

Denton Utility Commission
Meeting Agenda

November 17, 2021
4:00PM

Join Zoom Meeting
<https://us02web.zoom.us/j/86964564544?pwd=RHJJVjJBM0p4YlVvNzYrU2FFaFFZdz09>

Meeting ID: 869 6456 4544
Passcode: 933010
301 715 8592 US (Washington DC)

I. Call to Order

II. Attendance

MEMBERS	OTHERS
<input type="checkbox"/> Councilperson Lister	<input type="checkbox"/> Don Mulrine, Town Administrator
<input type="checkbox"/> Scott Getchell, Chair	<input type="checkbox"/> Mark Chandler, W/WW Supt.
<input type="checkbox"/> Albert McCullough, Vice Chair	<input type="checkbox"/> Phil Clark, DPW Supt.
<input type="checkbox"/> Adam Jones, Secretary	
<input type="checkbox"/> Leroy Woomer, Member	

III. Approval of Minutes – Review and approval of meeting minutes from the October 6, 2021 meeting.

IV. Open Issues

- a) **Water Main Replacement Project** – Mulrine will provide an update.
- b) **Water & Sewer Budgets** – Will be discussed in 2022.
- c) **WWTP Sludge Management Project** – Chandler to provide information on this potential WWTP project.
- d) **Capital Improvement Plan** – Mulrine to provide an update.
- e) **AquaCon** – Mulrine to provide update on AquaCon fish farm in Denton.
- f) **ARPA Funding** – Mulrine to provide update on ARP spending plan.
- g) **UC Positions for 2022** – Discussion on member positions going into 2022.
- h) **Other Open Issues**

V. New Business

- a) **Enterprise Fund Description** – Mulrine to discuss Council request for Enterprise Fund description.
- b) **Other New Business**

VI. Adjournment

What is an Enterprise Fund

At a recent town meeting, the Council talked about an Enterprise Fund and how it affects water and sewer fees charged and collected. We would like to take a moment to review what an Enterprise Fund is to help clarify how this affects our residents.

Enterprise funds are for services which charge a fee and the fund should be treated like a business organization. Examples of enterprise funds include municipal utilities such as power, water, and sewer.

Fees collected from enterprises should cover the cost of the enterprise. If fees greatly exceed the amount that it costs to operate the enterprise, municipal officials should leverage the fees to cover the costs of the enterprise.

At their core, enterprise funds provide services based upon the use of user fees. User fees are instituted to charge users based upon their specific utilization of services.

The following information will help you understand:

- The definition of “Enterprise Fund”.
- Why enterprise funds are important to your utility.
- How to implement enterprise funds.

An enterprise fund is considered the best practice to promote and maintain long-term financial sustainability for water sewer, and stormwater activities. An enterprise fund is a separate accounting and financial reporting mechanism for which revenues and expenditures are segregated in a fund with financial statement separate from all other governmental activities. An enterprise fund identifies the total direct and indirect costs to provide the service and the sources and amounts of revenues that support the service for which a fee is charged in exchange for service. Direct costs generally consist of personnel services, expenses and capital outlay, which are budgeted and accounted for in the enterprise fund. Indirect costs are expenditures budgeted and accounted for in the general fund on behalf of the enterprise fund, which area allocated to the enterprise fund for funding. Examples of indirect costs are central service department costs (accounting, treasury, collections, law, and the like), insurances and fringe benefits that are not budgeted and accounted for in the enterprise fund.

The benefit of an Enterprise Fund:

- Identifies a total cost of service and related revenues for a service.
- Provides management information to analyze the extent to which revenues are covering expenditures.
- Retains and maintains investment income and surplus.
- Provides useful information to make decisions on used charges and other financing items.
- Provides the value of the enterprise fixed assets and infrastructure and recognizes the cost of the annual depreciation of these assets.
- Provides long-term liabilities in the financial statements thus provides both short and long-term financial perspectives.

One of the steps in establishing an enterprise fund is to develop an accounting system. Once adopted, the process of establishing the enterprise fund should begin using accounting records and identifying the assets (capital items and infrastructure), liabilities and equity. Related funds in other unrestricted funds should be identified and transferred to the enterprise fund if voted by the legislative body.

You should work with the finance department to:

- Ensure that revenues include user charges, utility liens added to taxes, connection fees, betterment assessments, miscellaneous fees, interest earnings, and other financing sources.
- Ensure that expenditures are known.

Another step in establishing an enterprise fund is to analyze the data provided to (a) monitor that actual revenue is on target to estimated revenue and (b) that your expenditures are on track to appropriations. This is an important step to ensure that the budget, both revenues and expenditures, are realized based on the annual budget.

The bulk of the revenue for enterprises comes primarily from user fees.

Enterprises have bonding authority, meaning they can take out debt based upon the projected revenue from their user fees.

Enterprises cannot levy taxes and must provide goods or services in exchange for fees.