



To: Honorable Mayor and City Council  
Through: Brian Mickelsen, City Manager  
From: Jesus R. Rodriguez, Finance Director  
Subject: Annual Sewer Report – May 1, 2004

April 30, 2004

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, 2004, the following funds were on hand:

**Sewer Fund**

Maintenance & Operations Fund	\$782,921
Bond Replacement Fund	98,141
Plant Expansion Fund	788,940
Equipment Replacement Fund	1,145,838
<b>Total</b>	<b>\$2,815,840</b>

**Debt Service Fund**

FmHA Reserve Fund	\$580,256
WIFA Reserve Fund	377,597
MPC Reserve Fund	291,000
Surplus Sales Tax	2,553,838
<b>Total</b>	<b>\$3,802,691</b>

**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, 2003 through March 31, 2004:

City of Cottonwood  
Sewer Operations Summary  
For the Nine Month Period Ending March 31, 2004

<b>Item Description</b>	<b>Amount</b>
Operating Income	\$994,167
Operating Expenses	(905,017)
<b>Operating Gain / (Loss)</b>	<b>\$89,150</b>
Non-operating Income (City Sales Tax)	2,272,606
Debt Service Payments	(1,433,212)
<b>Net Gain / (Loss)</b>	<b>\$928,544</b>

**Account Receivables:**

As of March 31, 2004 the account receivables for the system were \$145,892

Days	Amount
30	25,374
60	17,618
90 and older	102,900
<b>Total</b>	<b><u><u>\$145,892</u></u></b>

The substantial increase in 90+ days' 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.

**Sewer rates for Fiscal year 2004-05:**

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 2004-05 budget is adopted.