



CITY OF SEDONA WASTEWATER FUND ANNUAL REPORT

Fiscal Year Ended June 30, 2019



WASTEWATER RATES

The City has contracted with consultants to conduct a rate study. Included in this study is an evaluation of the current rate structure and options for potentially changing the structure to a water-based system or modifying the current flat rate system. Options will be presented to the City Council on January 29, 2020.

The new rate options are calculated based on keeping revenues flat (i.e., no revenue increase). If the rate structure is changed, in order to maintain the same level of revenues, some customers may see an increase in their bill and others may see a decrease. The goal is to more equitably allocate costs among the beneficiaries of the wastewater system based on their impact to the system. If Council chooses one of the proposed options, City staff will conduct several outreach meetings to explain the option and the reasons it was selected before any new rate structure would go into effect.

Current Rates	
Residential Monthly Rates:	
Standard	\$61.11
Low-Flow	\$47.92
Low-Income	\$32.17
Monthly Standby Fee ¹ (undeveloped property with sewer availability)	\$30.55
Low-Flow Toilet Rebate Program (if qualifications met, 50% of purchase price)	Up to \$50.00
Residential Capacity Fee (per connection)	\$10,976.04

SUMMARY STATEMENT OF NET POSITION

	FY2019	FY2018 (Restated) ²
Assets and Deferred Outflows of Resources		
Cash & Investments	\$ 22,959,052	\$ 20,788,587
Receivables	642,638	677,997
Prepaid Items	-	7,836
Net Pension/Other Postemployment Asset	2,571	6,486
Capital Assets	102,797,009	104,858,466
Deferred Outflows of Resources	336,818	340,141
Total Assets and Deferred Outflows of Resources	\$126,738,088	\$126,676,513
Liabilities, Deferred Inflows of Resources, and Net Position		
Payables	\$ 1,002,962	\$ 643,825
Unearned Revenue	73,154	678,014
Customer Deposits	16,750	14,250
Matured Debt Payable	4,214,888	4,160,368
Long-Term Debt	28,549,813	31,705,280
Deferred Inflows of Resources	124,368	63,595
Net Position	92,756,153	89,411,181
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$126,738,088	\$126,676,513

SUMMARY STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION

	FY2019	FY2018 (Restated) ²
Operating Revenues	\$ 6,270,161	\$ 6,190,560
Operating Expenses	7,418,341	6,908,813
Operating Income (Loss)	(1,148,180)	(718,253)
Nonoperating Revenues	620,971	482,341
Nonoperating Expenses	(1,300,908)	(1,304,553)
Capital Contributions – Capacity Fees and Other	573,380	523,013
Transfers from Other Funds ³	4,599,709	4,351,138
Change in Net Position	\$ 3,344,972	\$ 3,333,686

For additional information, please see the City's FY2018 Comprehensive Annual Financial Report on our website at www.sedonaaz.gov or contact the Financial Services Department at (928) 204-7185.

¹The City constructs sewer facilities capable of handling all current and likely future customers in an area. The standby fee is a charge to those in sewer areas that have not yet connected to the constructed system but can in the future. The fee is for maintenance of that portion of sewer system capacity that was constructed to serve these future connections. Without the standby fee, all customers currently connected would be paying for their own capacity plus the capacity needed for future customers.

²The FY2018 amounts were restated for comparison purposes due to corrections of errors in prior years. Sewer lines built and contributed by developers over the years were not previously reflected as Capital Assets. The value of these assets less accumulated depreciation that would have been recorded over the years (\$8,109,596) has been added to Capital Assets and the portion of depreciation applicable to FY2019 (\$256,871) has been added to Operating Expenses.

In 2013, the City hired a consultant to review the existing rate structure and to develop a long-range financial plan for the Wastewater Enterprise Fund. The 2013-14 Wastewater Rate Study and Financial Plan, adopted by City Council in May 2014, planned for a slow reduction in the General Fund subsidy over the next twelve years, along with annual increases in user fees gradually declining, in order to achieve the ultimate goal of making the Wastewater Enterprise Fund financially self-supporting to comply with Arizona law. A new rate study is in process that plans to continue the gradual reduction of the subsidy until fully eliminated once the Wastewater Fund debt is paid off.

³Since the voters approved the construction of a sewer system in 1989, the City has subsidized the Wastewater Fund with a portion of its City sales tax revenue. The subsidy has helped pay most of the debt service incurred in the original construction as well as upgrades to the capacity at the plant and extensions of the sewer lines. Since fiscal year 1988-89, the City has subsidized the Wastewater Enterprise Fund with over \$122 million of City sales taxes.

BUDGET & ACTUAL SCHEDULE (BUDGETARY BASIS)

	Operations		Capital		Debt		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues								
Charges for Services	\$ 3,829,555	\$ 3,852,397	\$ 2,017,490	\$ 2,029,524	\$ 366,855	\$ 369,043	\$ 6,213,900	\$ 6,250,964
Capacity Fees	-	-	673,300	507,169	-	-	673,300	507,169
Other	17,050	157,300	146,000	193,101	60,050	289,767	223,100	640,168
Total Revenues	3,846,605	4,009,697	2,836,790	2,729,794	426,905	658,810	7,110,300	7,398,301
Expenditures								
Cost of Services	4,400,427	3,708,966	121,900	120,832	-	-	4,522,327	3,829,798
Capital Outlay	310,743	5,165	4,467,484	1,408,038	-	-	4,778,227	1,413,203
Debt Service	-	-	-	-	4,439,045	4,439,036	4,439,045	4,439,036
Addition to Replacement Reserves	71,150	16,286	509,450	430,268	-	-	580,600	446,554
Total Expenditures	4,782,320	3,730,417	5,098,834	1,959,138	4,439,045	4,439,036	14,320,199	10,128,591
Transfers from Other Funds	-	-	-	-	4,487,900	4,599,709	4,487,900	4,599,709
Add Back Replacement Reserves	71,150	16,286	509,450	430,268	-	-	580,600	446,554
Change in Fund Balance	\$ (864,565)	\$ 295,566	\$(1,752,594)	\$ 1,200,924	\$ 475,760	\$ 819,483	(2,141,399)	2,315,973
Fund Balance, July 1, 2018							13,528,390	15,977,963
Fund Balance, June 30, 2019							\$11,386,991	\$18,293,936
Reconciliation of Fund Balance to Net Position								
Fund Balance, budgetary basis								\$18,293,936
Contributed Sewer Lines, accrual basis								66,211
Depreciation Expense, accrual basis								(3,540,871)
Capital Outlay, budgetary basis								1,413,203
Long-Term Debt Adjustments, accrual basis								3,154,552
Change in Deferred Inflows/Outflows, accrual basis								(64,096)
Prior Years Capital Assets, accrual basis								104,858,466
Prior Years Deferred Inflows/Outflows, accrual basis								276,546
Prior Years Long-Term Debt, accrual basis								(31,701,794)
Net Position, accrual basis								\$92,756,153