



April 30, 2009

To: Honorable Mayor and City Council

Through: Doug Bartosh, City Manager

From: Jesus R. Rodriguez, Finance Director  
Helen Bartels, Utility Bookkeeper

Subject: **Annual Sewer Report - May 1, 2009**

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, 2009, the following funds were on hand:

<b>Sewer Fund</b>	
<i>(amounts are based on unaudited figures)</i>	
Maintenance & Operations Fund	\$ 1,591,132.65
Bond Replacement Fund	0.00
Plant Expansion Fund	234,183.39
Equipment Replacement Fund	1,254,506.63
<b>Total</b>	<b>\$ 3,079,822.67</b>

**Sewer Fund Descriptions**

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

Bond Replacement Fund — Required reserve for revenue bond holders. Funds reverted 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.

## Financial Summary

The following is a financial summary for the period of July 1, 2008 through March 31, 2009:

City of Cottonwood  
Sewer Operations Summary  
For the Nine (9) Month Period Ending March 31, 2009  
*(amounts are based on unaudited figures)*

<u>Item Description</u>	<u>Amount</u>
Operating Income	\$ 919,468.24
Operating Expenses	(1,173,009.25)
<b>Operating Gain/(Loss)</b>	<b>\$ (253,541.01)</b>

## Account Receivables

As of April 30, 2009 the account receivables for the system were \$200,750.16.

<u>Days</u>	<u>Amount</u>
30	\$ 14,724.45
60	7,259.83
90 and older	178,765.88
<b>Total</b>	<b>\$ 200,750.16</b>

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 decreased \$ 2,482.16 from last year due to an decrease in delinquent amounts payable. A continued decrease is anticipated for the future due to the pending integration of water and sewer billings. This integration will give the Cottonwood Municipal Water Utility the ability to shut off water accounts with past due sewer bills.

It should be noted that the City of Cottonwood continues to work on updating its policies, including its lien procedures. Liens will be placed on some of the more delinquent customers after due process.

## Sewer Rates for Fiscal Year 2008-09

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

### Administrative Charge

Formula:

$$\text{Total administrative budget} \div \# \text{ of users} = \text{cost per user} \div 12 \text{ months} = \text{monthly charge}$$

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: the sewer rate calculations will change with the adaptation of the sewer rate study, which is anticipated to go to Council later this year.