



# CITY OF SEDONA WASTEWATER FUND ANNUAL REPORT

Fiscal Year Ended June 30, 2021



## 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 Monthly Rates
Residential Monthly Rates:	
Standard	\$61.11
Low-Flow	\$47.92
Low-Income	\$32.17
Monthly Standby Fee <sup>1</sup> (undeveloped property with sewer availability)	\$30.55
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## SUMMARY STATEMENT OF NET POSITION

	FY2021	FY2020
<b>Assets and Deferred Outflows of Resources</b>		
Cash & Investments	\$ 22,229,953	\$ 21,691,329
Receivables	542,614	607,419
Prepaid Items	1,103	130
Net Pension/Other Postemployment Asset	5,678	1,854
Capital Assets	101,669,609	103,616,784
Deferred Outflows of Resources	359,239	280,334
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$124,808,196</b>	<b>\$126,214,600</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
Payables	\$ 731,065	\$ 948,369
Unearned Revenue	82,858	76,679
Customer Deposits	18,000	16,750
Matured Debt Payable	4,498,888	4,498,888
Long-Term Debt	21,980,135	25,153,412
Deferred Inflows of Resources	18,086	76,960
Net Position	97,479,164	95,443,542
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$124,808,196</b>	<b>\$126,214,600</b>

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

	FY2021	FY2020
Operating Revenues	\$ 6,043,656	\$ 6,056,573
Operating Expenses	7,799,018	7,018,151
<b>Operating Income (Loss)</b>	<b>(1,755,362)</b>	<b>(961,578)</b>
Nonoperating Revenues	81,729	435,820
Nonoperating Expenses	(1,116,584)	(1,308,831)
Capital Contributions – Capacity Fees and Other	1,425,829	1,074,988
Transfers from Other Funds <sup>2</sup>	3,400,000	3,447,000
<b>Change in Net Position</b>	<b>\$ 2,035,612</b>	<b>\$ 2,687,399</b>

For additional information, please see the City’s FY2021 Comprehensive Annual Financial Report on our website at [www.sedonaaz.gov](http://www.sedonaaz.gov) or contact the Financial Services Department at (928) 204-7185.

<sup>1</sup>The 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.

<sup>2</sup>Since 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 \$129 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. The future subsidies proposed in the rate study have been approved and adopted by the City Council.

## BUDGET & ACTUAL SCHEDULE (BUDGETARY BASIS)

	Operations		Capital		Debt		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>Revenues</b>								
Charges for Services	\$ 3,700,265	\$ 3,589,365	\$ 1,482,746	\$ 1,438,307	\$ 993,489	\$ 963,713	\$ 6,176,500	\$ 5,991,385
Capacity Fees	-	-	1,593,100	1,425,829	-	-	1,593,100	1,425,829
Other	105,050	89,221	100	18	144,930	44,761	250,080	134,000
<b>Total Revenues</b>	<b>3,805,315</b>	<b>3,678,586</b>	<b>3,075,946</b>	<b>2,864,154</b>	<b>1,138,419</b>	<b>1,008,474</b>	<b>8,019,680</b>	<b>7,551,214</b>
<b>Expenditures</b>								
Cost of Services	4,384,156	3,610,902	98,330	87,998	-	-	4,482,486	3,698,900
Capital Outlay	126,119	86,800	2,046,250	1,797,745	-	-	2,172,369	1,884,545
Debt Service	-	-	-	-	4,726,775	4,699,862	4,726,775	4,699,862
<b>Total Expenditures</b>	<b>4,510,275</b>	<b>3,697,702</b>	<b>2,144,580</b>	<b>1,885,743</b>	<b>4,726,775</b>	<b>4,699,862</b>	<b>11,381,630</b>	<b>10,283,307</b>
Transfers from Other Funds	-	-	-	-	3,400,000	3,400,000	3,400,000	3,400,000
<b>Change in Fund Balance</b>	<b>\$(704,960)</b>	<b>\$ (19,116)</b>	<b>\$ 931,366</b>	<b>\$ 978,411</b>	<b>\$ (188,356)</b>	<b>\$ (291,388)</b>	<b>38,050</b>	<b>667,907</b>
<b>Fund Balance, July 1, 2020</b>							<b>15,161,724</b>	<b>16,774,952</b>
<b>Fund Balance, June 30, 2021</b>							<b>\$15,199,774</b>	<b>\$17,442,859</b>
<b>Reconciliation of Fund Balance to Net Position</b>								
<b>Fund Balance, budgetary basis</b>								<b>\$17,442,859</b>
Depreciation Expense, accrual basis								(3,831,720)
Capital Outlay, budgetary basis								1,884,545
Long-Term Debt Adjustments, accrual basis								3,177,101
Change in Deferred Inflows/Outflows, accrual basis								137,779
Prior Years Capital Assets, accrual basis								103,616,784
Prior Years Deferred Inflows/Outflows, accrual basis								203,374
Prior Years Long-Term Debt, accrual basis								(25,151,558)
<b>Net Position, accrual basis</b>								<b>\$97,479,164</b>