

Annual Town Meeting - May 2022
Articles 8-12 - Enterprise Fund Budgets
Lynn Bruneau, Finance Committee Chairman

Good Evening!

The next five Articles in the Warrant - Articles 8 through 12 - present the budgets for the five Enterprise Funds that were originally structured at the October 2020 Special Town Meeting with their first operating budgets approved a year ago at the May 2021 Annual Town Meeting. Now it's time to vote again on the individual operating budgets for each of these Enterprise Funds for the next fiscal year. But as I did a year ago, I'm only going to talk once about these five Enterprise Funds - on behalf of the Finance Committee.

As noted previously, Enterprise Funds ("EF") are "fundamentally accounting changes intended to report Revenues and Expenses associated with a particular set of Town services to provide transparency to the full cost the Town incurs."

Beginning in early February, the Finance Committee reviewed the draft budgets for each of the Enterprise Funds - more detail than you see presented in the Warrant Articles because it included the detail behind the Direct Expenses and the Indirect Expenses and the calculation of the Indirect Expenses. And like last year, we asked a lot of questions.

What you might remember from last year is that in the EF budgets, we don't like seeing a blank line for Debt Service on each of the Budget pages in the Warrant when in fact 3 of the 5 EF's have annual debt service payments due on debt borrowed to fund previously approved capital projects. The EF Policy adopted last year by the Select Board and updated last month confirms that annual debt service for previously approved capital projects will continue to be paid by taxation; however, for all 5 EF's, future capital project to be funded by cash or debt service should be paid from EF revenues. You can see the amount of debt service for Beaches, the Rock Harbor Boat Basin and the Transfer Station in the Summary section of each of those Warrant Articles. In each case, debt service for FY23 is anticipated to be more than it is for FY22 - not substantially more for the Transfer Station or Rock Harbor - but more than double for Beaches - increasing from just under \$300k to \$662k. All of this paid by all of us - the taxpayers.

Each of the budgets shows the proposed user fees - and any proposed fee increase. Just one minor change for the Beaches - adding a \$5 charge to replace a beach sticker. No changes for Rock Harbor. A substantial change proposed for Moorings - for recreational moorings - going from \$120 to \$155. And for the Transfer Station, most stickers will change from \$165 to \$185 - starting July 1. For sewer operations - with the "first flush" for the Downtown Sewer Area anticipated for early September - the proposed sewer rates - in a structure similar to water rates - a \$50 base rate per quarter, plus a usage rate on top of that - just like for water - of \$8/kgal of water as the basis for the measurement. The septage fee - for septage haulers -

w/be \$100/kgal. The approval of each EF budget includes the approval of the associated user fees.

As noted above - one objective of the EF set-up is to provide more transparency regarding revenue and expenses for each of these operations. So how are they doing? We don't have real-time reports in Town yet - only information through the end of March - but that's three-quarters of the year - so let's take a brief look - knowing that for some of these operations, revenue or expenses might be seasonal, for example, sticker sales spike in the spring with residents taking advantage of current year sticker fees before new fees go into effect on July 1.

Beaches - thru March, revenue was \$335k ahead of last year but only 50% of the 12-month revenue goal. Maybe spring sticker sales will help this. YTD expenses thru March at 50% of 12-month budget though some line-item challenges.

Moorings - thru March, revenue was \$20.5k ahead and 92% of the 12-month revenue goal. YTD expenses - the total is skewed because indirect expenses booked July 1; all else OK.

Rock Harbor - thru March, revenue \$12k ahead but only 34% of the 12-month revenue goal. Again, maybe spring user fees will solve this. YTD expenses thru March at 50% of 12-month budget though 2 small challenges.

Transfer Station - thru March, \$20k behind last year and less than 20% of the 12-month revenue goal. YTD expenses thru March at 85% of 12-month budget including encumbrances (eg \$78k for Tonnage Fees and \$100k for Recycling / Hauling).

Sewer Operations - no revenue yet; all funded by Wastewater Stabilization Fund.

As noted in the EF Warrant Articles and in the EF Policy - the FY23 EF budgets do not cover all costs for all of the EFs. As for last year, Beach operations and Mooring operations are budgeted to be self-funding. Sewer Operations will be funded from the Special Purpose Wastewater Stabilization Fund established in 2019 - so that will not impact taxpayers. However, the Transfer Station and Rock Harbor Boat Basin Operations will both need to be subsidized by the operating budget - by the taxpayers - to cover almost 40% of the costs for each of these EFs (\$467.8k and \$78.7k respectively). And as noted, none of the budgets include debt service which is still covered by property taxes.

On the plus side of transparency - the EF structure does help to show what some of the Town's cost causes are - and does help to more readily justify user fees and fee increases. Each of these operations should be able to sustain services at their current, outstanding levels. Accordingly, the Finance Committee urges you to support all five of the Enterprise Fund budgets represented in Articles 8 through 12.

Thank you.