



April 30, 2010

To: Honorable Mayor and City Council

Through: Doug Bartosh, City Manager

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

Subject: **Annual Sewer Report - May 1, 2010**

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, 2010, the following funds were on hand:

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

Maintenance & Operations Fund	\$ 2,536,214.46
Plant Expansion Fund	791,867.17
<b>Total</b>	<b>\$ 3,328,081.63</b>

**Sewer Fund Descriptions**

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

Bond Replacement Fund — Required reserve for revenue bond holders. Currently, this fund is not in use.

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

## Financial Summary

The following is a financial summary for the period of July 1, 2009 through March 31, 2010:

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	\$ 995,113.98
Operating Expenses	(1,050,826.19)
<b>Operating Gain/(Loss)</b>	<b>\$ (55,712.21)</b>

## Account Receivables

As of March 31, 2010 the aged account receivables for the system were \$ 253,930.22.

<u>Days</u>	<u>Amount</u>
30	\$ 25,825.17
60	2,502.08
90 and older	225,602.97
<b>Total</b>	<b>\$ 253,930.22</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 increased \$ 53,180.06 from last year due to an increase in delinquent amounts payable.

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

## Sewer Rates for Fiscal Year 2009-10

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.