



CITY OF SEDONA WASTEWATER FUND ANNUAL REPORT

Fiscal Year Ended June 30, 2020



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 when the evaluation is complete.

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)	\$11,158.24

SUMMARY STATEMENT OF NET POSITION

	FY2020	FY2019
Assets and Deferred Outflows of Resources		
Cash & Investments	\$ 21,691,329	\$ 22,959,052
Receivables	607,419	642,638
Prepaid Items	130	-
Net Pension/Other Postemployment Asset	1,854	2,571
Capital Assets	103,616,784	102,797,009
Deferred Outflows of Resources	280,334	336,818
Total Assets and Deferred Outflows of Resources	\$126,214,600	\$126,738,088
Liabilities, Deferred Inflows of Resources, and Net Position		
Payables	\$ 948,369	\$ 1,002,962
Unearned Revenue	76,679	73,154
Customer Deposits	16,750	16,750
Matured Debt Payable	4,498,888	4,214,888
Long-Term Debt	25,153,412	28,549,813
Deferred Inflows of Resources	76,960	124,368
Net Position	95,443,542	92,756,153
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$126,214,600	\$126,738,088

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

	FY2020	FY2019
Operating Revenues	\$ 6,056,573	\$ 6,190,560
Operating Expenses	7,018,151	6,908,813
Operating Income (Loss)	(961,578)	(718,253)
Nonoperating Revenues	435,820	482,341
Nonoperating Expenses	(1,308,831)	(1,304,553)
Capital Contributions – Capacity Fees and Other	1,074,988	523,013
Transfers from Other Funds ²	3,447,000	4,351,138
Change in Net Position	\$ 2,687,399	\$ 3,333,686

For additional information, please see the City’s FY2020 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.

²Since 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 \$125 million of City sales taxes.

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.

BUDGET & ACTUAL SCHEDULE (BUDGETARY BASIS)

	Operations		Capital		Debt		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues								
Charges for Services	\$ 3,744,411	\$ 3,631,258	\$ 1,488,996	\$ 1,444,000	\$ 997,676	\$ 967,527	\$ 6,231,083	\$ 6,042,785
Capacity Fees	-	-	1,227,000	997,558	-	-	1,227,000	997,558
Other	113,800	218,231	104,530	11,622	136,800	219,755	355,130	449,608
Total Revenues	3,858,211	3,849,489	2,820,526	2,453,180	1,134,476	1,187,282	7,813,213	7,489,951
Expenditures								
Cost of Services	4,267,590	3,325,123	152,530	149,046	-	-	4,420,120	3,474,169
Capital Outlay	683,335	673,886	4,074,000	3,611,498	-	-	4,757,335	4,285,384
Debt Service	-	-	-	-	4,703,425	4,696,382	4,703,425	4,696,382
Addition to Replacement Reserves	633,350	593,550	-	-	-	-	633,350	593,550
Total Expenditures	5,584,275	4,592,559	4,226,530	3,760,544	4,703,425	4,696,382	14,514,230	13,049,485
Transfers from Other Funds	-	-	-	-	3,447,000	3,447,000	3,447,000	3,447,000
Add Back Replacement Reserves	633,350	593,550	-	-	-	-	633,350	593,550
Change in Fund Balance	\$(1,092,714)	\$ (149,520)	\$(1,406,004)	\$ (1,307,364)	\$ (121,949)	\$ (62,100)	(2,620,667)	(1,518,984)
Fund Balance, July 1, 2019							17,599,586	18,293,936
Fund Balance, June 30, 2020							\$14,978,919	\$16,774,952
Reconciliation of Fund Balance to Net Position								
Fund Balance, budgetary basis								\$16,774,952
Contributed Sewer Lines, accrual basis								77,430
Depreciation Expense, accrual basis								(3,575,002)
Capital Outlay, budgetary basis								4,285,384
Long-Term Debt Adjustments, accrual basis								3,427,647
Change in Deferred Inflows/Outflows, accrual basis								(9,076)
Prior Years Capital Assets, accrual basis								102,797,009
Prior Years Deferred Inflows/Outflows, accrual basis								212,450
Prior Years Long-Term Debt, accrual basis								(28,547,242)
Net Position, accrual basis								\$95,443,552