
2001		2006		
2002		2007		
2003		2008	780,268	
2004		2009	800,000	Per Recap
2005		2010	700,000	Estimated
% Change FY09 vs FY10			-12.5%	

### Trash Enterprise Fund



In FY 2010 we anticipate a 4.0% increase in the General Fund Subsidy to the Trash Enterprise fund due to the reduction in anticipated revenue in the Trash Enterprise fund.

General Fund Subsidy to Trash Enterprise Fund			
Fiscal Year	Revenue	Fiscal Year	Revenue
2001		2006	
2002		2007	
2003		2008	2,425,186
2004		2009	1,811,834
2005		2010	1,884,049
		Per Recap Estimated	
		% Change FY09 vs FY10	
		4.0%	



**CITY OF SALEM, MASSACHUSETTS  
FY 2010 OPERATING BUDGET**

	ACTUAL EXPENDED FY 2008	ADOPTED BUDGET FY 2009	ADJUSTED BUDGET FY 2009	DEPT BUDGET FY 2010	MAYOR BUDGET FY 2010	CITY COUNCIL BUDGET FY 2010	FY09 Adj vs FY 10 Inc/Decr Amount Percentage	
<b>ENTERPRISE FUNDS</b>								
SEWER	6,782,878	6,694,722	6,755,722	6,774,249	6,756,735	6,756,735	1,013	0.01%
WATER	3,673,766	3,866,923	4,428,923	3,897,472	3,862,673	3,862,673	(566,250)	-12.79%
TRASH	3,216,507.17	2,600,780	2,560,780	2,552,429	2,584,049	2,584,049	23,269	0.91%
<b>ENTERPRISE FUND TOTAL</b>	<b>13,673,151</b>	<b>13,162,425</b>	<b>13,745,425</b>	<b>13,224,150</b>	<b>13,203,457</b>	<b>13,203,457</b>	<b>(541,968)</b>	<b>-3.94%</b>
<b>GRAND TOTAL ALL FUNDS</b>	<b>120,053,585</b>	<b>119,065,723</b>	<b>120,247,521</b>	<b>120,948,297</b>	<b>120,312,481</b>	<b>120,312,481</b>	<b>64,960</b>	<b>0.05%</b>

**ENTERPRISE FUNDS**

**SEWER :**

Sewer - Public Services	574,224	485,088	496,088	485,088	453,494	453,494	(42,594)	-8.59%
Sewer - Engineering	596,788	358,288	408,288	356,960	337,200	337,200	(71,088)	-17.41%
SED Assessment	5,603,209	5,841,346	5,841,346	5,922,201	5,922,201	5,922,201	80,855	1.38%
Short Term Debt					33,840	33,840	33,840	
Sewer - Insurance Deduction	8,656	10,000	10,000	10,000	10,000	10,000	-	0.00%
<b>TOTAL SEWER</b>	<b>6,782,878</b>	<b>6,694,722</b>	<b>6,755,722</b>	<b>6,774,249</b>	<b>6,756,735</b>	<b>6,756,735</b>	<b>1,013</b>	<b>0.01%</b>

**WATER :**

Water-Public Services	772,981	528,123	565,123	528,081	496,487	496,487	(68,636)	-12.15%
Water-Engineering	485,877	544,788	1,069,788	539,760	570,395	570,395	(499,393)	-46.68%
Long Term Debt	141,626	515,937	515,937	432,690	432,690	432,690	(83,247)	-16.14%
Short Term Debt	132,603	100,000	100,000	145,540	111,700	111,700	11,700	11.70%
SBWS Assessment	2,140,679	2,168,075	2,168,075	2,241,401	2,241,401	2,241,401	73,326	3.38%
Water - Insurance Deduction	0	10,000	10,000	10,000	10,000	10,000	-	
<b>TOTAL WATER</b>	<b>3,673,766</b>	<b>3,866,923</b>	<b>4,428,923</b>	<b>3,897,472</b>	<b>3,862,673</b>	<b>3,862,673</b>	<b>(566,250)</b>	<b>-12.79%</b>

**TRASH :**

Trash - Engineering	3,216,507	2,600,780	2,560,780	2,552,429	2,584,049	2,584,049	23,269	0.91%
<b>TOTAL TRASH</b>	<b>3,216,507</b>	<b>2,600,780</b>	<b>2,560,780</b>	<b>2,552,429</b>	<b>2,584,049</b>	<b>2,584,049</b>	<b>23,269</b>	<b>0.91%</b>

<b>ENTERPRISE FUND TOTAL</b>	<b>13,673,151</b>	<b>13,162,425</b>	<b>13,745,425</b>	<b>13,224,150</b>	<b>13,203,457</b>	<b>13,203,457</b>	<b>(541,968)</b>	<b>-3.94%</b>
<b>GRAND TOTAL ALL FUNDS</b>	<b>120,053,585</b>	<b>119,065,723</b>	<b>120,247,521</b>	<b>120,948,297</b>	<b>120,312,481</b>	<b>120,312,481</b>	<b>64,960</b>	<b>0.05%</b>

**PERSONNEL & NON-PERSONNEL SUMMARIES**

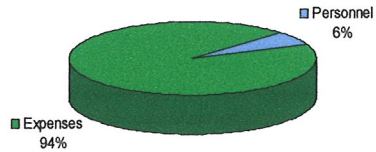
Sewer	Personnel	391,188	422,676	422,676	443,558	419,504	419,504	(3,172)	-0.75%
	Non-Personnel	6,391,690	6,272,046	6,333,046	6,330,691	6,337,231	6,337,231	4,185	0.07%
		<b>6,782,878</b>	<b>6,694,722</b>	<b>6,755,722</b>	<b>6,774,249</b>	<b>6,756,735</b>	<b>6,756,735</b>	<b>1,013</b>	<b>0.01%</b>
Water	Personnel	409,626	435,276	443,776	455,558	431,504	431,504	(12,272)	-2.77%
	Non-Personnel	3,264,139	3,431,647	3,985,147	3,441,914	3,431,169	3,431,169	(553,978)	-13.90%
		<b>3,673,766</b>	<b>3,866,923</b>	<b>4,428,923</b>	<b>3,897,472</b>	<b>3,862,673</b>	<b>3,862,673</b>	<b>(566,250)</b>	<b>-12.79%</b>
Trash	Personnel	55,139	71,580	71,580	23,729	35,349	35,349	(36,231)	-50.62%
	Non-Personnel	3,161,368	2,529,200	2,489,200	2,528,700	2,548,700	2,548,700	59,500	2.39%
		<b>3,216,507</b>	<b>2,600,780</b>	<b>2,560,780</b>	<b>2,552,429</b>	<b>2,584,049</b>	<b>2,584,049</b>	<b>23,269</b>	<b>0.91%</b>
<b>TOTAL Enterprise Fund</b>		<b>13,673,151</b>	<b>13,162,425</b>	<b>13,745,425</b>	<b>13,224,150</b>	<b>13,203,457</b>	<b>13,203,457</b>	<b>(541,968)</b>	<b>-3.94%</b>

# ADOPTED BUDGET SEWER ENTERPRISE FUND

**FY 2009**

## SEWER FUND

• Personnel	\$ 422,676
• Expenses	<u>6,272,046</u>
• TOTAL	\$ 6,694,722



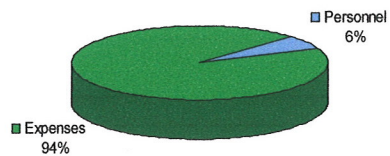
■ Personnel ■ Expenses

# ADOPTED BUDGET SEWER ENTERPRISE FUND

**FY 2010**

## SEWER FUND

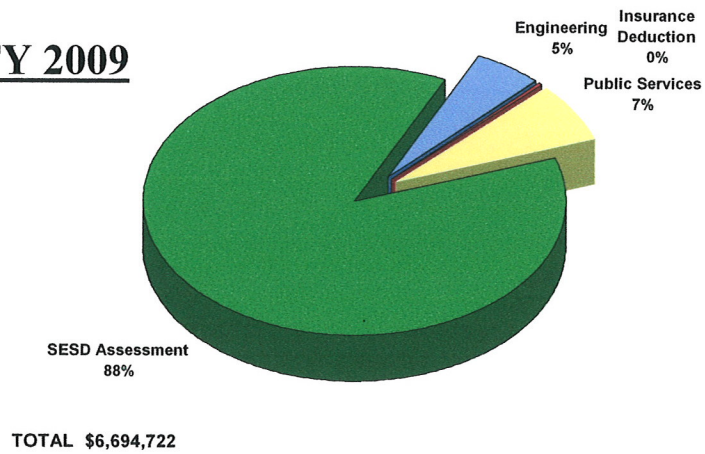
• Personnel	\$ 419,504
• Expenses	<u>6,337,231</u>
• TOTAL	\$ 6,756,735



■ Personnel ■ Expenses

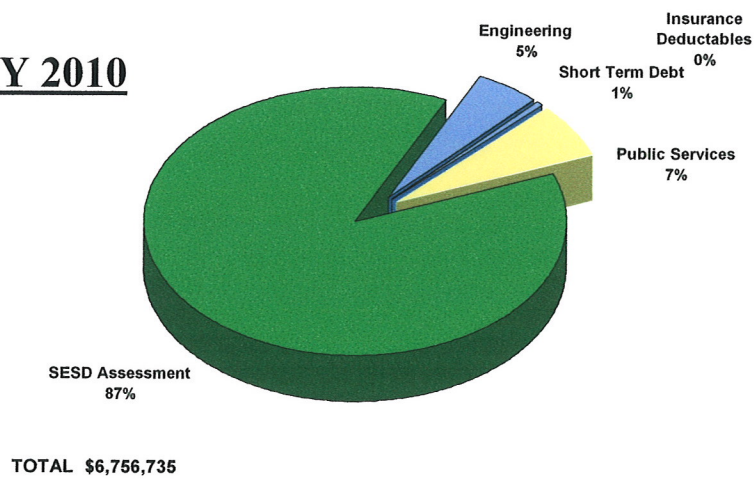
## ADOPTED BUDGET SEWER ENTERPRISE FUND

**FY 2009**



## ADOPTED BUDGET SEWER ENTERPRISE FUND

**FY 2010**

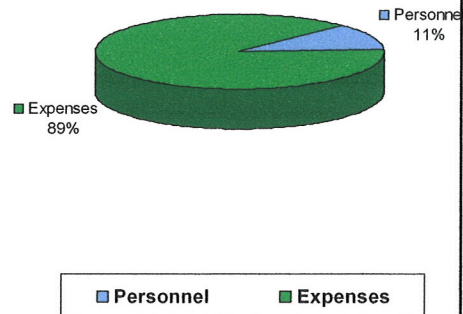


# ADOPTED BUDGET WATER ENTERPRISE FUND

**FY 2009**

## WATER FUND

• Personnel	\$ 435,276
• Expenses	<u>3,431,647</u>
• TOTAL	\$ 3,866,923

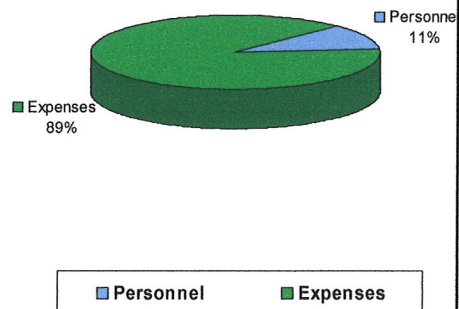


# ADOPTED BUDGET WATER ENTERPRISE FUND

**FY 2010**

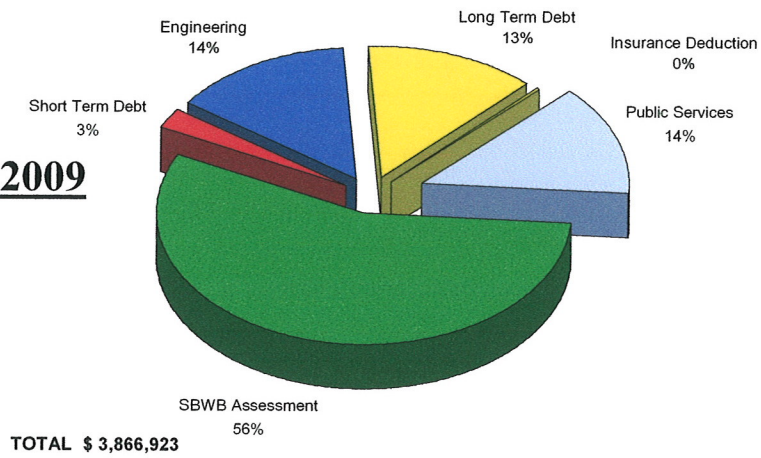
## WATER FUND

• Personnel	\$ 431,504
• Expenses	<u>3,431,169</u>
• TOTAL	\$ 3,862,673



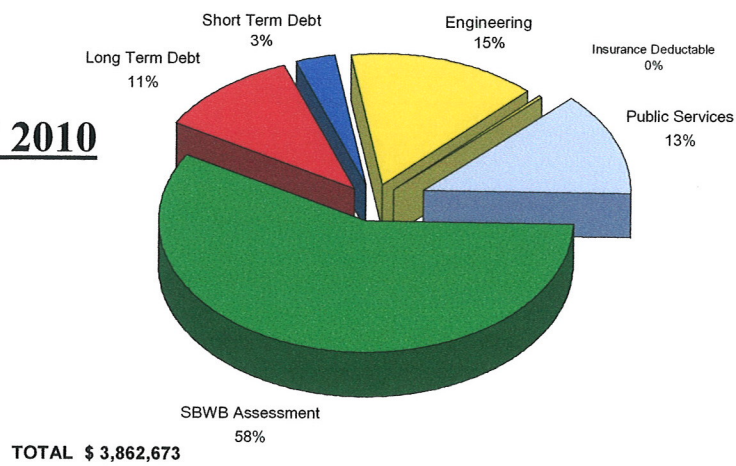
## ADOPTED BUDGET WATER ENTERPRISE FUND

**FY 2009**



## ADOPTED BUDGET WATER ENTERPRISE FUND

**FY 2010**

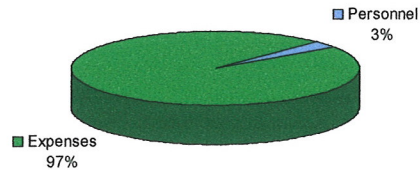


# ADOPTED BUDGET TRASH ENTERPRISE FUND

**FY 2009**

## TRASH FUND

• Personnel	\$ 71,580
• Expenses	<u>2,529,200</u>
• TOTAL	\$ 2,600,780



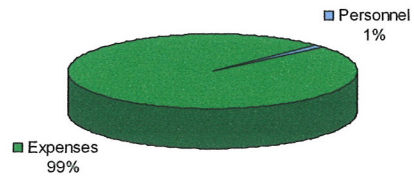
■ Personnel ■ Expenses

# ADOPTED BUDGET TRASH ENTERPRISE FUND

**FY 2010**

## TRASH FUND

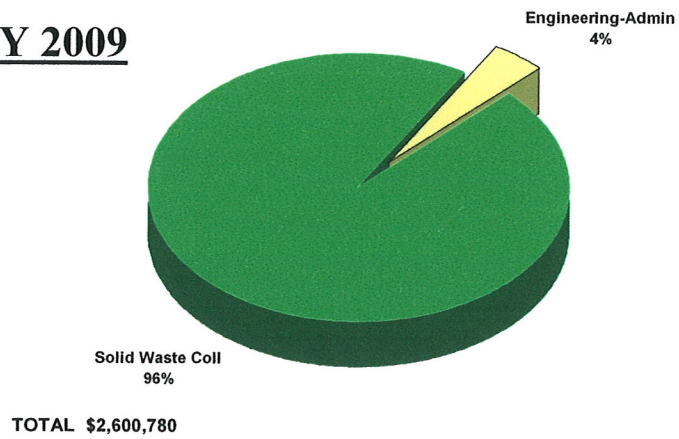
• Personnel	\$ 35,349
• Expenses	<u>2,548,700</u>
• TOTAL	\$ 2,584,049



■ Personnel ■ Expenses

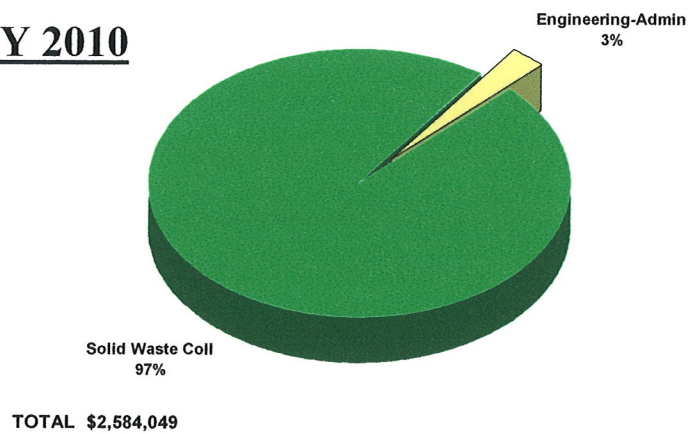
**ADOPTED BUDGET  
TRASH ENTERPRISE FUND**

**FY 2009**



**ADOPTED BUDGET  
TRASH ENTERPRISE FUND**

**FY 2010**



**Five Year Financial Forecast**  
**Water and Sewer Enterprise Funds**  
**FY09 - FY13**

Updated 6/3/2009

Desc		FY 2009		FY 2010		FY 2011		FY 2012		FY 2013	
<i>projected percent increase</i>		9%		5%		5%		7%		7%	
<b>Sewer Rates</b>	Residential		4.62		4.85		5.10		5.45		5.83
	Non-Residential < 25,000 cu ft		7.00		7.35		7.72		8.26		8.83
	Non-Residential > 25,000 cu ft		8.97		9.42		9.89		10.58		11.32
<b>SEWER REVENUE</b>											
User Charges		7,218,529		7,356,675		7,724,509		8,265,224		8,843,790	
Other Department Revenue		150,000		150,000		157,500		168,525		180,322	
<b>SEWER RATES</b>		<b>7,368,529</b>		<b>7,506,675</b>		<b>7,882,009</b>		<b>8,433,749</b>		<b>9,024,112</b>	
Other Financial Sources											
Retained Earnings Appropriated		3,000									
SESD Trans In		600,000									
<b>SEWER OFS/Trans In</b>		<b>603,000</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>	
<b>TOTAL SEWER REVENUE</b>											
		<b>7,971,529</b>		<b>7,506,675</b>		<b>7,882,009</b>		<b>8,433,749</b>		<b>9,024,112</b>	
<b>SEWER EXPENSES</b>											
Administration		853,376		800,694		824,715		849,456		874,940	
Short Term Debt - Interest				33,840		67,680					
Long Term Debt - Principal and Interest											
SESD Assessment		5,841,346		5,922,201		6,099,867		6,282,863		6,471,349	
Retained Earnings Expended		3,000									
Other Financial Uses											
<b>Subtotal</b>		<b>6,697,722</b>		<b>6,756,735</b>		<b>6,992,262</b>		<b>7,692,569</b>		<b>7,891,351</b>	
Indirect Costs											
		673,882		749,940		772,438		795,611		819,480	
<b>Subtotal</b>		<b>7,371,604</b>		<b>7,506,675</b>		<b>7,764,700</b>		<b>8,488,181</b>		<b>8,710,831</b>	
Encumbrances											
<b>TOTAL SEWER EXPENSES</b>		<b>7,371,604</b>		<b>7,506,675</b>		<b>7,764,700</b>		<b>8,488,181</b>		<b>8,710,831</b>	
<b>NET CHANGE IN FUND BALANCE (Projected)</b>											
		<b>599,925</b>		<b>-</b>		<b>117,309</b>		<b>(54,431)</b>		<b>313,281</b>	

**Five Year Financial Forecast**  
**Water and Sewer Enterprise Funds**  
**FY09 - FY13**

Updated 6/3/2009

Desc	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<i>percent increase</i>	<i>0%</i>	<i>4%</i>	<i>4%</i>	<i>7%</i>	<i>7%</i>
<b>Water Rates</b>					
Residential	2.18	2.27	2.36	2.52	2.70
Non-Residential	2.96	3.08	3.20	3.43	3.67
<b>WATER REVENUE</b>					
User Charges	4,370,000	4,432,798	4,610,110	4,932,818	5,278,115
Other Department Revenue	110,000	110,000	114,400	122,408	130,977
<b>WATER RATES</b>	<b>4,480,000</b>	<b>4,542,798</b>	<b>4,724,510</b>	<b>5,055,226</b>	<b>5,409,091</b>
OFS					
Retained Earnings Appropriated	69,000	-	-	-	-
<b>WATER OFS/Trans in</b>	<b>69,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL WATER REVENUE</b>	<b>4,549,000</b>	<b>4,542,798</b>	<b>4,724,510</b>	<b>5,055,226</b>	<b>5,409,091</b>
<b>WATER EXPENSES</b>					
Administration	1,082,911	1,076,882	1,109,188	1,109,188	1,109,188
Long Term Debt - principal and interest	515,937	432,690	424,438	1,133,689	1,133,689
Short Term Debt	100,000	111,700	223,400	-	-
SBWSB Assessment	2,168,075	2,241,401	2,331,057	2,424,299	2,521,271
Retained Earnings Expended	69,000				
Reserve Fund					
Subtotal	<b>3,935,923</b>	<b>3,862,673</b>	<b>4,088,084</b>	<b>4,667,177</b>	<b>3,630,460</b>
Indirect Costs	615,198	680,125	707,330	735,623	765,048
Subtotal	<b>4,551,121</b>	<b>4,542,798</b>	<b>4,795,414</b>	<b>5,402,800</b>	<b>4,395,508</b>
Encumbrances					
<b>TOTAL WATER EXPENSES</b>	<b>4,551,121</b>	<b>4,542,798</b>	<b>4,795,414</b>	<b>5,402,800</b>	<b>4,395,508</b>
<b>NET CHANGE IN FUND BALANCE (Projected)</b>	<b>(2,121)</b>	<b>-</b>	<b>(70,904)</b>	<b>(347,574)</b>	<b>1,013,584</b>

**City of Salem  
Capital Plan  
Fiscal Year 2009 - 2013**

CAPITAL REQUEST	FY10 PRIORITY	FUNDING SOURCE	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<b>Water Enterprise-Engineering</b>							
Highland Ave Water Tank (2003 Bond issue)							
	wip	authorized and unissued \$	4,500,000.00				
		authorized and unissued \$	1,828,208.00				
Main System Upgrades Vales/Pipe replacement (2003 Bond issue)	wip	BAN	\$ 3,000,000.00				
Upgrade Water Meters - Entire City (2009 bond issue)	wip	BAN	\$ 2,500,000.00				
Design/Construction of Transmission Main Upgrades (Rantoul Street) (2009 bond issue)	wip	BAN	\$ 2,500,000.00				
Main System Upgrades Vales/Pipe replacement	1	r/e		\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00
Water Easements - Research, Taking, Clearing	2	r/e		\$ 175,000.00			
Folly Hill Reservoir ~ Slope Stabilization Project	3	r/e		\$ 80,000.00			
Energy efficiency evaluation - SBWSB pump station		ESCO			\$ 35,000.00		
Valve Operating Machine ~ O/M water distribution system		r/e			\$ 150,000.00		
Internal/External Inspection ~ Gallows and Folly Hills Storage Tanks		r/e			\$ 100,000.00		
<b>Subtotal: Water Enterprise</b>			\$ 11,828,208.00	\$ 355,000.00	\$ 385,000.00	\$ 100,000.00	\$ 100,000.00
<b>Sewer Enterprise-Engineering</b>							
South River Basin Upgrades (study, design/permit, construction) (2009 bond issue)	wip	BAN	\$ 4,350,000.00				
Sewer Pump Station Upgrades/Replacements (2009 bond issue)	wip	BAN	\$ 400,000.00				
Forrester St. study (study, design, construct) (2009 bond issue)	wip	BAN	\$ 150,000.00				
Station/Moffat Rd. (study, design, construct) (2009 bond issue)	wip	BAN	\$ 150,000.00				
Drain Cleaning		RESCIND	\$ 300,000.00				
North River improvements - Peer Review	done		\$ 50,000.00				
Sewer Line Extension/Upgrade/Rehabilitation		r/e		\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00
Illicit connection removal (study, design, construction)	1	r/e		\$ 100,000.00	\$ 100,000.00	\$ 400,000.00	
I/I Removal Program	3	SESD		\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00
<b>Subtotal: Sewer Enterprise</b>			\$ 5,400,000.00	\$ 175,000.00	\$ 175,000.00	\$ 475,000.00	\$ 75,000.00
<b>Total: Enterprise Fund</b>			\$ 17,228,208.00	\$ 530,000.00	\$ 560,000.00	\$ 575,000.00	\$ 175,000.00

**NOTES ~ Funding Sources:**

Bonds: Issuance of long term bonds to fund (analysis below on yearly estimated debt payments and effect on water/sewer rates)  
r/e: Retained Earnings of the respective enterprise fund (no effect on rates)  
SESD: South Essex Sewerage District Retained Earnings to be used going forward to fund I/I campaigns (inflow and infiltration).  
BAN: Bond anticipation notes  
Authorized and Unissued: Debt has been authorized, but no issuance of bonds have occurred

**Water and Sewer Enterprise Fund**  
**Capital Projects Update – Approved Projects**  
**June 11, 2009**

**Water Enterprise Fund**

**Highland Avenue Water Tank & Main System Upgrades (2003)**

- Authorized: \$6,328,208
- BAN: \$1,000,000 payable October 2009

Status:

*The 2003 \$12 million loan authorization included the recently completed Lafayette and Loring Ave. water main improvement project, the Highland Ave water tank, system-wide upgrades to ensure proper long term operation of the city's water distribution system.*

*The Highland Ave water tank project is on hold pending the advancement of the Walmart/Lowe's development. The development should have its permits by the end of 2009, and complete site work (considerable blasting of ledge) by the end of 2010. The water tank construction can start in 2011. The estimated cost of the water tank, piping and scada is \$4.5 million.*

*The main system upgrades, in the form of looping many dead-end water mains and replacement of aging pipes and valves is underway. Estimated cost for these improvements is \$1.8 million.*

*The existing \$1 million BAN should be sufficient to fund these projects in FY2010.*

**Transmission Main – Rantoul St. (2007)**

- Authorized: \$2,500,000
- BAN: \$ 900,000 payable October 2009

Status:

*The 2007 \$2.5 million loan authorization is for the upgrade of the City's 20-inch transmission main in Rantoul Street, from Gloucester crossing to the Salem Beverly bridge. The main upgrade is needed in anticipation of the city of Beverly's Rantoul street roadway construction project.*

*Test pits and structural pipe and soil corrosivity analyses were recently completed and the design of the improvements should begin in July, 2009. Construction is planned for the end of 2009.*

*The existing \$900,000 ban should be increased to the full \$2.5 million authorization level to fund this project in FY2010.*

### **Upgrade of Water Meters (2007)**

- Authorized: \$3,000,000
- BAN: \$ 925,000 payable October 2009

#### Status:

*The 2007 \$3.0 million loan authorization is for the replacement of aging and inaccurate water meters and replacement of the meter reading capability in the city. A 100% replacement program is expected.*

*A Request for proposals from meter and meter reading manufacturers will be advertised in July or August and once a meter and reading system is selected, an installation contract will be advertised by the winter of 2010.*

*The existing \$925,000 BAN should be sufficient to fund these projects in FY2010.*

## **Sewer Enterprise Fund**

### **South River Basin Upgrade**

- Authorized: \$4,350,000
- BAN: \$ 450,000 payable October 2009

#### Status:

*The 2007 \$4.35 million loan authorization included investigations and exhaustive elevation surveys, conduit cleanings, modeling and analysis to identify specific mitigation measures that should be implemented to achieve the projects objectives. Immediately following, the implementation of the selected measures, including permitting, design and construction would be conducted.*

*Completed to date is the 1' and 2' contour survey of the project area, manhole and catch basin survey and inspection, installation of flow depth and volume metering, and the cleaning and inspection of key conduits and inlets and outlets of the piping system.*

*The existing \$450,000 ban should be increased by \$1 million to provide sufficient funds to advance this project in FY2010.*

### **Sewer Pump Station Upgrade/Replacement**

- Authorized \$400,000
- BAN \$400,000 payable October 2009

#### Status:

*The 2007 \$400,000 loan authorization included capital improvements to the City's water and sewerage pumps stations. Improvements include, but are not limited to new scada equipment, new pumps and motors, new stand by generators, etc at each station.*

*Work is underway and should be completed by the end of the calendar year 2009. The existing \$400,000 BAN should be rolled to permanent debt as planned.*

**Forrester St and Station/Moffat upgrades**

- Authorized           \$300,000 (\$150,000 per project)
- BAN                   \$300,000 payable October 2009

Status:

*The 2007 \$300,000 loan authorization included the study, design, permitting and construction of storm water improvements to mitigate flooding events in the city. Two major flood locations are on Station/Moffat road's drainage terminus at Monroe Road and the Forrester Ave. drainage systems' terminus at Derby and Webb Street.*

*Work is underway and should be completed by the end of the calendar year 2009. The existing \$300,000 BAN should be rolled to permanent debt as planned.*

# 2009 COMBINED RETAIL WATER AND SEWER RATE COMMUNITY CHARGE COMPARISON

	Water		Sewer		Discounts	Fund	Last Rate Adjustment from FY2007	% change	Annual Cost per 120 HCF (approx 90,000 gallons)	
	Residential	Commercial	Residential	Commercial					Water	Sewer
Salem - current	\$ 2.18	\$ 2.96	\$ 4.24	\$ 6.42	yes 10% water if pd, within 15 days	Enterprise Fund Water & Sewer	10/1/2008	0.00%	Water: \$ 261.60 Sewer: \$ 508.80 Combined: \$ 770.40	
Salem - proposed	\$ 2.18	\$ 2.96	\$ 4.62	\$ 7.00	yes 10% water if pd, within 15 days	Enterprise Fund Water & Sewer		5.90%	Water: \$ 261.60 Sewer: \$ 554.59 Combined: \$ 816.19	
Beverly	\$ 2.45	same	\$ 4.80	same	no	General Fund Water & Sewer	7/1/2008	4.30%	Water: \$ 294.00 Sewer: \$ 576.00 Combined: \$ 870.00	
Chelsea	\$ 3.82	same	\$ 5.81	same	no	Enterprise Fund Water & Sewer	4/1/2008	9.10%	Water: \$ 458.40 Sewer: \$ 697.20 Combined: \$ 1,155.60	
Danvers	\$ 3.77	0-20 HCF 20-24 HCF 24 - Greater HCF	\$ 5.28 \$ 5.47 \$ 6.55	0-20 HCF 20-24 HCF 24-Greater HCF	yes 15% water elderly/low income	General Fund Water & Sewer	7/1/2008	9.75%	Water: \$ 452.40 Sewer: \$ 633.60 Combined: \$ 1,086.00	
Gloucester	\$ 7.83	same	\$ 12.09	same	no	Enterprise Fund Water & Sewer	7/1/2008	6.00%	Water: \$ 704.70 Sewer: \$ 1,088.10 Combined: \$ 1,792.80	
Lynn	\$ 3.13	0-27.40 HCF 27.41-73.05 HCF 73.06-281.245 HCF balance	\$ 5.75 \$ 5.95 \$ 6.01 \$ 6.07	0-27.40 HCF 27.41-73.05 HCF 73.06-281.245 HCF balance	yes owner occ. elderly/disabled single @ 15% 2-fam @ 7.5% 3-fam @ 5%	Enterprise Fund Water & Sewer	7/1/2008	2.50%	Water: \$ 376.54 Sewer: \$ 692.08 Combined: \$ 1,068.62	
Marblehead	\$ 3.65	0-30 HCF balance	\$ 5.40 \$ 5.70	0-30 HCF balance	no	Enterprise Fund Water & Sewer	7/1/2008	4.10%	Water: \$ 490.00 Sewer: \$ 680.00 Combined: \$ 1,170.00	
Peabody	\$ 2.44	2.90 0-15 HCF 3.16 15-30 HCF 3.44 balance	\$ 3.25 \$ 3.58	3.75 0-15 HCF 4.13 balance	no	General Fund Water & Sewer	3/1/2003	0.00%	Water: \$ 306.00 Sewer: \$ 409.80 Combined: \$ 715.80	
Revere	\$ 2.61	3.71 HCF	\$ 8.14	11.21	yes senior	Enterprise Fund Water & Sewer	7/1/2008	2.90%	Water: \$ 313.20 Sewer: \$ 976.80 Combined: \$ 1,290.00	
Swampscott	\$ 5.22	same	\$ 4.35	same	no	Enterprise Fund Water & Sewer	8/1/2008	7.90%	Water: \$ 626.40 Sewer: \$ 522.00 Combined: \$ 1,148.40	

Average Costs of listed communities:	
Water:	\$ 446.85
Sewer:	\$ 697.29
Combined:	\$ 1,144.14

NOTE: All data taken from MWRA Annual Water and Sewer Retail Rate Survey - December 2008  
except Danvers (gathered from Danvers Accounting Office March 2009)