

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
FY22 - FY26**

Desc		FY2020 Recap	FY2021 Recap	FY2022 Proposed	FY2023 Projected	FY2024 Projected	FY2025 Projected
<i>projected percent increase</i>		3.0%	3.2%	3.88%	5.5%	5.0%	5.0%
Sewer Rates	Residential	6.91	7.13	7.41	7.81	8.20	8.61
	Non-Residential < 25,000 cu ft	10.46	10.80	11.22	11.83	12.43	13.05
	Non-Residential > 25,000 cu ft	13.40	13.83	14.37	15.15	15.91	16.71
SEWER REVENUE							
	User Charges	9,524,455	9,828,959	10,210,323	10,769,693	11,308,177	11,873,586
	Penalties and Interest	38,505	37,000	37,000	37,000	37,000	37,000
	Sewer Liens	340,000	300,000	300,000	300,000	300,000	300,000
	Other Departmental Revenue						
	Investment Income						
	Intergovernmental-SESD						
SEWER RATES		9,902,960	10,165,959	10,547,323	11,106,693	11,645,177	12,210,586
	Retained Earnings Appropriated	100,000					
	Other Enterprise Available Funds W/S Combine	(1,590,616)	(1,453,358)	(1,523,153)			
	Premiums on Bonds	180,000					
	SESD PILOT SUBSIDY						
SEWER OFS/Trans In		(1,310,616)	(1,453,358)	(1,523,153)	-	-	-
TOTAL SEWER REVENUE		8,592,344	8,712,601	9,024,170	11,106,693	11,645,177	12,210,586
SEWER EXPENSES							
	3% Administration						
	3% Public Services	657,074	646,798	665,861	685,837	706,412	727,604
	9% Engineering	640,816	670,518	945,307	973,666	1,002,876	1,032,962
	Insurance Expenses (Deductibles)	5,000	5,000	5,000	5,150	5,305	5,464
	15% Long Term Debt (Principal and Interest)	1,692,388	1,931,587	1,930,488	2,220,061	2,553,070	2,936,031
	Short Term Debt BANS/Professional Fees	47,000	47,000	47,000	48,410	49,604	51,358
	2% SESD Assessment	4,881,292	4,763,997	4,735,813	4,841,307	4,949,150	5,059,396
	-						
	Subtotal	7,923,570	8,064,900	8,329,469	8,774,431	9,266,417	9,812,816
	10% Indirect Costs	668,774	668,774	694,701	764,638	841,616	926,343
	Subtotal	8,592,344	8,733,674	9,024,170	9,539,069	10,108,033	10,739,159
TOTAL SEWER EXPENSES		8,592,344	8,733,674	9,024,170	9,539,069	10,108,033	10,739,159
NET CHANGE IN SEWER FUND BALANCE (Projected)		-	(21,073)	0	1,567,623	1,537,144	1,471,427

**Five Year Financial Forecast
Water and Sewer Enterprise Funds
FY22 - FY26**

Desc		FY2020 Recap	FY2021 Recap	FY2022 Proposed	FY2023 Projected	FY2024 Projected	FY2025 Projected
<i>projected percent increase</i>		<i>4.5%</i>	<i>4.6%</i>	<i>0.5%</i>	<i>4.0%</i>	<i>4.0%</i>	<i>4.0%</i>
Water Rates	Residential	3.46	3.62	3.64	3.78	3.93	4.09
	Non-Residential	4.68	4.90	4.92	5.12	5.33	5.54

WATER REVENUE

User Charges	5,134,087	5,370,306	5,397,158	5,613,044	5,837,566	6,071,068
Interest and Penalties	28,000	30,000	30,000	30,000	30,000	30,000
2.0% Other Department Revenue-Water Liens	208,866	200,000	200,000	204,000	208,080	212,242
2.0% Water Meters and Misc. Revenue	30,000	30,000	30,000	30,600	31,212	31,836
2.0% Backflow	80,414	65,000	65,000	66,300	67,626	68,979

WATER RATES

5,481,367	5,695,306	5,722,158	5,943,944	6,174,484	6,414,125
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FB Reserved for Expenditures

Retained Earnings

100,000

7,506

Subsidy from Sewer Fund Balance

1,523,153

Other Enterprise Available Funds W/S Combined

WATER OFS/Trans in

-	100,000	1,530,659	-	-	-
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TOTAL WATER REVENUE

5,481,367	5,795,306	7,252,817	5,943,944	6,174,484	6,414,125
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WATER EXPENSES

5.0% Administration						
3.0% Public Services	713,574	693,448	722,511	744,186	766,512	789,507
3.0% Engineering	672,016	709,768	787,907	811,544	835,891	860,967
Insurance Expense (Deductibles)	2,500	2,500	2,500	2,500	2,500	2,500
8.0% Long Term Debt (Principal and Interest)	2,304,157	2,315,546	2,169,309	2,342,854	2,530,282	2,732,705
5.0% Short Term Debt (Interest Only)	46,000	53,000	11,106	11,304	11,260	11,215
4.0% SBWSB Assessment	2,570,514	2,674,926	2,785,009	2,896,409	3,012,266	3,132,756
Retained Earnings Expended						
Reserve Fund						
Other Financing Uses (OFU)						

Subtotal	6,308,761	6,449,188	6,478,342	6,808,798	7,158,711	7,529,651
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10% Indirect Costs

	763,222	799,475	774,475	749,475	724,475	699,475
Subtotal	7,071,983	7,248,663	7,252,817	7,558,273	7,883,186	8,229,126

TOTAL WATER EXPENSES

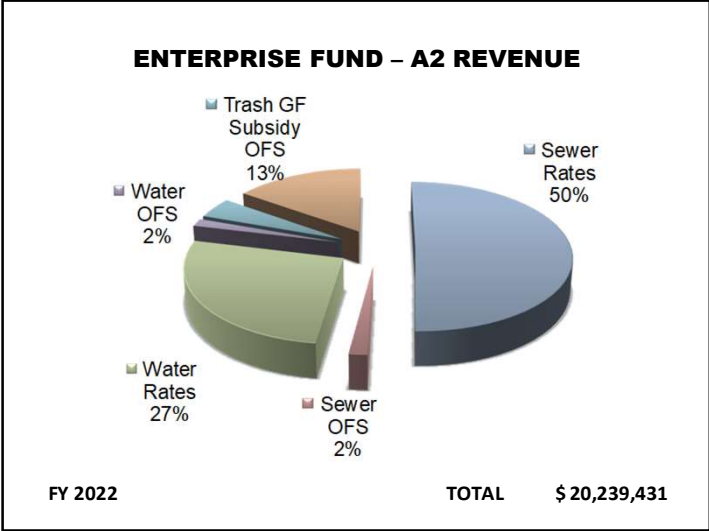
7,071,983	7,248,663	7,252,817	7,558,273	7,883,186	8,229,126
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NET CHANGE IN WATER FUND BALANCE (Projected)	(1,590,616)	(1,453,357)	(0)	(1,614,329)	(1,708,702)	(1,815,001)
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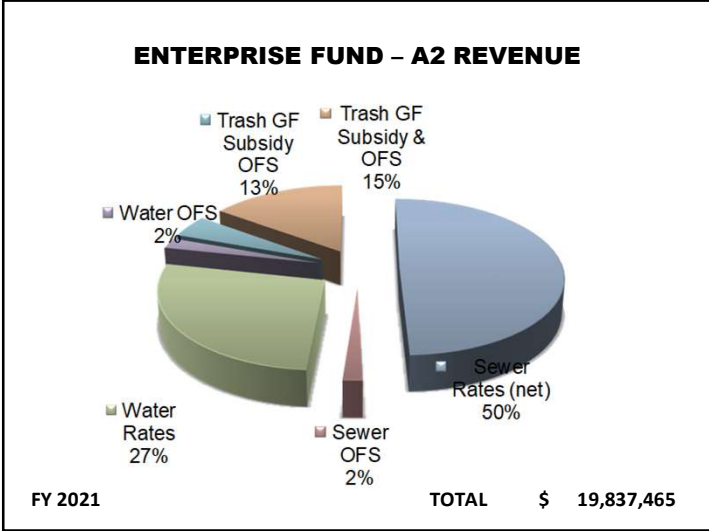
NET CHANGE IN WATER/SEWER BALANCE (Projected)	(1,590,617)	(1,474,430)	(0)	(46,705)	(171,558)	(343,574)
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**CITY OF SALEM
ENTERPRISE FUNDS A2 SUMMARY**

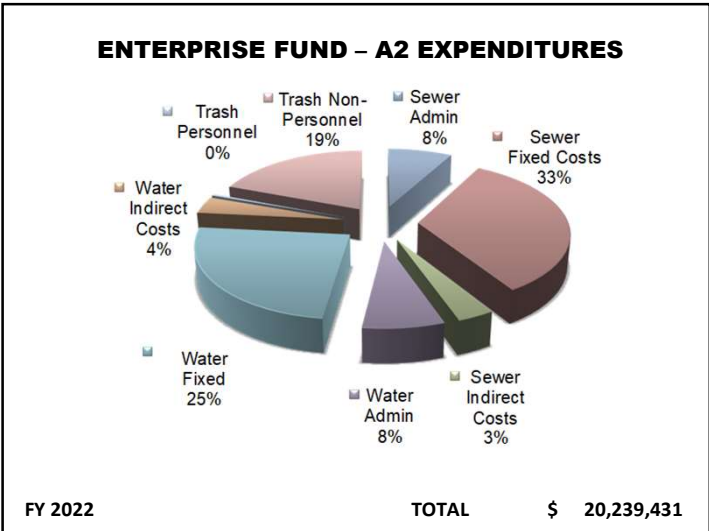
	Actual FY2020	Estimated FY2021	Budgeted FY2022	Increase % FY21 v. FY22	INCREASE FY21 V. FY22
REVENUE					
SEWER RATES	9,667,459	9,828,959	10,210,323	3.9%	381,364
OTHER	375,617	337,000	337,000	0.0%	0
SEWER TRANS/OFS/WATER SUBSIDIES			-		
TOTAL SEWER REVENUE	10,043,076	10,165,959	10,547,323	3.8%	381,364
WATER RATES	5,072,033	5,370,306	5,397,158	0.5%	26,852
OTHER	368,706	325,000	332,506	2.3%	7,506
WATER TRANS/OFS/GF SUBSIDIES/SEWER SUBSIDY	1,399,461	100,000			
TOTAL WATER REVENUE	6,840,200	5,795,306	5,729,664	-1.1%	(65,642)
TRASH FEES	903,408	899,925	899,925	0.0%	0
OTHER					
TOTAL TRASH REVENUE	903,408	899,925	899,925	0.0%	0
TRASH TRANS/OFS/GF SUBSIDIES	2,836,362	2,976,275	3,062,519	2.9%	86,244
TOTAL TRASH REVENUE WITH GF SUBSIDY	2,836,362	2,976,275	3,062,519	2.9%	86,244
ENTERPRISE FUND TOTAL REVENUE	20,623,046	19,837,465	20,239,431	2.0%	401,966
EXPENDITURES					
SEWER ADMIN	1,255,158	1,317,316	1,611,168	22.3%	293,852
SEWER FIXED COSTS	8,184,661	6,700,584	6,718,301	0.3%	17,717
TOTAL SEWER EXPENDITURES	9,439,818	8,017,900	8,329,469	3.9%	311,569
Sewer -Indirect Costs/OTHER FINANCIAL USES	-	694,701	694,701	0.0%	0
TOTAL SEWER EXPENDITURES WITH INDIRECT COSTS	9,439,818	8,712,601	9,024,170	3.6%	311,569
WATER ADMIN	1,231,722	1,403,217	1,510,418	7.6%	107,201
WATER FIXED COSTS	5,608,458	5,045,972	4,967,924	-1.5%	(78,048)
TOTAL WATER EXPENDITURES	6,840,181	6,449,189	6,478,342	0.5%	29,153
WATER -Indirect Costs/OTHER FINANCIAL USES	-	799,475	774,475	-3.1%	(25,000)
TOTAL WATER EXPENDITURES WITH INDIRECT COSTS	6,840,181	7,248,664	7,252,817	0.1%	4,153
TRASH PERSONNEL	80,852	96,364	79,844	-17.1%	(16,520)
TRASH NON-PERSONNEL	3,552,720	3,779,836	3,882,600	2.7%	102,764
TOTAL TRASH EXPENDITURES	3,633,572	3,876,200	3,962,444	2.2%	86,244
ENTERPRISE FUND TOTAL EXPENDITURES	19,913,571	19,837,465	20,239,431	2.0%	401,966
Net Incr/Decr	709,476	-	-		



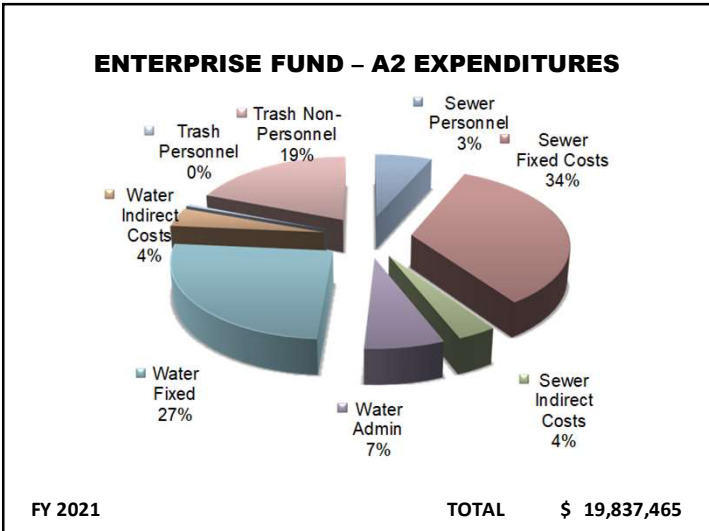
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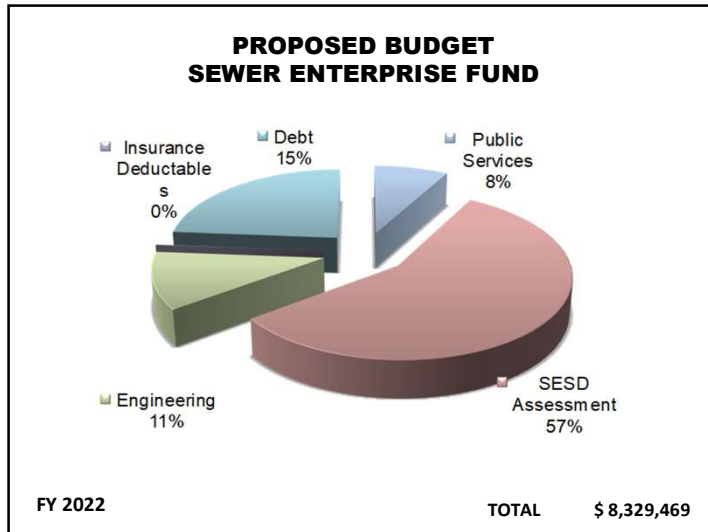
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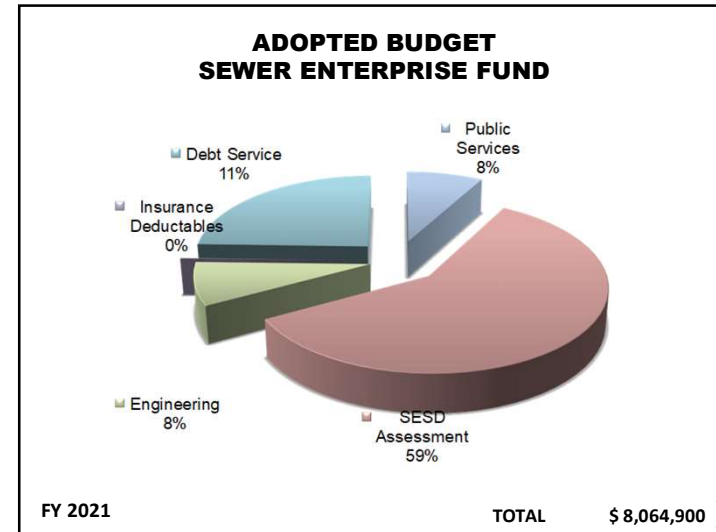
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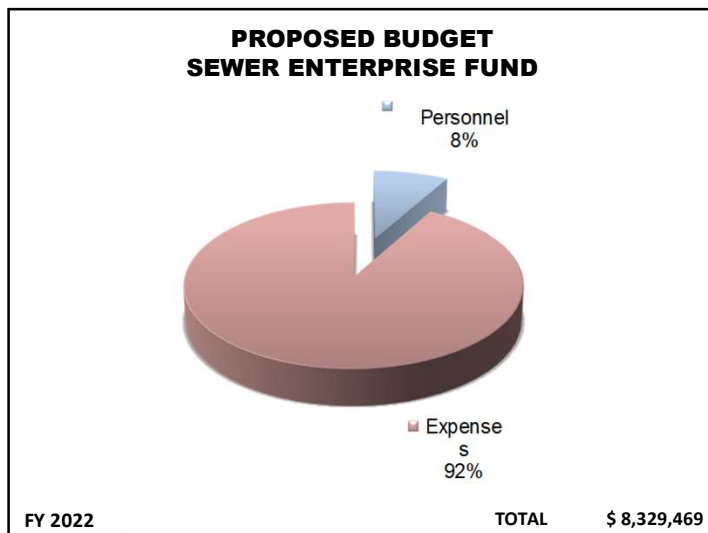
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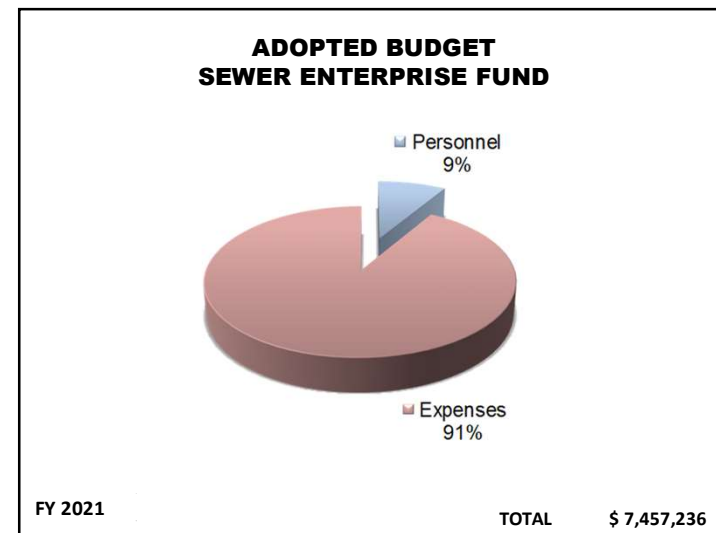
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**SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
WATER & SEWER ENTERPRISE FUNDS COMBINED - FY22**

	FY20 RECAP	FY20 Actual	FY21 Estimated	FY22 Budgeted	% Change
1. Enterprise Revenues & Available Funds					
User Charges	14,658,541	14,739,491	15,199,265	15,607,481	2.7%
Penalties & Interest	66,505	71,942	67,000	72,506	8.2%
Water/Sewer Liens	548,866	503,541	500,000	500,000	
Other Departmental Revenue	0	0	0	0	
Bond Premium	180,000	0	0	0	
Intergovernmental-SESD	30,000	24,407	30,000	30,000	0.0%
Water Backflow	80,414	144,433	65,000	67,000	3.1%
Total Revenues	15,564,326	15,483,815	15,861,265	16,276,987	2.6%
Retained Earnings	100,000	0	100,000	0	
Other Enterprise Available Funds - WS Combined	0	0	0	0	
OFS/Transfers in	0	79,414	1,680	0	
Total Revenue & Available Funds	15,664,326	15,563,229	15,962,945	16,276,987	2.0%
2. Total Costs Appropriated					
a. Costs appropriated in enterprise fund					
Public Services	1,370,648	1,196,878	1,340,246	1,388,372	3.6%
Engineernig	1,312,832	1,515,950	1,380,286	1,733,214	25.6%
Long Term Debt (principal and interest)	3,996,544	3,961,913	4,247,133	4,099,797	-3.5%
Short Term Debt (interest only)	93,000	1,843	54,680	58,106	6.3%
Other (SESD/SBWB assessment)	7,451,806	7,450,033	7,438,923	7,520,822	1.1%
Insurance Expense (Deductibles)	7,500	4,597	7,500	7,500	0.0%
OFU/Trans Out					
Total costs appropriated in enterprise fund	14,232,330	14,131,214	14,468,768	14,807,811	2.3%
b. Costs appropriated in the general fund - Indirect Costs	1,431,996	1,431,996	1,494,176	1,469,176	
Total costs appropriated in the general fund	1,431,996	1,431,996	1,494,176	1,469,176	
Total Costs	15,664,326	15,563,210	15,962,944	16,276,987	2.0%

**SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
WATER & SEWER ENTERPRISE FUNDS COMBINED - FY22**

	FY20 RECAP	FY20 Actual	FY21 Estimated	FY22 Budgeted	% Change
3. Calculation of General Fund Subsidy					
Revenue & available funds	15,664,326	15,563,229	15,962,945	15,664,327	-1.9%
less: Total costs	15,664,326	15,563,210	15,962,944	15,664,327	-1.9%
less: Prior year deficit					
(Negative represents general fund subsidy)	0	20	1	0	
4. Sources of Funding for Costs Appropriated in the Enterprise Fund					
a. Revenue & available funds	15,664,326	15,563,210	15,962,944	16,276,987	1.9%
b. Taxation					
c. Free Cash					
d. Non-Enterprise available funds					
Total Sources of Funding for Costs Appropriated in Enterprise Fund	15,664,326	15,563,210	15,962,944	16,276,987	1.9%
Total Revenue & Other Available Funds	15,664,326	15,563,229	15,962,945	16,276,987	1.9%
Total Costs	15,664,326	15,563,210	15,962,944	16,276,987	1.9%
Variance	0	20	1	0	

**SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
SEWER ENTERPRISE FUND - FY22**

	FY20	FY20	FY21	FY22	%
	RECAP	Actuals	Estimated	Budgeted	Change
1. Enterprise Revenues & Available Funds					
User Charges	9,524,454	9,667,459	9,828,959	10,210,323	3.9%
Interest & Penalties	38,505	45,862	37,000	37,000	0.0%
Sewer Liens	340,000	329,755	300,000	300,000	0.0%
Other Departmental					
Bond Premium	180,000				
Total Revenues	10,082,959	10,043,076	10,165,959	10,547,323	3.8%
Retained Earnings Appropriated	100,000				
Other Enterprise Available Funds - WS Combined	\$ (1,590,616)	\$ (1,399,461)	\$ (1,453,358)	\$ (1,523,153)	
OFS/TRANS IN/SESD Trans		79,414	1,680		
Total Revenue & Available Funds	8,592,343	8,723,029	8,714,281	9,024,170	3.6%
2. Total Costs Appropriated					
a. Costs appropriated in enterprise fund					
Public Services	657,074	535,683	646,798	665,861	2.9%
Engineering	640,816	942,123	670,518	945,307	41.0%
Long Term Debt (principal and interest)	1,692,387	1,692,333.00	1,931,587	1,930,488	-0.1%
Short Term Debt (interest only)	47,000	0	1,680	47,000	2697.6%
Other (SESD assessment)	4,881,292	4,879,519	4,763,997	4,735,813	-0.6%
Insurance Expense (Deductibles)	5,000	4,597	5,000	5,000	0.0%
OFU/Trans Out					
Total costs appropriated in enterprise fund	7,923,569	8,054,255	8,019,580	8,329,469	3.9%
b. Costs appropriated in the general fund (Indirect Costs)	668,774	668,774	694,701	694,701	0.0%
Total costs appropriated in the general fund	668,774	668,774	694,701	694,701	0.0%
Total Costs	8,592,343	8,723,029	8,714,281	9,024,170	3.5%

**SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
SEWER ENTERPRISE FUND - FY22**

	FY20	FY20	FY21	FY22	%
	RECAP	Actuals	Estimated	Budgeted	Change
3. Calculation of General Fund Subsidy					
Revenue & available funds	8,592,343	8,723,029	8,714,281	9,024,170	3.6%
less: Total costs	8,592,343	8,723,029	8,714,281	9,024,170	3.6%
less: Prior year deficit					
(Negative represents general fund subsidy)	0	0	0	0	-79.7%
4. Sources of Funding for Costs Appropriated in the Enterprise Fund					
a. Revenue & available funds	8,592,343	8,723,029	8,714,281	9,024,170	3.6%
b. Taxation					
c. Free Cash					
d. Non-Enterprise available funds					
Total Sources of Funding for Costs Appropriated in Enterprise Fund	8,592,343	8,723,029	8,714,281	9,024,170	3.5%
Total Revenue & Other Available Funds	8,592,343	8,723,029	8,714,281	9,024,170	3.6%
Total Costs	8,592,343	8,723,029	8,714,281	9,024,170	3.6%
Variance	0	0	0	0	0.0%

**SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
WATER ENTERPRISE FUND - FY22**

	FY20 RECAP	FY20 Actual	FY21 Estimated	FY22 Budgeted	% Change
1. Enterprise Revenues & Available Funds					
User Charges	5,134,087	5,072,033	5,370,306	5,397,158	0.5%
Interest & Penalties	28,000	26,080	30,000	35,506	18.4%
Water Liens	208,866	173,787	200,000	200,000	0.0%
Other Departmental - Connection Fees					
Bond Premiums					
Water Meters & Misc. Revenue	30,000	24,407	30,000	30,000	0.0%
Backflow	80,414	144,433	65,000	67,000	3.1%
Total Revenues	5,481,367	5,440,739	5,695,306	5,729,664	0.6%
Retained Earnings Appropriated	0	0	100,000	7,506	
Other Enterprise Available Funds W/S Combined OFS/Trans In	1,590,616	1,399,461	1,453,357	1,523,153	
Total Revenue & Available Funds	7,071,983	6,840,200	7,248,663	7,260,323	0.2%
2. Total Costs Appropriated					
a. Costs appropriated in enterprise fund					
Public Services	713,574	661,195	693,448	722,511	4.2%
Engineernig	672,016	573,826	709,768	787,907	11.0%
Long Term Debt (principal and interest)	2,304,157	2,269,580	2,315,546	2,169,309	-6.3%
Short Term Debt (interest only)	46,000	1,843	53,000	11,106	-79.0%
Other (SBWSB assessment)	2,570,514	2,570,514	2,674,926	2,785,009	4.1%
Insurance Expense (Deductibles)	2,500	0	2,500	2,500	0.0%
Insurance Expense (Deductibles)					
OFU/Trans Out					
Total costs appropriated in enterprise fund	6,308,761	6,076,959	6,449,188	6,478,342	0.5%
b. Costs appropriated in the general fund - Indirect Costs					
	763,222	763,222	799,475	774,475	-3.1%
Total costs appropriated in the general fund	763,222	763,222	799,475	774,475	-3.1%
Total Costs	7,071,983	6,840,181	7,248,663	7,252,817	0.1%

**SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
WATER ENTERPRISE FUND - FY22**

	FY20	FY20	FY21	FY22	%
	RECAP	Actual	Estimated	Budgeted	Change
3. Calculation of General Fund Subsidy					
Revenue & available funds	7,071,983	6,840,200	7,248,663	7,260,323	0.2%
less: Total costs	7,071,983	6,840,181	7,248,663	7,252,817	0.1%
less: Prior year deficit					
(Negative represents general fund subsidy)	0	20	0	7,506	0.0%
4. Sources of Funding for Costs Appropriated in the Enterprise Fund					
a. Revenue & available funds	7,071,983	6,840,181	7,248,663	7,252,817	0.1%
b. Taxation					
c. Free Cash					
d. Non-Enterprise available funds					
Total Sources of Funding for Costs Appropriated in Enterprise Fund	7,071,983	6,840,181	7,248,663	7,252,817	0.1%
Total Revenue & Other Available Funds	7,071,983	6,840,200	7,248,663	7,260,323	0.2%
Total Costs	7,071,983	6,840,181	7,248,663	7,252,817	0.1%
Variance	-	20	-	7,506	0.0%

**SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
TRASH ENTERPRISE FUND - FY22**

	FY20 RECAP	FY20 Actual	FY21 Estimated	FY22 Budgeted	% Change
1. Enterprise Revenues & Available Funds					
User Charges	855,000	894,077	884,925	899,925	1.7%
Other Departmental Revenue	15,000	9,332	0	0	
Penalties and Interest	0	0	4,300	0	-100.0%
Recycling Revenue	0	0	10,700	0	-100.0%
Total Revenues	870,000	903,409	899,925	899,925	0.0%
Retained Earnings Appropriated**	300,053				
Other Enterprise Available Funds					
OFS/Transfers In					
Total Revenue & Available Funds	1,170,053	903,409	899,925	899,925	0.0%

2. Total Costs Appropriated

a. Costs appropriated in enterprise fund

Salaries	100,702	80,852	96,364	79,844	-17.1%
Contracted Services - Collection and Disposal (flat fee)	3,905,713	3,513,015	3,779,836	3,882,600	2.7%
Recycling and Other Expenses		39,705	0		
Exp Trans/OFU					
Total costs appropriated in enterprise fund	4,006,415	3,633,572	3,876,199	3,962,444	2.2%

b. Costs appropriated in the general fund - Indirect Costs

Total costs appropriated in the general fund	0	0	0	0	
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Total Costs	4,006,415	3,633,572	3,876,199	3,962,444	2.2%
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**SCHEDULE A-2
ENTERPRISE FUNDS
SALEM
TRASH ENTERPRISE FUND - FY22**

FY20	FY20	FY21	FY22	%
RECAP	Actual	Estimated	Budgeted	Change

3. Calculation of General Fund Subsidy

Revenue & available funds	1,170,053	903,409	899,925	899,925	0.0%
less: Total costs	4,006,415	3,633,572	3,876,199	3,962,444	2.2%
less: Prior year deficit					
(Negative represents general fund subsidy)	(2,836,362)	(2,730,163)	(2,976,274)	(3,062,519)	2.9%

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

a. Revenue & available funds	1,170,053	903,409	899,925	899,925	0.0%
b. Taxation	2,836,362	2,836,362	2,976,274	3,062,519	2.9%
c. Free Cash					
d. Non-Enterprise available funds					
Total Sources of Funding for Costs Appropriated in Enterprise Fund	4,006,415	3,739,771	3,876,199	3,962,444	2.2%
Total Revenue & Other Available Funds	4,006,415	3,739,771	3,876,199	3,962,444	2.2%
Total Costs	4,006,415	3,633,572	3,876,199	3,962,444	2.2%
Variance	0	106,199	0	0	

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). 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:

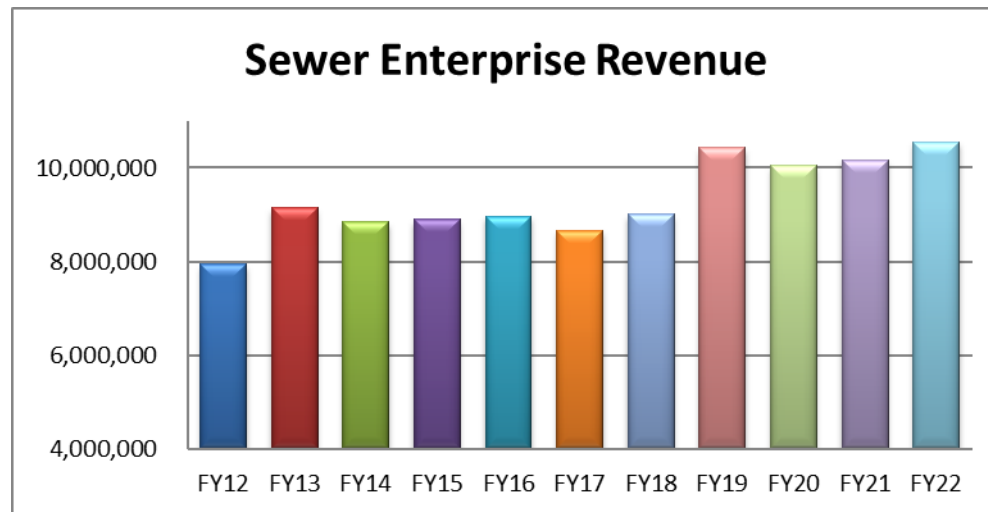
- **Sewer** – User fees, penalties and interest, sewer liens, other miscellaneous revenue and any fund balance surplus at the South Essex Sewerage District (SESD). SESD surpluses are the result of our assessment payment being more than the actual costs of running SESD.
- **Water** – User fees, penalties and interest, water liens, sale of water meters, backflow testing 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 2022 the City is requesting any increase in sewer rates of 3.88%.

Sewer Enterprise Revenue		
Fiscal Year	Revenue	
2012	7,941,520	
2013	9,140,124	
2014	8,843,453	
2015	8,898,048	
2016	8,960,699	
2017	8,669,477	
2018	9,008,028	
2019	10,420,115	
2020	10,182,959	
2021	10,165,959	Estimated
2022	10,547,323	Estimated
% Change FY21 vs. FY22		3.8%



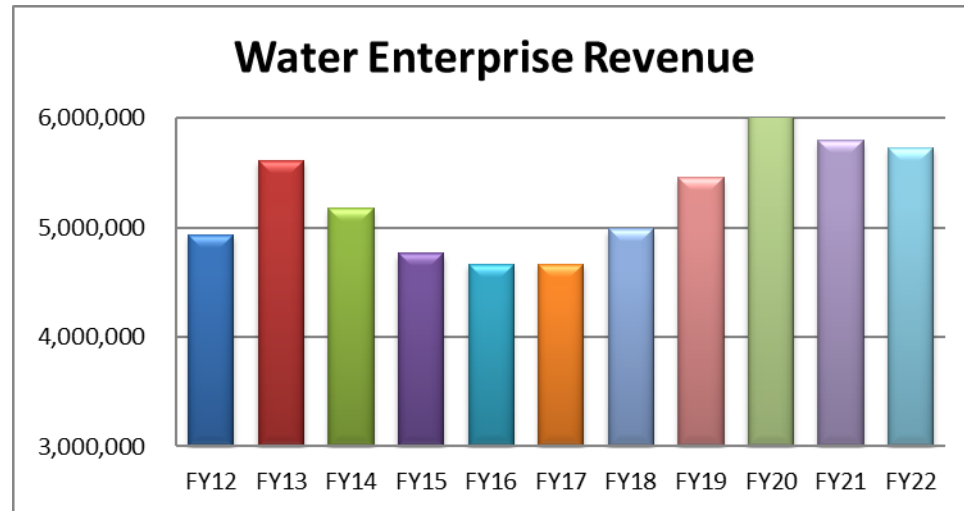
New Rates Calculations			
Sewer	Current Rate	% Increase	New Rate
Residential	7.13	3.93%	7.41
Commercial	10.80	3.89%	11.22
>25K Usage	13.83	3.90%	14.37

WATER ENTERPRISE FUND

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

In FY 2022 the City is requesting any increase in water rates of 0.45%.

Water Enterprise Revenue		
Fiscal Year	Revenue	
2012	4,934,150	
2013	5,616,609	
2014	5,175,132	
2015	4,765,690	
2016	4,663,821	
2017	4,666,970	
2018	4,985,062	
2019	5,456,388	
2020	6,840,200	
2021	5,795,306	Estimated
2022	5,729,664	Estimated
% Change FY21 vs. FY22		-1.1%

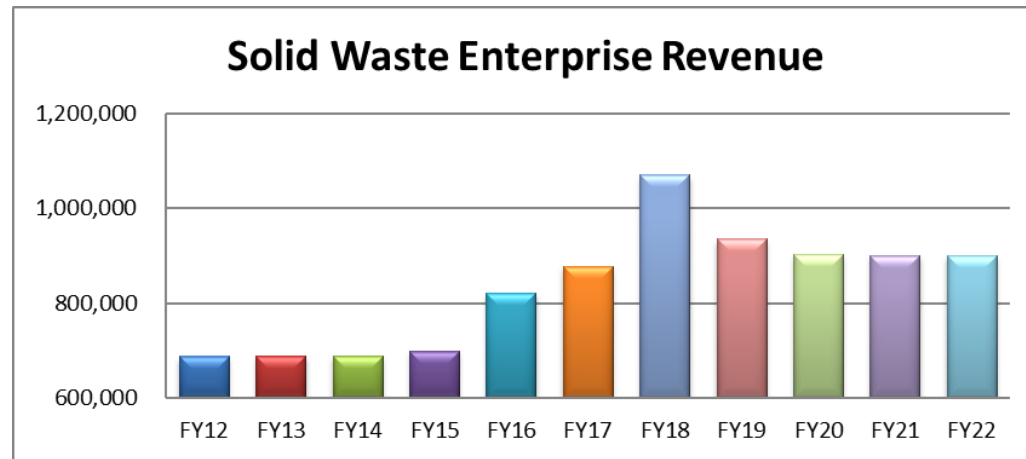


New Rates Calculations			
Water	Current Rate	% Increase	New Rate
Residential	3.62	0.55%	3.64
Commercial	4.90	0.41%	4.92

TRASH ENTERPRISE FUND

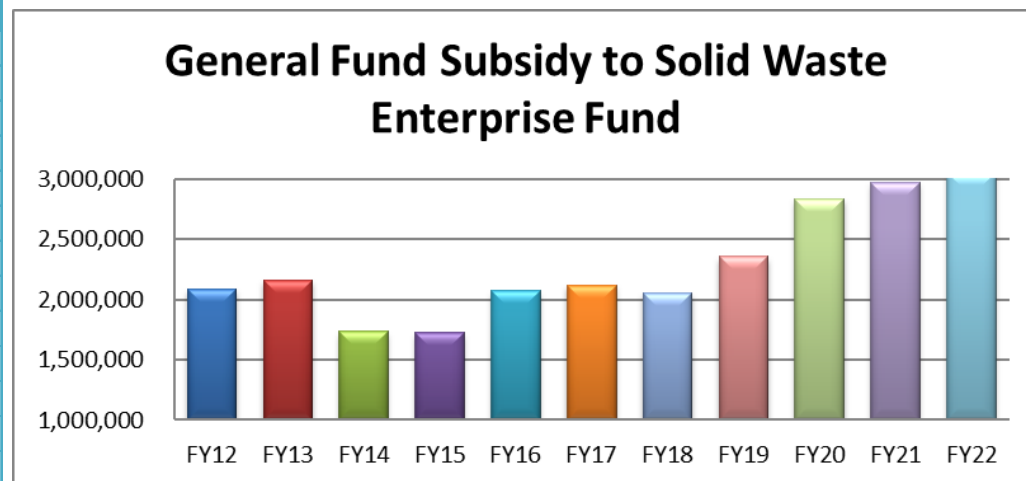
Trash Revenue – The trash revenues consist of penalties & interest and trash fee revenue. The general fund subsidizes 73% of the trash fund expenditures. In FY 2016 the City contracted with Waste Management to take over for North Side Carting due to North Side Carting's inability to fulfill their contractual obligations. The Solid Waste Collection line increased in FY 2016 due to the change in vendor but leveled out in FY 2017 due to mandatory recycling which leveled out the solid waste disposal costs. There is no increase projected for FY 2022.

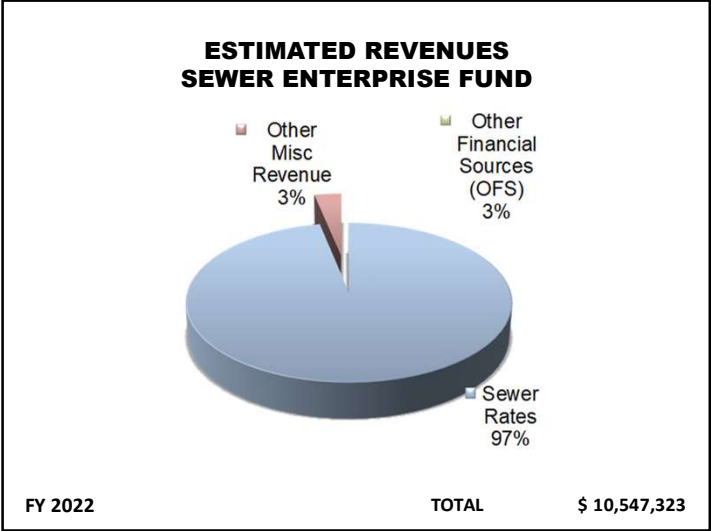
Trash Enterprise Revenue		
Fiscal Year	Revenue	
2012	686,835	
2013	689,358	
2014	689,358	
2015	699,082	
2016	820,890	
2017	877,785	
2018	1,069,713	
2019	935,128	
2020	903,408	
2021	899,925	Estimated
2022	899,925	Estimated
% Change FY21 vs. FY22		0.0%



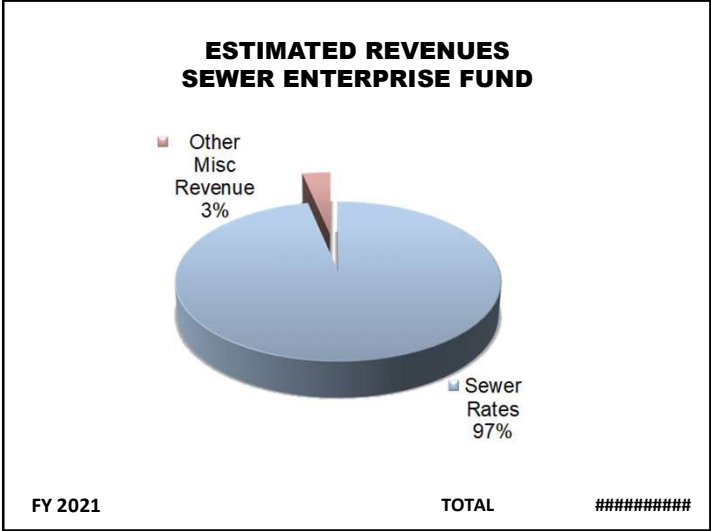
In FY 2022 we anticipate an increase in the General Fund Subsidy to the Trash Enterprise Fund based on the use of retained earnings.

GF Subsidy to Trash Enterprise Fund		
Fiscal Year	Revenue	
2012	2,089,981	
2013	2,160,684	
2014	1,734,930	
2015	1,725,206	
2016	2,071,893	
2017	2,118,620	
2018	2,054,990	
2019	2,359,895	
2020	2,836,362	
2021	2,976,275	Estimated
2022	3,062,519	Estimated
% Change FY21 vs. FY22		2.9%

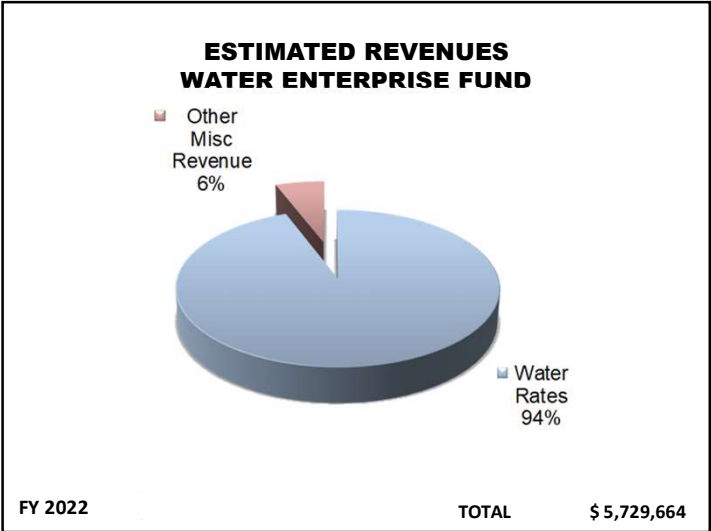




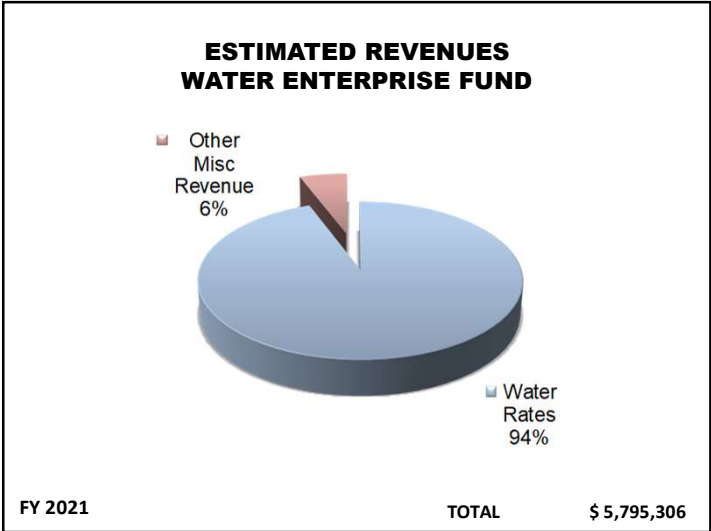
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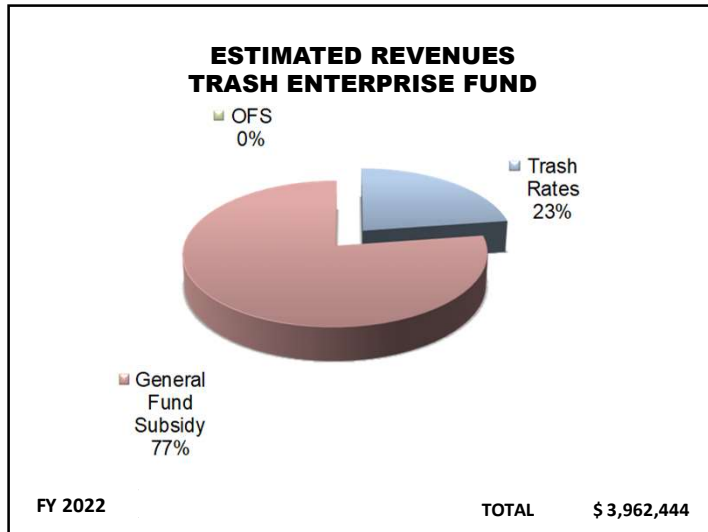
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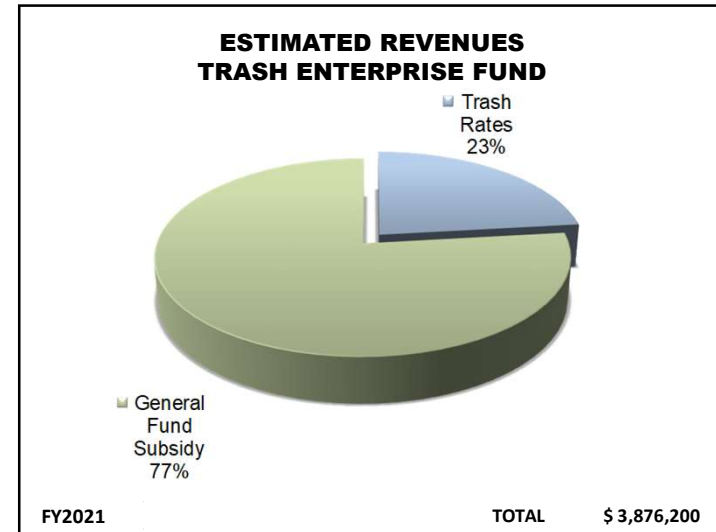
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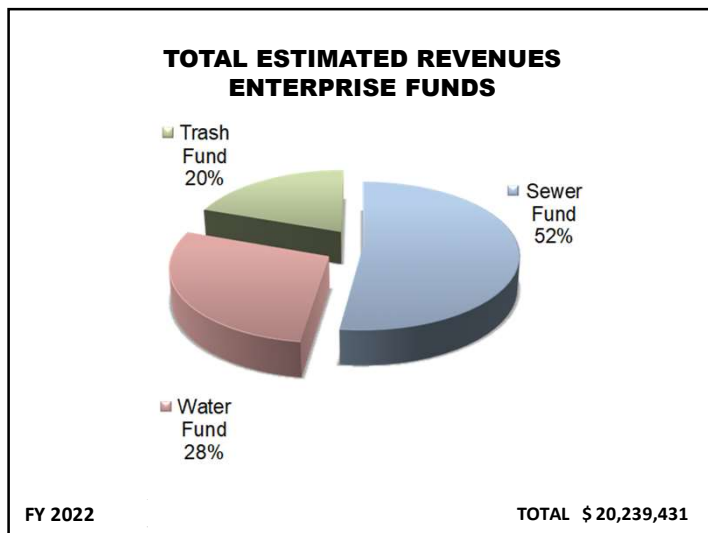
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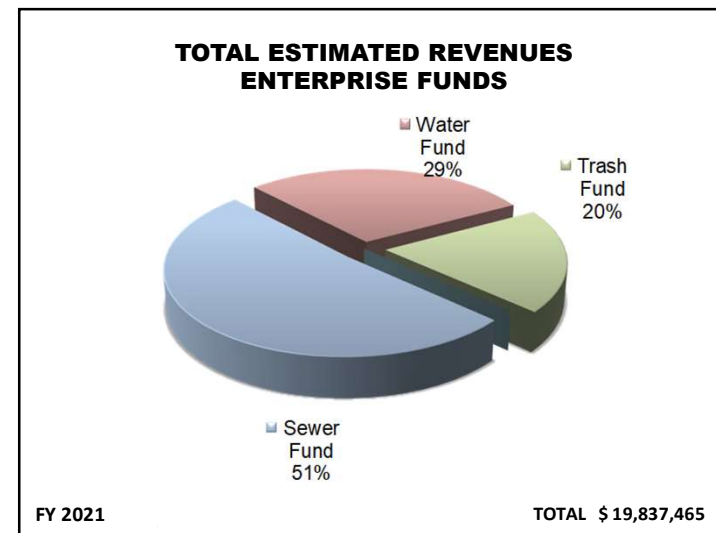
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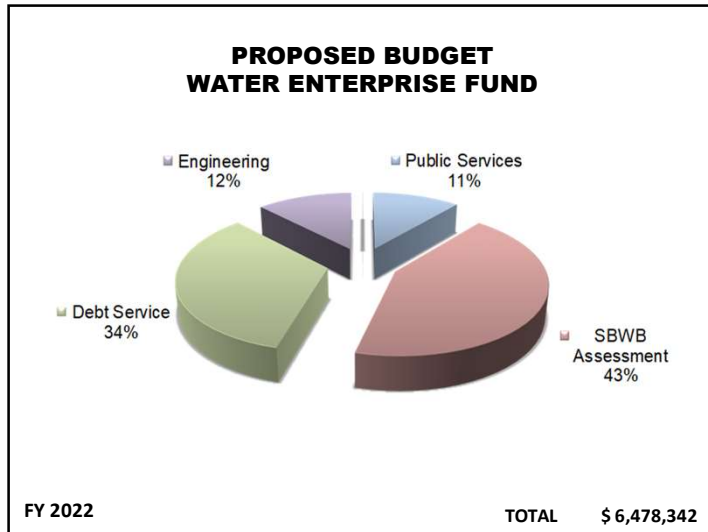
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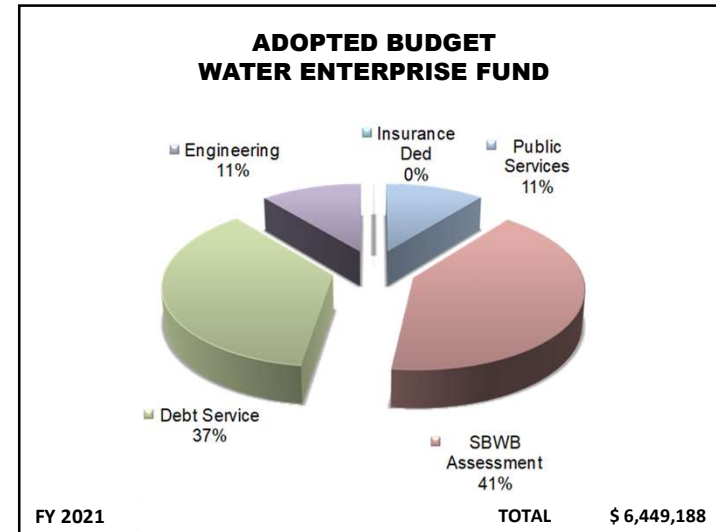
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**CITY OF SALEM, MASSACHUSETTS
FY 2022 OPERATING BUDGET**

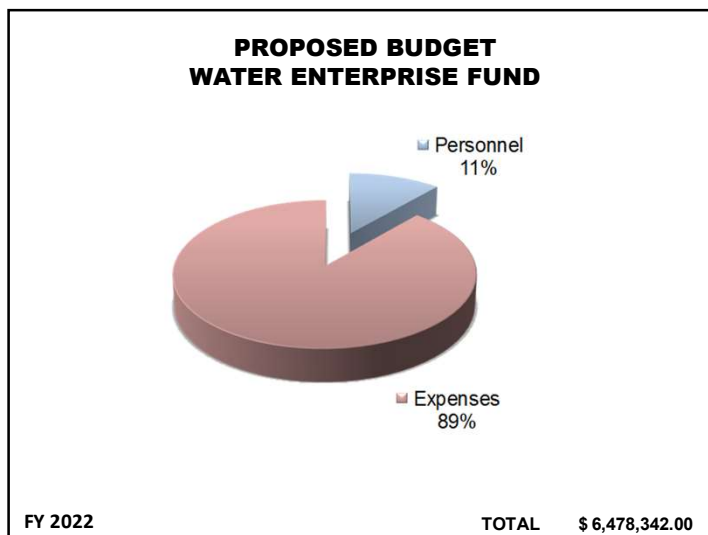
	ACTUAL EXPENDED FY 2020	ADOPTED BUDGET FY 2021	DEPT BUDGET FY 2022	MAYOR BUDGET FY 2022	CITY COUNCIL BUDGET FY 2022	FY21 vs. FY22 Budget Inc/Decr Amount Percentage	
ENTERPRISE FUNDS							
SEWER :							
Sewer - Public Services	535,683	646,798	665,861	665,861	665,861	(129,181)	-16.25%
Sewer - Engineering	756,015	670,518	945,307	945,307	945,307	274,789	40.98%
Long Term Debt	1,692,333	1,931,587	1,930,488	1,930,488	1,930,488	(1,099)	
Short Term Debt	716	47,000	47,000	47,000	47,000	-	
SESD Assessment	4,879,519	4,763,997	4,735,813	4,735,813	4,735,813	(28,184)	-0.59%
Sewer - Insurance Deduction	4,597	5,000	5,000	5,000	5,000	-	0.00%
TOTAL SEWER	7,868,862	8,064,900	8,329,469	8,329,470	8,329,469	116,325	1.42%
WATER :							
Water-Public Services	661,195	693,448	722,511	722,511	722,511	29,063	4.19%
Water-Engineering	573,826	709,768	787,907	787,907	787,907	78,139	11.01%
Long Term Debt	2,269,580	2,315,546	2,169,309	2,169,309	2,169,309	(146,237)	-6.32%
Short Term Debt	1,843	53,000	11,106	11,106	11,106	(41,894)	-79.05%
SBWS Assessment	2,570,514	2,674,926	2,785,009	2,785,009	2,785,009	110,083	4.12%
Water - Insurance Deduction	0	2,500	2,500	2,500	2,500	-	
TOTAL WATER	6,076,958	6,449,188	6,478,342	6,478,342	6,478,342	29,154	0.45%
Solid Waste :							
Solid Waste - Engineering	3,633,572	3,876,199	3,962,443	3,962,443	3,962,443	86,244	2.22%
TOTAL TRASH	3,633,572	3,229,608	3,962,443	3,962,443	3,962,443	86,244	2.22%
PEG Access :							
Access Cable	471,155	691,250	691,250	691,250	691,250	-	0.00%
TOTAL TRASH	471,155	3,229,608	691,250	691,250	691,250	-	0.00%
ENTERPRISE FUND TOTAL	18,050,547	20,973,304	19,461,504	19,461,505	19,461,504	231,723	1.21%
GRAND TOTAL ALL FUNDS	160,422,470	162,160,297	179,895,308	179,868,047	179,868,046	15,160,183	10.92%



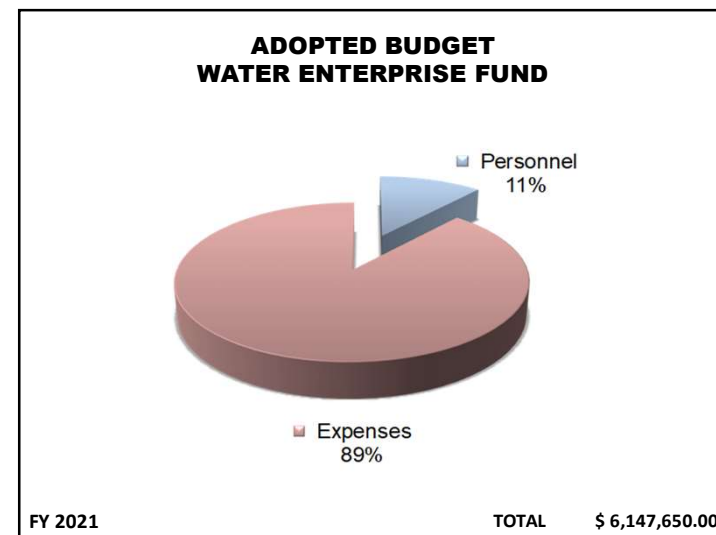
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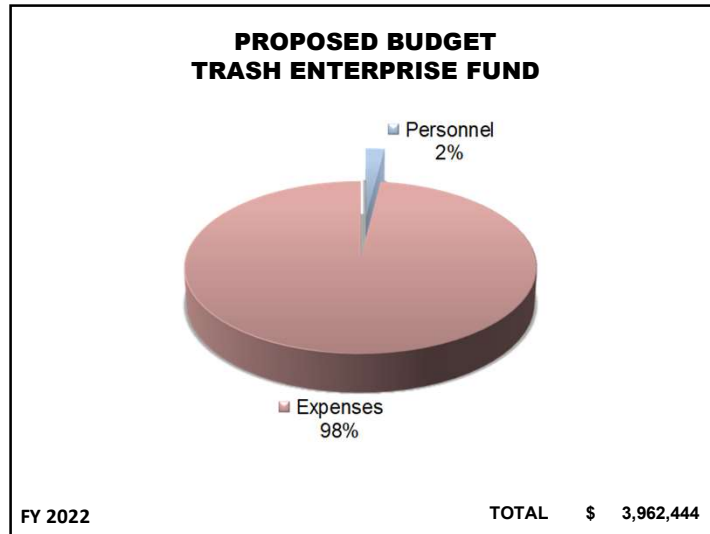
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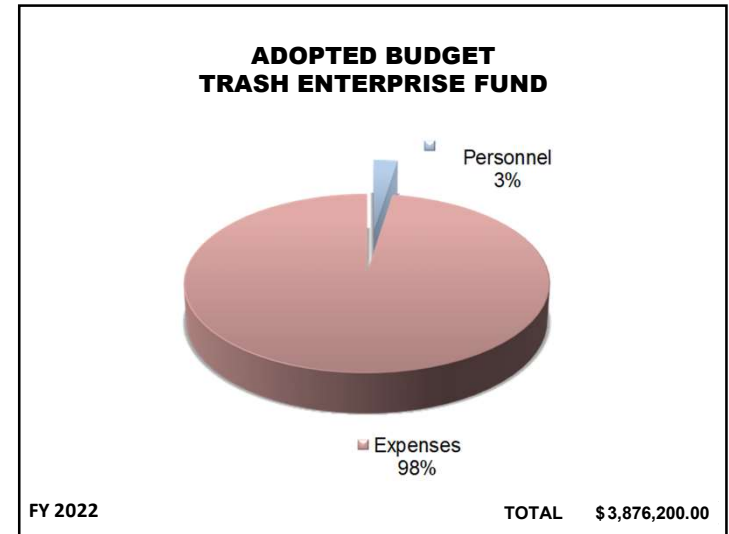
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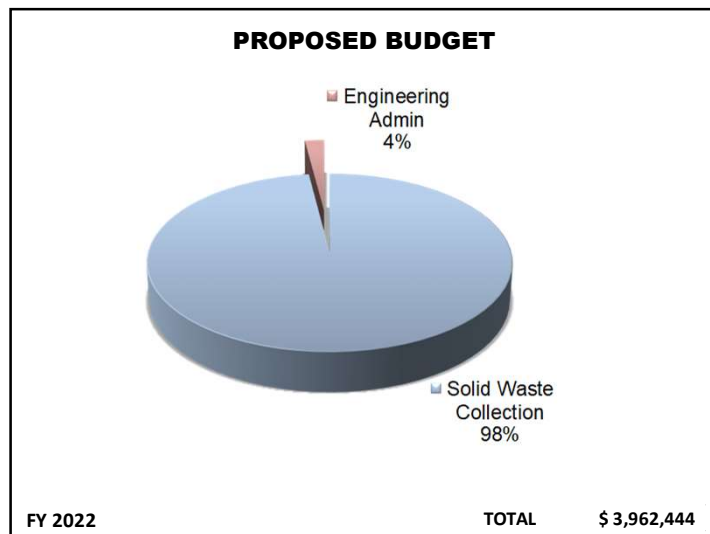
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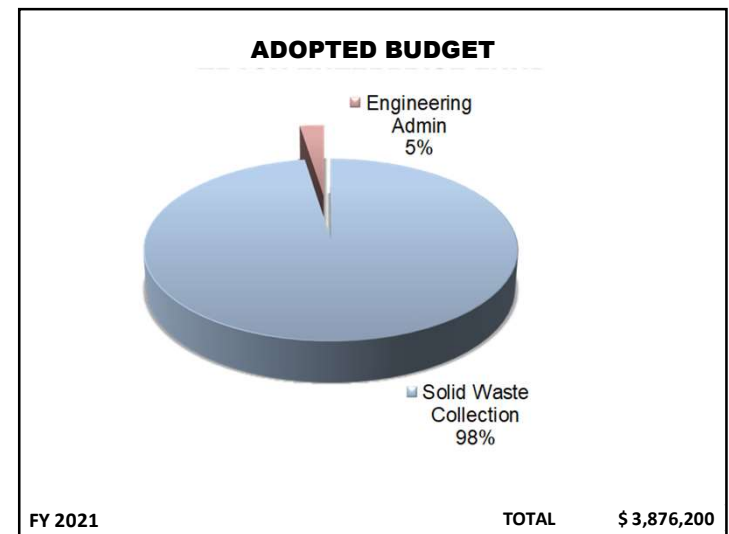
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FY2022 COMBINED RETAIL WATER AND SEWER RATE COMMUNITY CHARGE COMPARISON

		Water				Sewer					Last Rate Adjustment	% change	Annual Cost per 120 HCF (approx 90,000 gallons)
		Residential	Commercial			Residential	Commercial						
Salem - 7/1/2020 FY2021		\$ 3.62	\$ 4.90	HCF		\$ 7.13	\$ 10.80	0-250 HCF	yes	Enterprise Fund	8/1/2019	3.70%	Water: \$ 434.40
							\$ 13.83	251+ HCF	10% water if pd.	Water & Sewer			Sewer: \$ 855.60
									within 15 days				Combined: \$ 1,290.00
Salem - 7/1/2021 Proposed		\$ 3.64	\$ 4.92	HCF		\$ 7.41	\$ 11.22	0-250 HCF	yes	Enterprise Fund	8/1/2020	3.00%	Water: \$ 436.80
							\$ 14.37	251+ HCF	10% water if pd.	Water & Sewer			Sewer: \$ 889.20
									within 15 days				Combined: \$ 1,326.00
Beverly		\$ 3.65	same	HCF		\$ 5.61	same	HCF	no	Enterprise	7/1/2018	-0.06%	Water: \$ 370.80
										Water & Sewer			Sewer: \$ 673.20
													Combined: \$ 1,044.00
Chelsea		\$ 5.47	same	0-10 HCF		\$ 9.47	same	0-10 HCF	no	Enterprise Fund	7/1/2020	0.00%	Water: \$ 656.40
		\$ 6.67	same	> 10-15 HCF		\$ 10.33	same	> 10-15 HCF		Water & Sewer			Sewer: \$ 1,136.40
		\$ 8.38	same	> 15HCF		\$ 12.45	same	> 15HCF					Combined: \$ 1,792.80
Danvers		\$ 5.92	\$ 5.92	0-40 HCF		\$ 6.69	\$ 7.38	0-40 HCF	yes	General Fund	7/1/2018	2.10%	Water: \$ 788.00
		\$ 6.66	6.66	balance		\$ 6.96	\$ 7.68	balance	15% water	Water & Sewer			Sewer: \$ 813.60
		\$ 8.54				\$ 8.37			elderly/low				Combined: \$ 1,601.60
									income				
Gloucester		\$ 8.30	same	kgal		\$ 14.83	same	kgal	no	Enterprise Fund	7/1/2018	3.30%	Water: \$ 747.00
										Water & Sewer			Sewer: \$ 1,334.70
													Combined: \$ 2,081.70
Lynn		\$ 4.04	same	0-27 HCF		\$ 7.40	same	0-27 HCF	yes	Enterprise Fund	7/1/2020	3.66%	Water: \$ 484.80
		\$ 4.16	same	27-73 HCF		\$ 7.65	same	27-73 HCF	owner occ.	Water & Sewer			Sewer: \$ 888.00
		\$ 4.23	same	73-2,812 HCF		\$ 7.79	same	73-2,812 HCF	elderly/disabled				Combined: \$ 1,372.80
		\$ 4.29	same	balance		\$ 7.84	same	balance	single @ 15%, 2-fam @ 7.5%, 3-Fam @ 5%				
Marblehead		\$ 5.90	same	0-30 HCF		\$ 10.30	same	0-30 HCF	no	Enterprise Fund	11/1/2020	10.49%	Water: \$ 784.40
		\$ 7.90	same	balance		\$ 10.30	same	balance		Water & Sewer			Sewer: \$ 1,310.40
													Combined: \$ 2,094.80
Peabody		\$ 3.31	same	0-15 HCF		\$ 4.41	same	0-15 HCF	no	General Fund	7/1/2019	0.16%	Water: \$ 422.60
		\$ 3.65	same	15-25 HCF		\$ 4.92	same	15-25 HCF		Water & Sewer			Sewer: \$ 566.00
		\$ 3.90	same	25-30		\$ 5.23	same	25-30 HCF					Combined: \$ 988.60
		\$ 4.04	same	balance		\$ 5.52	same	balance					
Revere		\$ 3.91	\$ 5.93	HCF		\$ 11.79	\$ 18.55	HCF	yes	Enterprise Fund	7/1/2019	0.00%	Water: \$ 469.20
									senior	Water & Sewer			Sewer: \$ 1,414.80
													Combined: \$ 1,884.00
Swampscott		\$ 7.11	same	HCF		\$ 5.58	same	HCF	no	Enterprise Fund	7/1/2020	4.43%	Water: \$ 906.20
										Water & Sewer			Sewer: \$ 749.60
													Combined: \$ 1,655.80

NOTE: All data taken from MWRA Annual Water and Sewer Retail Rate Survey - 2020

Average Costs of listed communities:	
Water:	\$ 625.49
Sewer:	\$ 987.41
Combined:	\$ 1,612.90

Salem vs. Comparable Communities	
Water:	\$ (188.69)
Sewer:	\$ (98.21)
Combined:	\$ (286.90)