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.

As part of the FY 2014 budget process the Mayor requested and the City Council approved the adoption of the Massachusetts Department of Revenue Division of Local Services Bulletin 2012-02B (page 3/7) which allows for the combining of water and sewer enterprise funds voted under MGL Ch 44 §53F ½ into a single water-sewer fund. The combined funds will be treated the same as the individual funds were and will have only one certified retained earnings. For operational and accounting purposes the water and sewer enterprise funds will remain separate and distinct funds but will be combined for the purpose of certifying retained earnings and for reporting on the annual Tax Recapitulation report which sets the annual tax rate. This will allow the City to use the Sewer Fund Balance to help offset Water revenue deficits and to help keep the water and sewer rate increases lower for rate payers.

Basis of Accounting

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

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 Department Enterprise fund is used to account for the Parking 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

Five Year Financial Forecast
Water and Sewer Enterprise Funds
FY14 - FY18

	Desc	FY 2014 RECAP	FY 2015 Mayor	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
	projected percent increase	*5%*	*4%*	*3%*	*2%*	*2%*
Sewer Rates	Residential	5.67	5.90	6.07	6.20	6.32
	Non-Residential < 25,000 cu ft	8.60	8.94	9.21	9.40	9.58
	Non-Residential > 25,000 cu ft	11.01	11.45	11.79	12.03	12.27
SEWER REVENUE						
	User Charges	8,332,024	8,665,305	8,925,264	9,103,769	9,285,845
	Penalties and Interest		70,000	70,000	70,000	70,000
	Sewer Liens		215,000	215,000	215,000	215,000
	Other Departmental Revenue	450,000				
	Investment Income					
	Intergovernmental-SESD	380,180				
	SEWER RATES	**9,162,204**	**8,950,305**	**9,210,264**	**9,388,769**	**9,570,845**
	Retained Earnings Appropriated					
	Other Enterprise Available Funds W/S Combine	(798,547)	(123,593)			
	SESD PILOT SUBSIDY					
	SEWER OFS/Trans In	**(798,547)**	**(123,593)**	**-**	**-**	**-**
	TOTAL SEWER REVENUE	**8,363,657**	**8,826,712**	**9,210,264**	**9,388,769**	**9,570,845**
SEWER EXPENSES						
3%	Administration			-	-	-
	Public Services	502,910	494,688	509,529	524,814	540,559
	Engineering	393,594	393,500	405,305	417,464	429,988
	Insurance Expenses (Deductibles)	5,000	5,000	5,000	5,000	5,000
	Long Term Debt (Principal and Interest)	248,850	529,563	545,450	561,813	578,668
	Short Term Debt BANS/Professional Fees		5,000	5,000	5,000	5,000
3%	SESD Assessment	5,831,817	5,743,604	5,915,912	6,093,389	6,276,191
	Subtotal	**6,982,171**	**7,171,355**	**7,386,196**	**7,607,482**	**7,835,406**
	Indirect Costs - To Be Reduced annually	815,218	815,218	815,218	815,218	815,218
	Subtotal	**7,797,389**	**7,986,573**	**8,201,414**	**8,422,700**	**8,650,624**
	TOTAL SEWER EXPENSES	**7,797,389**	**7,986,573**	**8,201,414**	**8,422,700**	**8,650,624**
	NET CHANGE IN SEWER FUND BALANCE (Projected)	**566,268**	**840,139**	**1,008,850**	**966,070**	**920,221**

Five Year Financial Forecast
Water and Sewer Enterprise Funds
FY14 - FY18

	Desc	FY 2014 RECAP	FY 2015 Mayor	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
	projected percent increase	*5%*	*4%*	*3%*	*2%*	*2%*
Water Rates	Residential	2.78	2.89	2.98	3.04	3.10
	Non-Residential	3.77	3.92	4.04	4.12	4.20

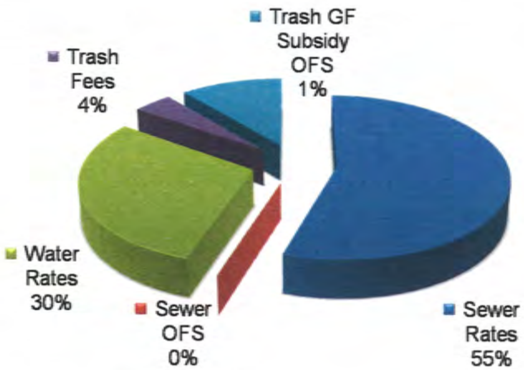
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
WATER REVENUE					
User Charges	5,034,697	5,236,085	5,393,168	5,501,031	5,611,052
Interest and Penalties		40,000	40,000	40,000	40,000
Other Department Revenue-Water Liens	270,000	120,000	120,000	120,000	120,000
Water Meters and Misc. Revenue		15,000	15,000	15,000	15,000
Backflow		65,000	65,000	65,000	65,000
WATER RATES	**5,304,697**	**5,476,085**	**5,633,168**	**5,741,031**	**5,851,052**
FB Reserved for Expenditures					
Less Estimated Loss for the Power Plant		(700,000)	(700,000)	(700,000)	(500,000)
Subsidy from Sewer Fund Balance					
Other Enterprise Available Funds W/S Combined	258,970				
WATER OFS/Trans in	**258,970**	**(700,000)**	**(700,000)**	**(700,000)**	**(500,000)**
TOTAL WATER REVENUE	**5,563,667**	**4,776,085**	**4,933,168**	**5,041,031**	**5,351,052**
WATER EXPENSES					
3% Administration					
Public Services	541,144	533,463	549,467	565,951	582,929
Engineering	502,494	573,500	590,705	608,426	626,679
Insurance Expense (Deductibles)	2,500	2,500	2,500	2,500	2,500
Long Term Debt (Principal and Interest)	1,306,854	1,285,040	1,323,591	1,363,299	1,404,198
Short Term Debt (Interest Only)	3,000	8,000	8,000	8,000	8,000
3% SBWSB Assessment	2,482,531	2,527,285	2,603,104	2,681,197	2,761,633
Retained Earnings Expended					
Reserve Fund					
Other Financing Uses (OFU)					
Subtotal	**4,838,523**	**4,929,788**	**5,077,367**	**5,229,373**	**5,385,939**
Indirect Costs - To Be Reduced annually	786,436	686,436	586,436	486,436	386,436
Subtotal	**5,624,959**	**5,616,224**	**5,663,803**	**5,715,809**	**5,772,375**
TOTAL WATER EXPENSES	**5,624,959**	**5,616,224**	**5,663,803**	**5,715,809**	**5,772,375**
NET CHANGE IN WATER FUND BALANCE (Projected)	**(61,292)**	**(840,139)**	**(730,635)**	**(674,778)**	**(421,323)**
NET CHANGE IN WATER/SEWER BALANCE (Projected)	**504,976**	**(0)**	**278,215**	**291,292**	**498,898**

CITY OF SALEM
ENTERPRISE FUNDS A2 SUMMARY

	ACTUAL FY 2013	Estimated (Thru 3/14) FY 2014	Estimated FY 2015	Increase % FY 14 VS FY 15	INCREASE FY 14 VS FY 15
REVENUE					
SEWER RATES	7,784,437	8,332,024	8,665,305	4.00%	333,281
OTHER	445,114	450,000	161,407	-64.13%	(288,593)
SEWER TRANS/OFS/GF SUBSIDIES	910,573	380,180			(380,180)
TOTAL SEWER REVENUE	9,140,124	9,162,204	8,826,712	-3.66%	(335,492)
WATER RATES	4,691,356	5,034,697	5,236,085	4.00%	201,388
OTHER	256,255	270,000	240,000	-11.11%	(30,000)
WATER TRANS/OFS/GF SUBSIDIES/SEWER SUBSIDY	668,998	258,970	(700,000)	-370.30%	(958,970)
TOTAL WATER REVENUE	5,616,609	5,563,667	4,776,085	-14.16%	(787,582)
TRASH FEES	633,373	633,702	633,702	0.00%	0
OTHER	55,985	45,000	45,000	0.00%	0
TOTAL TRASH REVENUE	689,358	678,702	678,702	0.00%	0
TRASH TRANS/OFS/GF SUBSIDIES	2,160,684	1,839,288	1,783,215	-3.05%	(56,073)
TOTAL TRASH REVENUE WITH GF SUBSIDY	2,850,042	2,517,990	2,461,917	-2.23%	(56,073)
ENTERPRISE FUND TOTAL REVENUE	17,606,775	17,243,861	16,064,714	-6.84%	(1,179,147)
EXPENDITURES					
SEWER ADMIN	881,205	896,504	888,188	-0.93%	(8,316)
SEWER FIXED COSTS	6,139,981	6,085,667	6,283,167	3.25%	197,500
TOTAL SEWER EXPENDITURES	7,021,186	6,982,171	7,171,355	2.71%	-989,963
Sewer -Indirect Costs/OTHER FINANCIAL USES	783,049	815,218	815,218	0.00%	0
TOTAL SEWER EXPENDITURES WITH INDIRECT COSTS	7,804,235	7,797,389	7,986,573	2.43%	-800,779
WATER ADMIN	1,000,336	1,043,638	1,106,963	6.07%	63,325
WATER FIXED COSTS	3,707,274	3,794,885	3,822,825	0.74%	27,940
TOTAL WATER EXPENDITURES	4,707,610	4,838,523	4,929,788	1.89%	-709,514
WATER -Indirect Costs/OTHER FINANCIAL USES	708,877	786,436	686,436	-12.72%	(100,000)
TOTAL WATER EXPENDITURES WITH INDIRECT COSTS	5,416,487	5,624,959	5,616,224	-0.16%	-718,249
TRASH PERSONNEL	31,800	67,078	71,472	6.55%	4,394
TRASH NON-PERSONNEL	2,660,799	2,357,210	2,390,445	1.41%	33,235
TOTAL TRASH EXPENDITURES	2,692,599	2,424,288	2,461,917	1.55%	4,394
ENTERPRISE FUND TOTAL EXPENDITURES	15,913,321	15,846,636	16,064,714	1.38%	(813,855)

ENTERPRISE FUND – A2 REVENUE

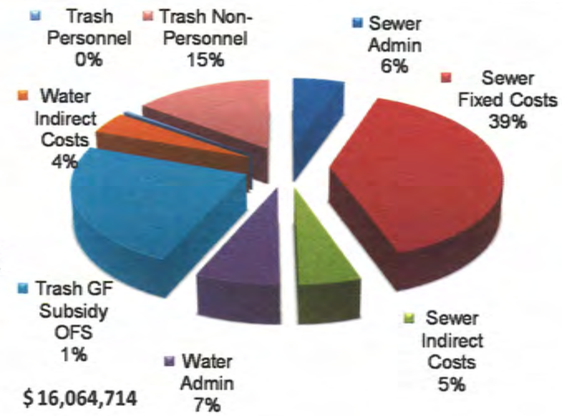
FY 2015



TOTAL **$ 16,064,714**

ENTERPRISE FUND – A2 EXPENDITURES

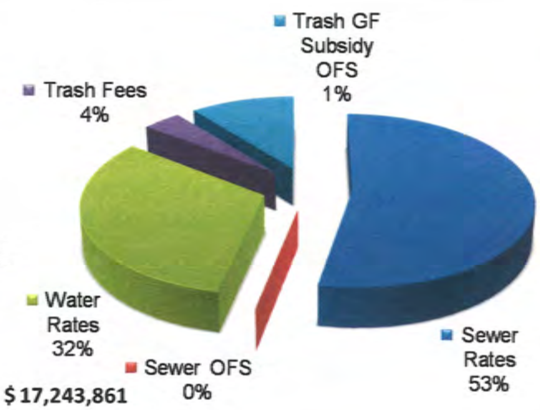
FY 2015



TOTAL **$ 16,064,714**

ENTERPRISE FUND – A2 REVENUE

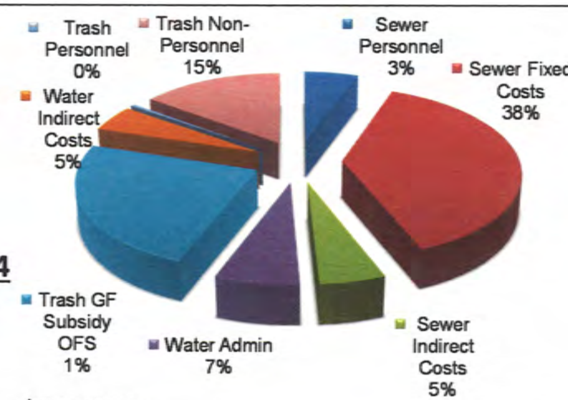
FY 2014



TOTAL **$ 17,243,861**

ENTERPRISE FUND – A2 EXPENDITURES

FY 2014



TOTAL **$ 15,846,636**

SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
WATER & SEWER ENTERPRISE FUNDS COMBINED - FY15

	FY13 Actual	FY14 Actual DOR Recap	FY15 Mayor's Recommended	Percentage Change FY14 vs FY15
1. Enterprise Revenues & Available Funds				
User Charges	12,475,793	13,366,721	13,901,390	4.0%
Penalties & Interest	106,289	0	110,000	
Other Departmental Revenue	0	450,000	0	-100.0%
Water/Sewer Liens	559,903	270,000	335,000	
Intergovernmental-SESD	945,750	380,180	15,000	
Water Backflow	0	0	65,000	
Total Revenues	14,087,735	14,466,901	14,426,390	-0.3%
Retained Earnings Appropriated (stabilize rates in FY12 - meter install)	508,000	0	-700,000	
Other Enterprise Available Funds - WS Combined			0	
Other Enterprise Available Funds	1324		-123,593	
Total Revenue & Available Funds	14,597,059	14,466,901	13,602,797	-6.0%
2. Total Costs Appropriated				
a. Costs appropriated in enterprise fund				
Public Services	967,144	1,044,054	1,028,151	-1.5%
Engineernig	914,397	896,088	967,000	7.9%
Long Term Debt (principal and interest)	1,430,893	1,555,704	1,814,603	16.6%
Short Term Debt (interest only)	2,674	3,000	13,000	
Other (SESD assessment)	8,413,688	8,314,348	8,270,889	-0.5%
Retained Earnings Expenditures	0	0	0	
Insurance Expense (Deductibles)	0	7,500	7,500	0.0%
Enc/Trans Out	0	0	0	
Total costs appropriated in enterprise fund	11,728,796	11,820,694	12,101,143	2.4%
b. Costs appropriated in the general fund (to be transferred to enterprise				
Total costs appropriated in the general fund	1,491,926	1,601,654	1,501,654	-6.2%
Total Costs	13,220,722	13,422,348	13,602,797	1.3%
3. Calculation of General Fund Subsidy				
Revenue & available funds	14,597,059	14,466,901	13,602,797	-6.0%
less: Total costs	13,220,722	13,422,348	13,602,797	1.3%
less: Prior year deficit				

(Negative represents general fund subsidy)	1,376,337	1,044,553	0	

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

a. Revenue & available funds	13,220,722	13,422,348	13,602,797	1.3%
b. Taxation				
c. Free Cash				
d. Non-Enterprise available funds				
Total Sources of Funding for Costs Appropriated in Enterprise Fund	13,220,722	13,422,348	13,602,797	1.3%

SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
SEWER ENTERPRISE FUND - FY15

	FY13 Actual	FY14 Estimated DOR Recap	FY15 Mayor's Recommended	Percentage Change FY14 vs FY15
1. Enterprise Revenues & Available Funds				
User Charges	7,784,437	8,332,024	8,665,305	4.0%
Penalties and Interest	68,691		70,000	
Other Departmental	0	450,000		
Sewer Liens	376,423		215,000	
Intergovernmental-SESD	910,573	380,180		
Total Revenues	9,140,124	9,162,204	8,950,305	-2.3%
Retained Earnings Appropriated		-		
Other Enterprise Available Funds - WS Combined		(798,547.00)	(123,593.00)	
Other Enterprise Available Funds				
Total Revenue & Available Funds	9,140,124	9,162,204	8,826,712	-3.7%
2. Total Costs Appropriated				
a. Costs appropriated in enterprise fund				
Public Services	474,191	502,910	494,688	-1.6%
Engineernig	407,014	393,594	393,500	0.0%
Long Term Debt (principal and interest)	177,108	248,850	529,563	112.8%
Short Term Debt (interest only)	0	0	5,000	
Other (SESD assessment)	5,962,873	5,831,817	5,743,604	-1.5%
Retained Earnings Expenditures				
Insurance Expense (Deductibles)		5,000	5,000	0.0%
Enc/Trans Out				
Total costs appropriated in enterprise fund	7,021,186	6,982,171	7,171,355	2.7%
b. Costs appropriated in the general fund (to be transferred to enterprise				
Total costs appropriated in the general fund	783,049	815,218	815,218	0.0%
Total Costs	7,804,235	7,797,389	7,986,573	2.4%

SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
SEWER ENTERPRISE FUND - FY15

	FY13 Actual	FY14 Estimated DOR Recap	FY15 Mayor's Recommended	Percentage Change FY14 vs FY15
3. Calculation of General Fund Subsidy				
Revenue & available funds	9,140,124	8,363,657	8,826,712	5.5%
less: Total costs	7,804,235	7,797,389	7,986,573	2.4%
less: Prior year deficit				
(Negative represents general fund subsidy)	1,335,889	566,268	840,139	
4. Sources of Funding for Costs Appropriated in the Enterprise Fund				
a. Revenue & available funds	7,804,235	7,797,389	7,986,573	2.4%
b. Taxation				
c. Free Cash				
d. Non-Enterprise available funds				
Total Sources of Funding for Costs Appropriated in Enterprise Fund	7,804,235	7,797,389	7,986,573	2.4%

SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
WATER ENTERPRISE FUND - FY15

	FY13 Actual	FY14 Estimated DOR recap	FY15 Mayor's Recommended	Percentage Change FY14 vs FY15
1. Enterprise Revenues & Available Funds				
User Charges	4,691,356	5,034,697	5,236,085	4.0%
Interest & Penalties	37,598		40,000	
Other Departmental - Connection Fees				
Water Liens	183,480	270,000	120,000	-55.6%
Water Meters & Misc. Revenue	35,177		15,000	
Backflow			65,000	
Total Revenues	4,947,611	5,304,697	5,476,085	3.2%
Less Estimated Loss from Power Plant			-700,000	
General Fund Subsidy for PR FY (FY12) Deficit	218738			
General Fund Subsidy EOFY 2013	449960			
Other Enterprise Available Funds W/S Combined	300	258,970		
Total Revenue & Available Funds	5,616,609	5,563,667	4,776,085	-14.2%
2. Total Costs Appropriated				
a. Costs appropriated in enterprise fund				
Public Services	492,953	541,144	533,463	-1.4%
Engineernig	507,383	502,494	573,500	14.1%
Long Term Debt (principal and interest)	1,253,785	1,306,854	1,285,040	
Short Term Debt (interest only)	2,674	3,000	8,000	
Other (SBWSB assessment)	2,450,815	2,482,531	2,527,285	1.8%
Retained Earnings Expenditures	0	0	0	
Insurance Expense (Deductibles)	0	2,500	2,500	
Enc/Trans Out	0	0	0	
Total costs appropriated in enterprise fund	4,707,610	4,838,523	4,929,788	1.9%
b. Costs appropriated in the general fund (to be transferred to enterprise)				
Total costs appropriated in the general fund	708,877	786,436	686,436	-12.7%
Total Costs	5,416,487	5,624,959	5,616,224	-0.2%

SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
WATER ENTERPRISE FUND - FY15

	FY13 Actual	FY14 Estimated DOR recap	FY15 Mayor's Recommended	Percentage Change FY14 vs FY15
3. Calculation of General Fund Subsidy				
Revenue & available funds	5,616,609	5,563,667	4,776,085	-14.2%
less: Total costs	5,416,487	5,624,959	5,616,224	-0.2%
less: Prior year deficit				
(Negative represents general fund subsidy)	200,122	(61,292)	(840,139)	
4. Sources of Funding for Costs Appropriated in the Enterprise Fund				
a. Revenue & available funds	5,416,487	5,624,959	5,616,224	-0.2%
b. Taxation				
c. Free Cash				
d. Non-Enterprise available funds				
Total Sources of Funding for Costs Appropriated in Enterprise Fund	5,416,487	5,624,959	5,616,224	-0.2%

SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
TRASH ENTERPRISE FUND - FY15

1. Enterprise Revenues & Available Funds

	FY13 Actual	FY14 Estimated DOR Recap	FY 15 Mayor's Recommended	Percentage Change FY 14 vs. FY 15
User Charges	633,373	633,702	633,702	0.00%
Other Departmental Revenue	52,307	45,000	45,000	0.00%
Penalties and Interest	3,678			
Total Revenues	689,358	678,702	678,702	0.00%
Retained Earnings Appropriated**				
Other Enterprise Available Funds				
Total Revenue & Available Funds	689,358	678,702	678,702	0.00%

2. Total Costs Appropriated

a. Costs appropriated in enterprise fund

	FY13 Actual	FY14 Estimated DOR Recap	FY 15 Mayor's Recommended	Percentage Change FY 14 vs. FY 15
Salaries	31,800	67,078	71,472	6.55%
Expenses Other	23,628			
Contracted Services - Collection and Disposal (flat fee)	2,614,116	2,326,760	2,306,920	-0.85%
Recycling and Other Expenses	23,055	30,450	83,525	174.30%
Reserve Fund				
Total costs appropriated in enterprise fund	2,692,599	2,424,288	2,461,917	1.55%

SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
TRASH ENTERPRISE FUND - FY15

1. Enterprise Revenues & Available Funds

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

Total costs appropriated in the general fund	0	0	0	
Total Costs	2,692,599	2,424,288	2,461,917	1.55%

3. Calculation of General Fund Subsidy

Revenue & available funds	689,358	678,702	678,702	0.00%
less: Total costs	2,692,599	2,424,288	2,461,917	1.55%
less: Prior year deficit	0	0	0	
(Negative represents general fund subsidy)	(2,003,241)	(1,745,586)	(1,783,215)	2.16%

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

a. Revenue & available funds	689,358	678,702	678,702	0.00%
b. Taxation	2,160,684	1,839,288	1,783,215	-3.05%
c. Free Cash				
d. Non-Enterprise available funds				
Total Sources of Funding for Costs Appropriated in Enterprise Fund	2,850,042	2,517,990	2,461,917	-2.23%

ENTERPRISE FUND REVENUE DETAIL

In FY 2013 the City Council voted to COMBINE the water and sewer enterprise funds as allowed by the Department of Revenue as outlined in Bulletin 2012-B (page 3/7). In FY 2012 and FY 2013 the Water Enterprise fund revenues have not been sufficient to cover expenses. In FY 2013 we had to raise $218,738 on the General Fund Tax Recapitulation to cover the FY 2012 deficit. We also had to appropriate Free Cash to cover the June 30, 2013 deficit of approximately $307,522.50. By combining the funds we can use sewer revenue to help offset the water deficit. In FY 2014 we requested a 5% increase on both water and sewer rates for to cover the deficit and to build up funds to cover anticipated water and sewer bond costs for projects including the Canal Street project which we anticipate to be approximately $16M. For FY 2015 we are proposing to increase water and sewer rates by 4% each to cover an anticipated water revenue shortfall from the closing of the Footprint Power plant and to fund future capital projects.

The water and sewer funds will remain in separate funds for accounting and budgeting purposes within the City. But they will be combined for reporting purposes on the City's annual financial statements (CAFR) and for calculating Retained Earnings by the Department of Revenue.

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:

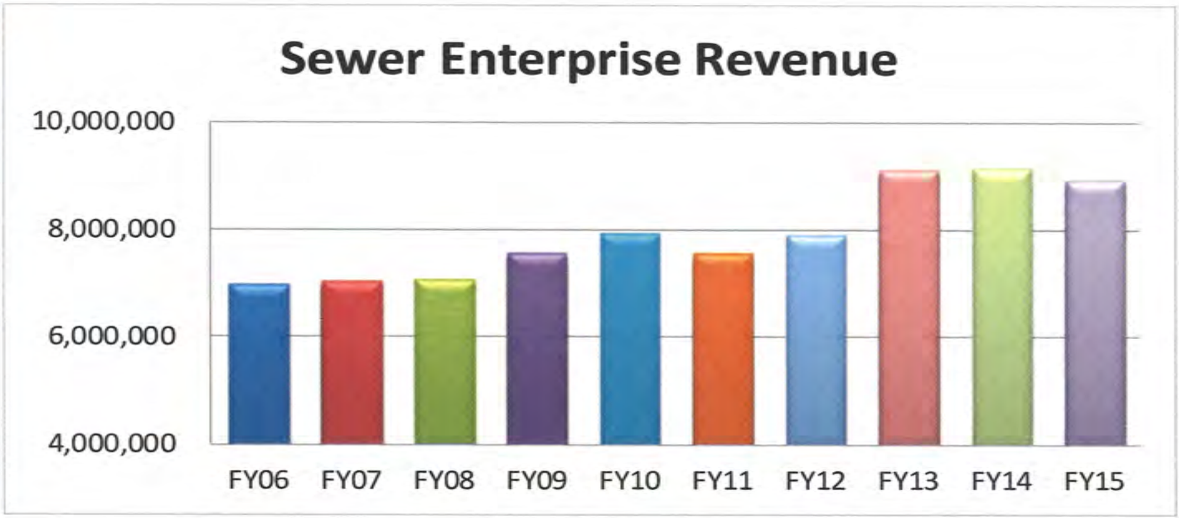
- **Sewer** – User fees, penalties and interest, sewer liens, backflow tests, other miscellaneous revenue and any fund balance surplus at the South Essex Sewerage District (SESD). SESD surpluses are the result of our assessment payment being more than the actual costs of running SESD.
- **Water** – User 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 2015 we are proposing a 4% rate increase to help cover operational, debt service, and assessment charges for FY2015 as well as help offset the water deficit. We anticipate increasing retained earnings to help fund our capital improvement program. The chart below shows an overall deficit of 2.3% due to the 380K we received from the South Essex Sewerage District (SESD) in FY 2014 (the City's retained earnings held by SESD) that we do not budget for in FY 2015. We also anticipate less money in penalties and interest in FY 2015.

Sewer Enterprise Revenue		
Fiscal Year	Revenue	
2006	6,990,045	
2007	7,074,210	
2008	7,082,031	
2009	7,582,289	
2010	7,955,103	
2011	7,587,055	
2012	7,941,520	
2013	9,140,124	
2014	9,162,204	Estimated
2015	8,950,305	Estimated
% Change FY14 vs. FY15		-2.3%



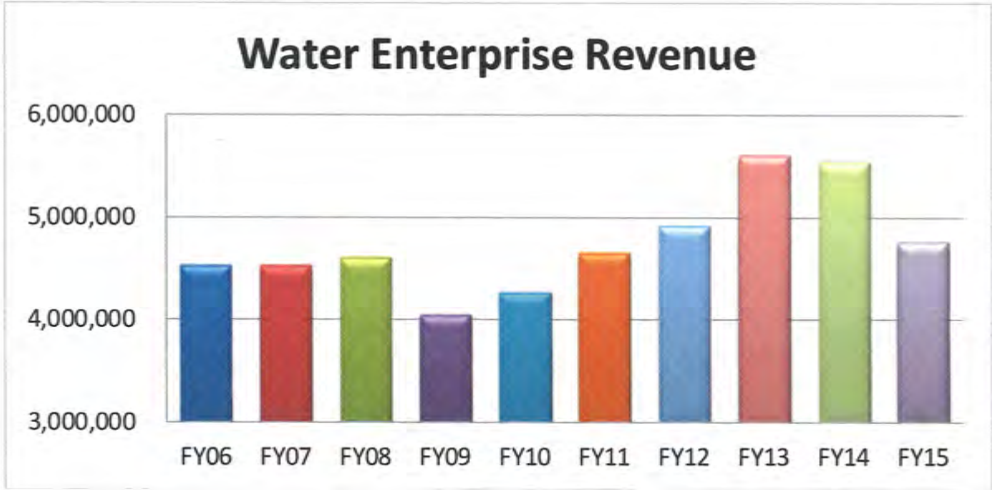
WATER ENTERPRISE FUND

Water Revenue – The water revenues consist of penalties & interest, water rates revenues, water liens revenue, and miscellaneous revenue.

In FY 2015 we are proposing a 4% rate increase to cover operational, debt service, and assessment charges for FY2015. As mentioned in the overview we combined water and sewer funds in FY 2014 as allowed by the DOR to help offset a revenue deficit in the water fund. We anticipate sewer revenues will more than offset the water deficit and allow us to build up retained earning reserves to help fund future debt service for Capital Improvement Programs.

In FY 2015 we anticipate a loss of $700,000.00 in water revenue due to the shutdown of the Footprint Power plant. Our water assessment is based on a three year average and the loss of the 700K will only be partially compensated for over the next couple of years when the usage/rates smooth out. We are requesting the 4% increase in water and sewer rates to help offset this revenue loss.

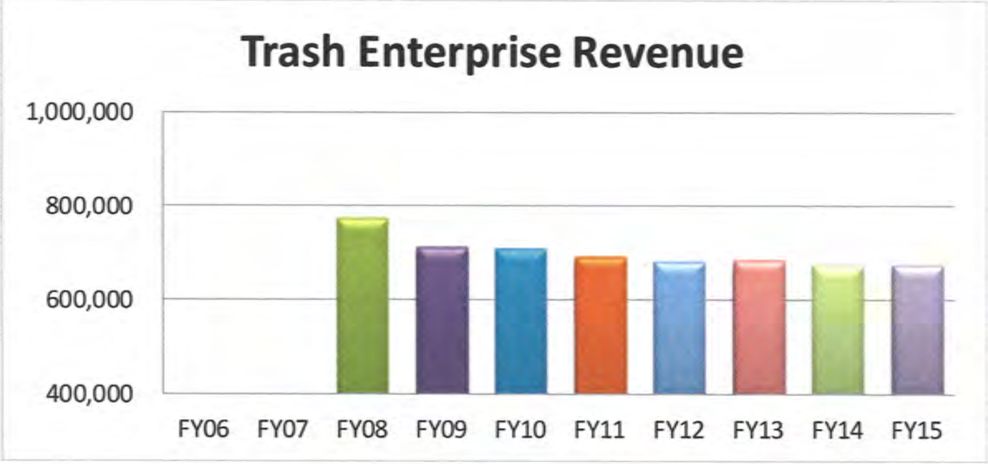
Water Enterprise Revenue		
Fiscal Year	Revenue	
2006	4,544,002	
2007	4,544,171	
2008	4,613,919	
2009	4,056,195	
2010	4,271,357	
2011	4,662,837	
2012	4,934,150	
2013	5,616,609	
2014	5,563,667	Estimated
2015	4,776,085	Estimated
% Change FY14 vs. FY15		-14.2%



TRASH ENTERPRISE FUND

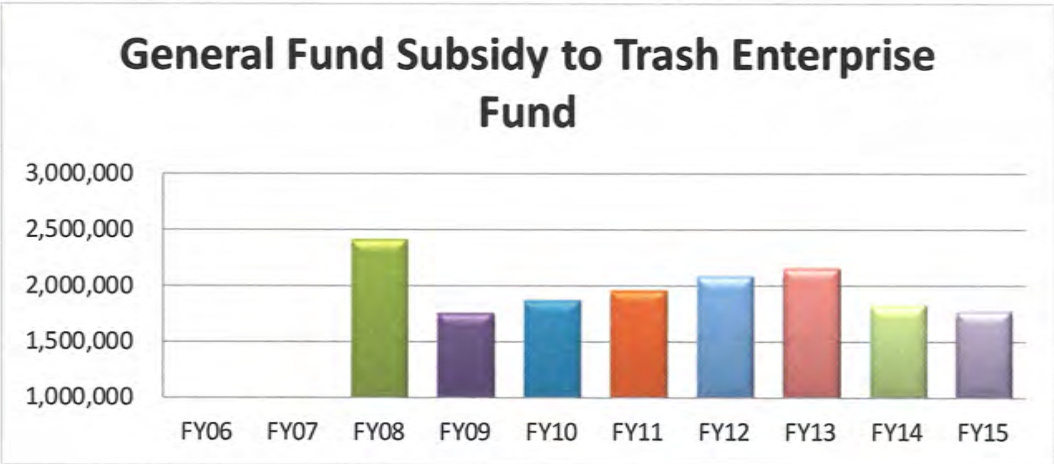
Trash Revenue – The trash revenues consist of penalties & interest and trash fee revenue. We subsidize the majority of the fund with a general fund transfer. We renegotiated the trash contract which resulted in a reduced trash collection fee which will allow us to reduce the amount we charge our ratepayers. In FY 2015 we anticipate no revenue increase based on FY 2014 revenue trends. The City recently voted a mandatory recycling initiative which we hope will increase recycling rates and decrease trash tonnage.

Trash Enterprise Revenue		
Fiscal Year	Revenue	
2006		
2007		
2008	780,268	
2009	715,844	
2010	713,827	
2011	697,050	
2012	686,835	
2013	689,358	
2014	678,702	Estimated
2015	678,702	Estimated
% Change FY14 vs. FY15		0.0%



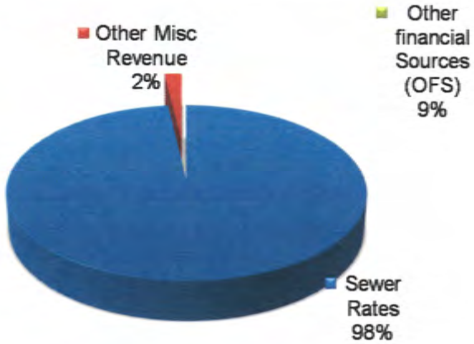
In FY 2015 we anticipate a -3% decrease in the General Fund Subsidy to the Trash Enterprise Fund based on prior FY trends in transfer being higher than needed.

GF Subsidy to Trash Enterprise Fund		
Fiscal Year	Revenue	
2006		
2007		
2008	2,425,186	
2009	1,760,780	
2010	1,877,504	
2011	1,970,249	
2012	2,089,981	
2013	2,160,684	
2014	1,839,288	Estimated
2015	1,783,215	Estimated
% Change FY14 vs. FY15		-3.0%



ESTIMATED REVENUES
SEWER ENTERPRISE FUND

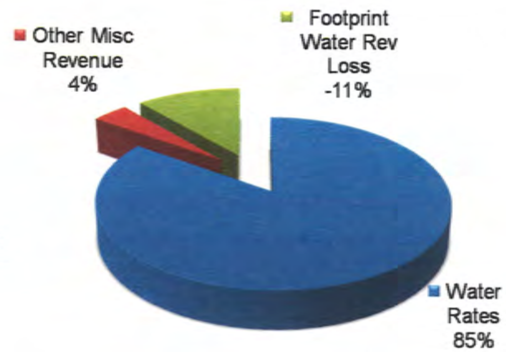
FY 2015



TOTAL **$ 8,826,712**

ESTIMATED REVENUES
WATER ENTERPRISE FUND

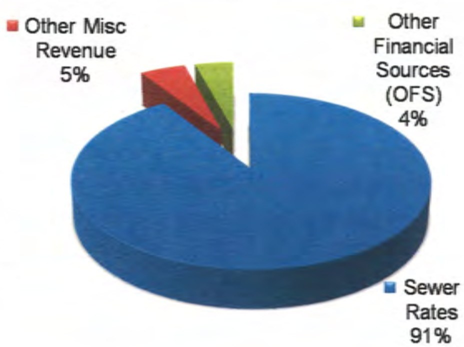
FY 2015



TOTAL **$ 4,776,085**

ESTIMATED REVENUES
SEWER ENTERPRISE FUND

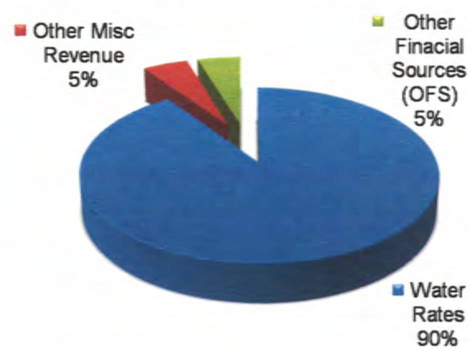
FY 2014



TOTAL **$ 9,162,204**

ESTIMATED REVENUES
WATER ENTERPRISE FUND

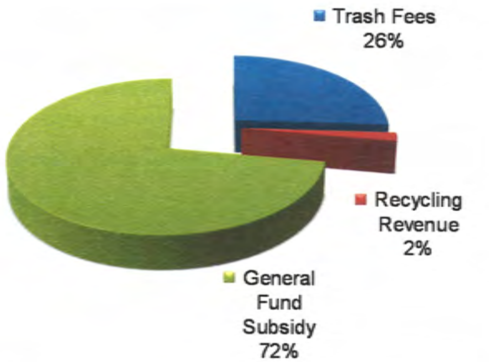
FY 2014



TOTAL **$ 5,563,667**

ESTIMATED REVENUES
TRASH ENTERPRISE FUND

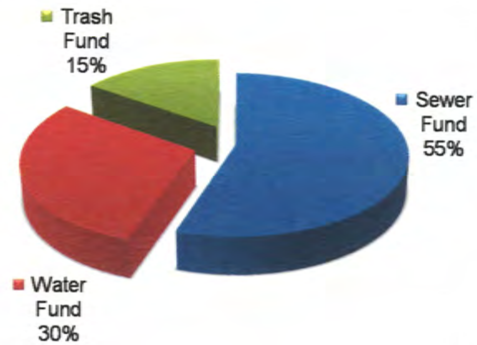
FY 2015



TOTAL $ 2,461,917

TOTAL ESTIMATED REVENUES
ENTERPRISE FUNDS

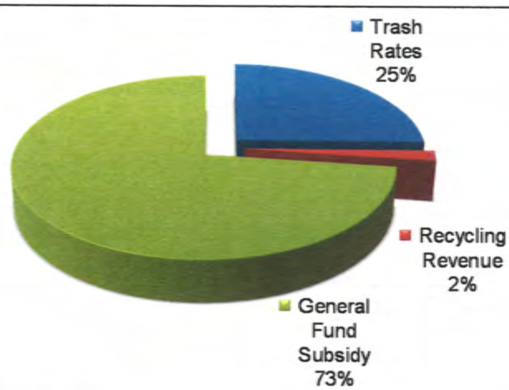
FY 2015



TOTAL $ 16,064,714

ESTIMATED REVENUES
TRASH ENTERPRISE FUND

FY 2014



TOTAL $ 2,517,990

TOTAL ESTIMATED REVENUES
ENTERPRISE FUNDS

FY 2014

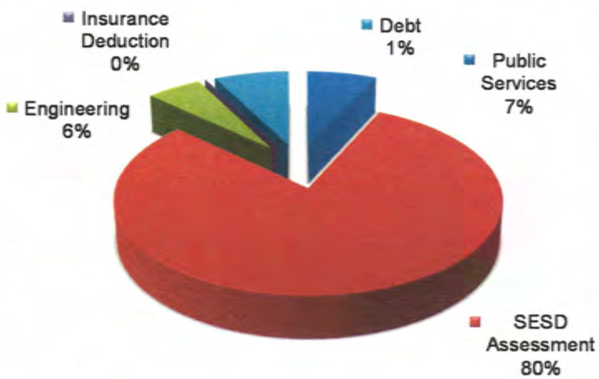
TOTAL $ 17,243,861

CITY OF SALEM, MASSACHUSETTS
FY 2015 OPERATING BUDGET

	ACTUAL EXPENDED FY 2013	ADOPTED BUDGET FY 2014	ADJUSTED BUDGET FY 2014	DEPT BUDGET FY 2014	MAYOR BUDGET FY 2015	CITY COUNCIL BUDGET FY 2015	FY14 Adj vs. FY15 Budget Inc/Decr Amount	Percentage
ENTERPRISE FUNDS								
SEWER :								
Sewer - Public Services	474,191	502,910	502,910	496,631	494,688	494,688	(8,222)	-1.63%
Sewer - Engineering	407,014	393,594	452,594	396,776	393,500	393,500	(59,094)	-13.06%
Long Term Debt	177,109	248,850	248,850	529,563	529,563	529,563	280,713	
Short Term Debt	0	-	-	5,000	5,000	5,000	5,000	
SESD Assessment	5,962,873	5,831,817	5,831,817	5,743,604	5,743,604	5,743,604	(88,213)	-1.51%
Sewer - Insurance Deduction	0	5,000	5,000	5,000	5,000	5,000	-	0.00%
TOTAL SEWER	**7,021,187**	**6,982,171**	**7,041,171**	**7,176,574**	**7,171,355**	**7,171,355**	**130,184**	**1.85%**
WATER :								
Water-Public Services	492,954	541,144	541,144	534,916	533,463	533,463	(7,681)	-1.42%
Water-Engineering	507,383	502,494	593,494	591,876	573,500	573,500	(19,994)	-3.37%
Long Term Debt	1,253,785	1,306,854	1,306,854	1,285,040	1,285,040	1,285,040	(21,814)	-1.67%
Short Term Debt	2,674	3,000	3,000	8,000	8,000	8,000	5,000	166.67%
SBWS Assessment	2,450,815	2,482,531	2,482,531	2,527,285	2,527,285	2,527,285	44,754	1.80%
Water - Insurance Deduction	0	2,500	2,500	2,500	2,500	2,500	-	
TOTAL WATER	**4,707,610**	**4,838,523**	**4,929,523**	**4,949,617**	**4,929,788**	**4,929,788**	**265**	**0.01%**
TRASH :								
Trash - Engineering	2,692,599	2,424,288	2,424,288	2,547,779	2,461,917	2,461,917	37,629	1.55%
TOTAL TRASH	**2,692,599**	**2,424,288**	**2,424,288**	**2,547,779**	**2,461,917**	**2,461,917**	**37,629**	**1.55%**
ENTERPRISE FUND TOTAL	**14,421,396**	**14,244,982**	**14,394,982**	**14,673,970**	**14,563,060**	**14,563,060**	**168,078**	**1.17%**

		ACTUAL EXPENDED FY 2013	ADOPTED BUDGET FY 2014	ADJUSTED BUDGET FY 2014	DEPT BUDGET FY 2014	MAYOR BUDGET FY 2015	CITY COUNCIL BUDGET FY 2015	Amount	Percentage
Sewer	Personnel	428,949	466,325	466,325	443,827	446,688	446,688	(19,637)	-4.21%
	Non-Personnel	6,592,237	6,515,846	6,574,846	6,732,747	6,724,667	6,724,667	149,821	2.28%
		7,021,186	**6,982,171**	**7,041,171**	**7,176,574**	**7,171,355**	**7,171,355**	**130,184**	**1.85%**
Water	Personnel	445,086	482,765	482,765	460,267	463,128	463,128	(19,637)	-4.07%
	Non-Personnel	4,262,524	4,355,758	4,446,758	4,489,350	4,466,660	4,466,660	19,902	0.45%
		4,707,610	**4,838,523**	**4,929,523**	**4,949,617**	**4,929,788**	**4,929,788**	**265**	**0.01%**
Trash	Personnel	31,800	67,078	67,078	70,334	71,472	71,472	4,394	6.55%
	Non-Personnel	2,660,799	2,357,210	2,357,210	2,477,445	2,390,445	2,390,445	33,235	1.41%
		2,692,599	**2,424,288**	**2,424,288**	**2,547,779**	**2,461,917**	**2,461,917**	**37,629**	**1.55%**
ENTERPRISE FUND TOTAL		**14,421,394**	**14,244,982**	**14,394,982**	**14,673,970**	**14,563,060**	**14,563,060**	**168,078**	**1.17%**

ADOPTED BUDGET
SEWER ENTERPRISE FUND



FY 2015

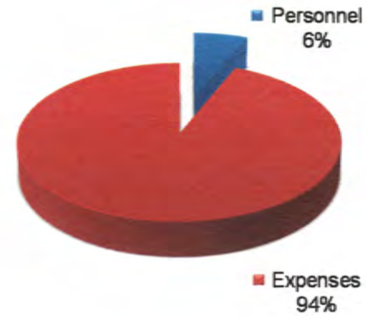
TOTAL $ 7,171,355

ADOPTED BUDGET
SEWER ENTERPRISE FUND

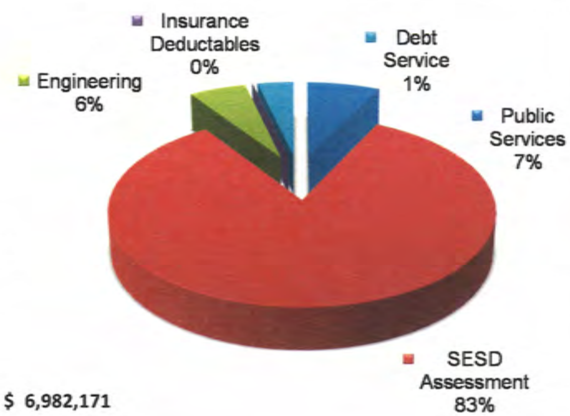
FY 2015

SEWER FUND

Personnel	446,688
Expenses	6,724,667
TOTAL	$7,171,355



ADOPTED BUDGET
SEWER ENTERPRISE FUND



FY 2014

TOTAL $ 6,982,171

ADOPTED BUDGET
SEWER ENTERPRISE FUND

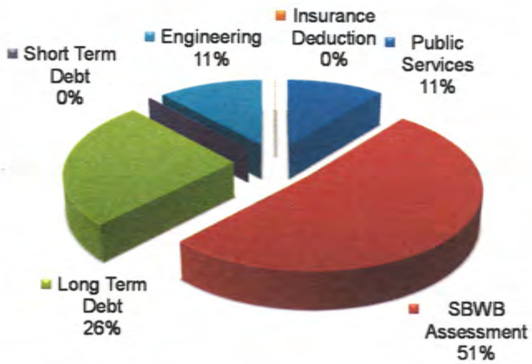
FY 2014

SEWER FUND

Personnel	466,325
Expenses	6,515,846
TOTAL	$6,982,171

ADOPTED BUDGET
WATER ENTERPRISE FUND

FY 2015



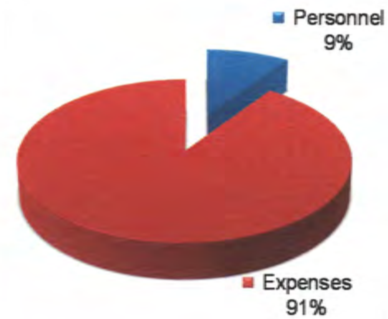
TOTAL **$ 4,929,788**

ADOPTED BUDGET
WATER ENTERPRISE FUND

FY 2015

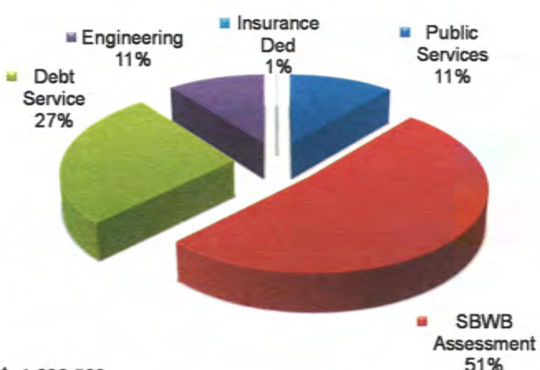
WATER FUND

Personnel	463,128
Expenses	4,466,660
TOTAL	**4,929,788**



ADOPTED BUDGET
WATER ENTERPRISE FUND

FY 2014



TOTAL **$ 4,838,523**

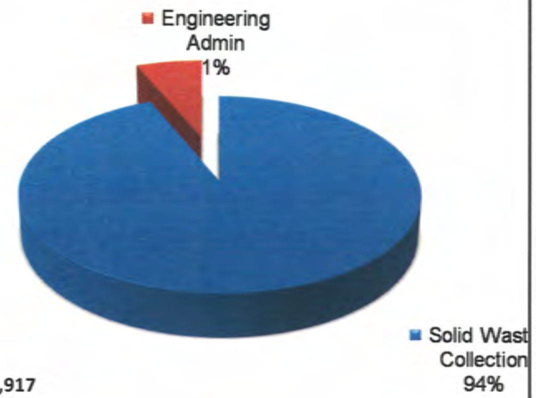
ADOPTED BUDGET
WATER ENTERPRISE FUND

FY 2014

WATER FUND

Personnel	482,765
Expenses	4,355,758
TOTAL	**4,838,523**

ADOPTED BUDGET
TRASH ENTERPRISE FUND



FY 2015

TOTAL $ 2,461,917

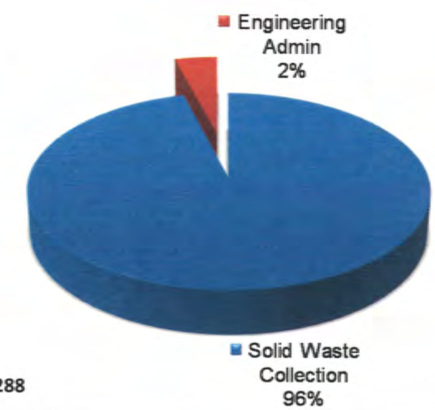
ADOPTED BUDGET
TRASH ENTERPRISE FUND

FY 2015

TRASH FUND

Personnel	71,472
Expenses	2,390,445
TOTAL	$ 2,461,917

ADOPTED BUDGET
TRASH ENTERPRISE FUND



FY 2014

TOTAL $ 2,424,288

ADOPTED BUDGET
TRASH ENTERPRISE FUND

FY 2014

TRASH FUND

Personnel	67,078
Expenses	2,357,210
TOTAL	2,424,288

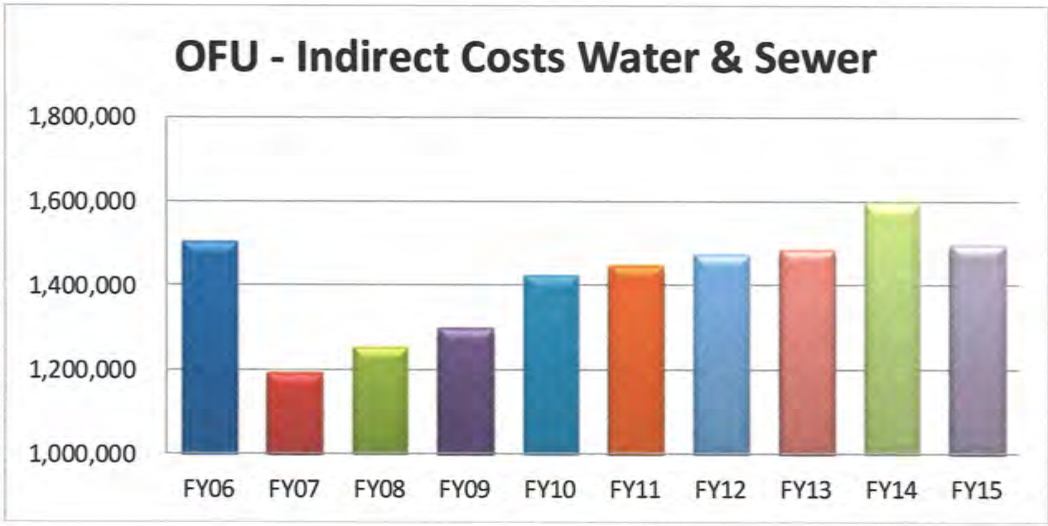
INTERFUND TRANSFERS/OTHER FINANCIAL USES (OFU)

Enterprise Fund Other Financial Uses (OFU) - The Water and Sewer Enterprise Funds, financed by water and sewer usage charges, provide reimbursements for direct and indirect costs associated with a variety of City services, provided by Finance, Treasury, Human Resources, and other City Departments. Additionally, enterprise funds provide reimbursements to the general fund for all employee benefits (health, life, dental insurances, etc) of those employees who work for the water and sewer departments, as well as costs for the maintenance of the Water and Sewer accounting and billing system. Finally, a portion of the City's assessments for property/casualty insurance, unemployment and worker's compensation are also captured in the indirect costs of the enterprise funds of the water and sewer departments.

Per our auditors, we are revising the way that indirect costs are calculated. Unfortunately we cannot reduce the indirect costs in one year to what it should be without significantly impacting the general fund budget. Therefore, we are going to reduce the enterprise fund indirect costs over the next several years to smooth out the process and have a less dramatic impact on the general fund budget.

For FY 2015 we will begin reducing indirect costs by $100,000 for a 6.2% decrease. The Trash Enterprise Fund is not self sustaining and therefore subsidized by the General Fund. Indirect Costs are booked by a journal entry from Tax Recapitulation Sheet (RECAP) when the Tax Rate is sent in December as voted by City Council.

Other Financial Uses Indirect Costs Water & Sewer		
Fiscal Year	Revenue	
2006	1,507,632	
2007	1,195,330	
2008	1,258,161	
2009	1,301,747	
2010	1,430,065	
2011	1,452,222	
2012	1,477,074	
2013	1,491,926	
2014	1,601,654	Per Recap
2015	1,501,654	Estimated
% Change FY14 vs. FY15		-6.2%



FY14 COMBINED RETAIL WATER AND SEWER RATE COMMUNITY CHARGE COMPARISION

	Water Residential	Water Commercial		Sewer Residential	Sewer Commercial		Discounts	Fund	Last Rate Adjustment	% change from FY2013	Annual Cost per 120 HCF (approx 90,000 gallons)	
Salem - 7/1/2013 current	$ 2.78	$ 3.77	HCF	$ 5.67	$ 8.60	0-250 HCF	yes	Enterprise Fund	7/1/2013	5.60%	Water:	$ 333.60
					$ 11.01	251+ HCF	10% water if pd.	Water & Sewer			Sewer:	$ 680.40
							within 15 days				Combined:	$ 1,014.00
Salem - 7/1/2014 Proposed	$ 2.89	$ 3.92	HCF	$ 5.90	$ 8.94	0-250 HCF	yes	Enterprise Fund	7/1/2013	4.00%	Water:	$ 346.80
					$ 11.45	251+ HCF	10% water if pd.	Water & Sewer			Sewer:	$ 708.00
							within 15 days				Combined:	$ 1,054.80
Beverly	$ 2.57	same	HCF	$ 6.16	same	HCF	no	Enterprise	7/1/2013	4.10%	Water:	$ 308.40
								Water & Sewer			Sewer:	$ 739.20
											Combined:	$ 1,047.60
Chelsea	$ 4.10	same	0-10 HCF	$ 8.03	same	0-10 HCF	no	Enterprise Fund	7/1/2013	0.00%	Water:	$ 492.00
	$ 4.99	same	> 10-15 HCF	$ 8.75	same	> 10-15 HCF		Water & Sewer			Sewer:	$ 963.60
	$ 5.97	same	> 15HCF	$ 10.06	same	> 15HCF					Combined:	$ 1,455.60
Danvers	$ 5.42		0-20 HCF	$ 6.18		0-20 HCF	yes	General Fund	7/1/2013	4.50%	Water:	$ 925.20
	$ 6.02		20-24 HCF	$ 6.33		20-24 HCF	15% water	Water & Sewer			Sewer:	$ 919.20
	$ 7.71		24 - Greater HCF	$ 7.66		24-Greater HCF	elderly/low				Combined:	$ 1,844.40
		$ 5.42	0-40 HCF		$ 6.18	0-40 HCF	income					
		$ 6.02	40- Greater HCF		$ 6.33	40- Greater HCF						
Gloucester	$ 9.17	same	HCF	$ 12.21	same	HCF	no	Enterprise Fund	7/1/2013	5.50%	Water:	$ 1,100.40
								Water & Sewer			Sewer:	$ 1,465.20
											Combined:	$ 2,565.60
Lynn	$ 3.33	same	0-27 HCF	$ 6.12	same	0-27 HCF	yes	Enterprise Fund	7/1/2009	0.00%	Water:	$ 400.00
	$ 3.43	same	27-73 HCF	$ 6.33	same	27-73 HCF	owner occ.	Water & Sewer			Sewer:	$ 737.00
	$ 3.47	same	73-2,812 HCF	$ 6.39	same	73-2,812 HCF	elderly/disabled				Combined:	$ 1,137.00
	$ 3.52	same	balance	$ 6.44	same	balance	single @ 15%, 2-fam @ 7.5%, 3-Fam @ 5%					
Marblehead	$ 4.20	same	0-30 HCF	$ 6.25	same	0-30 HCF	no	Enterprise Fund	7/1/2013	2.60%	Water:	$ 562.00
	$ 4.70	same	balance	$ 6.60	same	balance		Water & Sewer			Sewer:	$ 795.00
											Combined:	$ 1,357.00
Peabody	$ 2.44	$ 2.90	0-15 HCF	$ 3.25	$ 3.75	0-15 HCF	no	General Fund	3/1/2003	0.00%	Water:	$ 306.00
	$ 2.66	$ 3.16	15-30 HCF	$ 3.58	$ 4.13	balance		Water & Sewer			Sewer:	$ 410.00
	$ 2.90	$ 3.44	balance								Combined:	$ 716.00
Revere	$ 3.68	$ 5.52	HCF	$ 11.59	$ 17.01	HCF	yes	Enterprise Fund	7/1/2013	15.10%	Water:	$ 441.60
							senior	Water & Sewer			Sewer:	$ 1,390.80
											Combined:	$ 1,832.40
Swampscott	$ 6.20	same	HCF	$ 5.60	same	HCF	no	Enterprise Fund	8/1/2013	-2.80%	Water:	$ 788.00
								Water & Sewer			Sewer:	$ 689.00
											Combined:	$ 1,477.00

NOTE: All data taken from MWRA Annual Water and Sewer Retail Rate Survey - December 2013 except Danvers (source:Danvers DPW, May 2014)

Average Costs of listed communities:	
Water:	$ 591.51
Sewer:	$ 901.00
Combined:	$ 1,492.51

Salem vs. Comparable Communities	
Water:	$ (244.71)
Sewer:	$ (193.00)
Combined:	$ (437.71)