



To: Honorable Mayor and City Council
Through: Brian Mickelsen, City Manager
From: Jesus R. Rodriguez, Finance Director
Subject: Annual Sewer Report – May 1, 2005

April 30, 2005

As required by the City’s Sewer Policy, an annual report is to be presented to the City Council on the first day of May, depicting the fiscal year’s activity.

As of March 31, 2005, the following funds were on hand:

Sewer Fund

Maintenance & Operations Fund	\$1,444,079
Bond Replacement Fund	108,382
Plant Expansion Fund	107,578
Equipment Replacement Fund	1,169,589
Total	\$2,829,628

Debt Service Fund

FmHA Reserve Fund	\$580,256
WIFA Reserve Fund	377,597
MPC Reserve Fund	302,036
Surplus Sales Tax	2,487,088
Total	\$3,746,977

Sewer Fund Descriptions:

Maintenance & Operations Fund – Depository account for all sewer user fees.

Bond Replacement Fund – Required reserve for revenue bond holders. Funds revert to the City on 07/01/2007

Plant Expansion Fund – An accumulation fund for Impact Fees for future expansion of the system

Equipment Replacement Fund – An accumulation fund of a portion of the sewer user fees to replace equipment as necessary.

Debt Service Fund Descriptions:

FmHA Reserve Fund – Required cash reserves for the FmHA bonds. Funds revert to the City on 07/01/2007

WIFA Reserve Fund – Required cash reserves for the Water Infrastructure Finance Authority (WIFA) debt service. Funds revert to the City on 07/01/2007

MPC Reserve Fund – Required cash reserves for the Municipal Property Corporation (MPC). Funds revert to the City on 07/01/2007

Surplus Sales Tax – Excess cash reserves for use on future expansion projects.

Financial Summary:

The following is a financial summary from July 1, 2004 through March 31, 2005:

City of Cottonwood
Sewer Operations Summary
For the Nine Month Period Ending March 31, 2005

Item Description	Amount
Operating Income	\$1,035,421
Operating Expenses	(898,871)
Operating Gain / (Loss)	\$136,550
Non-operating Income (City Sales Tax)	2,482,243
Debt Service Payments	(1,533,755)
Net Gain / (Loss)	\$948,488

Account Receivables:

As of April 31, 2005 the account receivables for the system were \$122,321.

Days	Amount
30	10,016
60	7,128
90 and older	105,177
Total	<u><u>\$122,321</u></u>

The high outstanding accounts receivables is due to the not writing off any accounts to bad debt in order to keep a record on the City’s financial accounting system making it easier to track the information on our delinquent customers. This number, however, has dropped \$23,571 from last year due some recovery programs initiated during the year.

Sewer rates for Fiscal year 2005-06

The City Sewer Policy has established the following formulas for rate calculation:

Administrative Charge

Formula: Total Administrative budget ÷ # of users = cost per user ÷ 12 months = monthly charge

Depreciation of Equipment

Formula: Total annual depreciation ÷ annualized usage of gallons sold (in thousands) = cost per thousand

Operation and Maintenance (O&M) Costs

Formula: Total O&M budget ÷ annualized usage of gallons sold (in thousands) = cost per thousand

Currently, the sewer department budget is still not completed. A recommended rate will be presented to the City Council shortly after the 2005-06 budget is adopted.