

**Annual Town Meeting - May 8, 2023
Enterprise Fund Budgets - FY24**

Article 8 - Beaches Enterprise Fund Budget (FY24)

Article 9 - Moorings Enterprise Fund Budget (FY24)

Article 10 - Rock Harbor Boat Basin Enterprise Fund Budget (FY24)

Article 11 - Sewer Enterprise Fund Budget (FY24)

Article 12 - Transfer Station Enterprise Fund Budget (FY24)

All Approved Unanimously by the Finance Committee: 6-0-0

On Behalf of the Finance Committee: Tim Counihan

Hello, I'm Tim Counihan speaking on behalf of the Finance Committee.

Enterprise Funds are a method for Orleans to set up semi-independent, self-funding businesses within the Town's overall management structure. Note that Enterprise Funds exist outside of the Town's general operating budget.

The Water Department, set up over 30 years ago, is a good example of how a well-run Enterprise Fund should operate. Water rates are set to generate sufficient revenues to both cover both the operating costs of providing water to the Town, as well as the capital investments necessary to maintain the wells, treatment plant, and pipes. Payments for Town water are proportional to a resident's water usage.

Town Meeting established 5 new Enterprise Funds in the FY22 budget - Beaches, Transfer Station, Moorings, Rock Harbor Boat Basin, and Sewer Operations.

The Finance Committee believes that the Beaches, the Transfer Station, and Sewer Operations can be developed into viable self-funding operations with the creation of solid business plans and with management focus on their implementation. We are concerned, though, that without significant redefinition, that this will not be possible for Moorings or the Rock Harbor Basin.

All 5 Enterprise Funds are now completing their second year. The Finance Committee believes that solid business plans need to be put in place by the end of this coming year, including all operating and capital costs and demonstrating a path towards financial viability. If this cannot be done, the Town should consider sunsetting some of these funds at next year's Spring Town Meeting.

The Finance Committee is especially concerned that the Warrant Article summary for each Enterprise Funds concludes with statements that the Town General Fund subsidies are less than their actuals by excluding payment on debt. For example, Beaches concludes that "No tax subsidy is required...", while in fact the Warrant Article has just stated that \$662K was

additionally included to cover the Beach’s debt. That alone will cost the average homeowner \$112 this coming year.

Failing to include the debt on capital costs in our Enterprise Funds is the equivalent of excluding your mortgage and car payments in your personal budget and saying you have a balanced family budget. This is highly misleading and should be corrected in all further discussion of Enterprise Funds. It is also required by Mass law.

The Finance Committee has unanimously voted in favor of Enterprise Fund Articles 8 thru 12.

Enterprise Fund Subsidies

TRC 4/23/23

\$000s	New Warrant Debt	Debt Service	Operations	Total	Avg Home
Beaches		\$ 662	\$	662 \$	111.94
Moorings		\$ -	\$	- \$	-
Rock Harbor *	1,570	\$ 571	\$ 71	642 \$	108.56
Transfer Station		\$ 263	\$ 461	724 \$	122.43
Sewers **	5,262	\$ -	\$ 1,370	1,370 \$	231.67
Total		\$ 1,496	\$ 1,902	3,398 \$	574.60
Average Home		\$ 252.97	\$ 321.63	574.60	

* Articles 19 and 20 will create future debt for Rock Harbor of \$1,570,000 for dredging and fuel tanks

** Sewer debt is accumulating at 0% interest, debt service payments won't start until system is operational

** Sewer operations is subsidized through a stabilization fund, funded with short-term rental taxes