



April 30, 2011

To: Honorable Mayor and City Council

Via: Doug Bartosh, City Manager

From: Helen Bartels, Utility Bookkeeper
 Jesus R. Rodriguez, Administrative Services General Manager

Subject: **Annual Sewer Report - May 1, 2011**

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, 2011, the following cash and cash equivalents were on hand:

Sewer Fund *(amounts are based on unaudited figures)*

Maintenance & Operations Fund	\$ 3,173,456.84
Total	\$ 3,173,456.84

Financial Summary

The following is a financial summary for the period of July 1, 2010 through March 31, 2011:

City of Cottonwood
 Sewer Operations Summary
 For the Nine (9)-Month Period Ending March 31, 2010
(amounts are based on unaudited figures)

<u>Item Description</u>	<u>Amount</u>
Operating Income	\$ 1,003,324.80
Operating Expenses	(1,088,499.43)
Operating Gain/(Loss)	\$ (85,174.63)

Account Receivables

As of March 31, 2011 the aged account receivables for the system were \$259,217.19.

The high outstanding accounts receivables are due to the not writing off of 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 \$ 24,531.91 from last year due to write off and collections of delinquent amounts payable.

It should be noted that the City of Cottonwood continues to work on updating its policies and is close to completing the integration of the sewer billing into the water billing program. This will help control the rising delinquency.

Sewer Rates for Fiscal Year 2010-11

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

Note: A sewer rate recommendation will be forwarded to the City Council shortly after the 1st of the fiscal year. This is part of the recommendation from Council to make the rate increases part of the budget process.