



To: Honorable Mayor and City Council

April 30, 2006

Through: Brian Mickelsen, City Manager

From: Josh Burkman, Bookkeeper

Subject: Annual Sewer Report – May 1, 2006

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, 2006, the following funds were on hand:

Sewer Fund

Maintenance & Operations Fund	\$1,714,002
Bond Replacement Fund	112,526
Plant Expansion Fund	97,276
Equipment Replacement Fund	1,209,805
Total	\$3,133,609

Debt Service Fund

FmHA Reserve Fund	\$580,256
WIFA Reserve Fund	311,033
MPC Reserve Fund	302,036
Surplus Sales Tax	2,636,727
Total	\$3,830,051

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, 2005 through March 31, 2006:

City of Cottonwood
Sewer Operations Summary
For the Nine Month Period Ending March 31, 2006

Item Description	Amount
Operating Income	\$931,875
Operating Expenses	<u>(821,515)</u>
Operating Gain / (Loss)	\$110,360
Non-operating Income (City Sales Tax)	3,065,835
Debt Service Payments	<u>(1,461,164)</u>
Net Gain / (Loss)	<u>\$1,715,031</u>

Account Receivables:

As of April 30, 2006 the account receivables for the system were \$159,810.

Days	Amount
30	22,356
60	13,563
90 and older	123,891
Total	<u><u>\$159,810</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 has increased \$37,489 from last year due to an increase in delinquent amounts payable. However, this number should start to decrease in future years due to pending integration of water and sewer billings. This integration will give the Sewer/Water department the ability to shut off water accounts with past due sewer bills.

Sewer rates for Fiscal year 2006-07

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 2006-07 budget is adopted.