

# City Council Staff Report

May 20, 2015

**Prepared by:** Debbie Sanchez

**Public Hearing:** No

## ACTION ITEM

Consideration of a Resolution amending the schedule of sewer rates. *Debbie Sanchez, Finance Director.*

## DISCUSSION:

At the Council's request, staff was asked to assess the feasibility of reducing sewer rates by \$10.00. Currently the sewer rate for a connected dwelling is \$40.76 and the sewer rate for a non-connected dwelling is \$32.96. It is estimated that the revenue from sewer charges for fiscal year 2014-2015 will be approximately **\$1,150,770**. Staff has calculated that a \$10.00 decrease in sewer rates, including new growth, will result in a revenue decrease of approximately **\$228,400**, which will bring in revenue at **\$922,370**.

One of the issues staff reviewed was the compliance requirements involving Coverage Ratios for the following three (3) outstanding bond issues.

- \$6,330,000 Taxable Sewer Revenue Bond, Series 1995
- \$3,070,000 Taxable Sewer and Refunding Bonds, Series 1997
- \$1,110,000 Taxable Sewer Revenue Bonds, Series 2004

All of the bonds are State owned. The Series 1995 and Series 1997 Bonds will be paid in full on December 20, 2017, and the Series 2004 Bonds will be paid in full on January 25, 2024.

Over the next two years the annual debt service on the bonds is \$593,000. The coverage ratio requirement is 1.25x's debt service, which translates into an **operating income** of **\$741,250**. Staff reviewed the Statement of Revenues, Expenditures, and Change in Net Assets from the past seven (7) years and found that the City has not met the coverage ratio requirement. Fortunately, the Sewer Fund has had sufficient Cash and Cash Equivalent reserves to pay the debt service.

In addition, the State has not performed an audit of these bonds in recent years. Staff does not anticipate that one will be done before the Series 1995 and Series 1997 Bonds are paid off.

By 2018 the only debt service in the Sewer fund will be the Series 2004 Bonds. The annual average debt service on these bonds will be \$67,400, which will require an operating income of \$84,250. Staff has determined that the Sewer fund will be able to meet this requirement for the remainder of the bond term.

Staff also analyzed the effect on the Sewer Fund's Cash and Cash Equivalent reserves over the next 3 years. The analysis showed that a \$10 rate decrease would reduce the reserves by **18.3%** or **\$304,184** over the next two years. However, because the debt service on the Series 1995 and Series 1997 bonds will longer be encumbering the Sewer fund the reserves will increase by **15.4%** or **\$252,264** in the third year.

Staff has determined that a \$10 reduction in the Sewer rate is feasible and that it will generate sufficient revenues to cover the debt service and the cost of operations, excluding depreciation. Therefore staff submits Resolution 2015-0520 that is presented to you tonight for ratification.

## Fiscal Year 2014-2015

### Sewer

#### **CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	<b>1,168,770</b>
Payments to Suppliers (Operations-Maintenance)	(190,914)
Payments to Employees	(204,317)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>773,539</u>

#### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Impact Fees	100,000
Transfer from other Fund	-
Transfer to other Fund - To CIP for Vehicle Replacement	(26,495)
Acquisition of Capital Assets-See Capital Projects Below	(244,000)
Debt Payments (1995, 1997, 2004 Sewer Bonds, Vactor Lease)	(644,626)
Interest Expense (2004 Sewer Bond, Vactor Lease)	(13,710)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(828,831)</u>

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	11,000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>11,000</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (44,292)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**

1,731,274

**CASH AND CASH EQUIVALENTS AT END OF YEAR  
LESS RESTRICTED CASH (IMPACT FEES)**

**1,686,982**

(222,000)

1,464,982

### Capital Projects

SUVMWA Project	(48,000)
Sewer Maintenance	(30,000)
Sewer Treatment Plant Improvements -Spanish Fork	(56,000)
Lift Station Backup Generator	(50,000)
Infiltration Monitor/Solution	(30,000)
Rebuild Meter Station House	(30,000)

**Total Capital Projects Cash Use** (244,000)

## Fiscal Year 2015-2016

### Sewer

#### **CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	<b>940,370</b>
Payments to Suppliers (Operations-Maintenance)	(185,500)
Payments to Employees	(209,215)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>545,655</b>

#### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Impact Fees	85,000
Transfer from other Fund	-
Transfer to other Fund - To CIP for Vehicle Replacement	(31,201)
Acquisition of Capital Assets-See Capital Projects Below	(198,000)
Debt Payments (1995, 1997, 2004 Sewer Bonds)	(582,000)
Interest Expense (2004 Sewer Bond)	(11,000)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(737,201)</b>

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	7,000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>7,000</b>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** **(184,546)**

#### **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**

**1,686,982**

#### **CASH AND CASH EQUIVALENTS AT END OF YEAR LESS RESTRICTED CASH (IMPACT FEES)**

**1,502,436**  
**(307,000)**  
**1,195,436**

#### Capital Projects

SUVMWA Project	(48,000)
Sewer Maintenance	(100,000)
Sewer Treatment Plant Improvements -Spanish Fork	-
Lift Station Upgrade Backup Generator	(50,000)

**Total Capital Projects Cash Use** **(198,000)**

## Fiscal Year 2016-2017

### Sewer

#### **CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	960,370
Payments to Suppliers (Operations-Maintenance)	(187,355)
Payments to Employees	(215,491)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	557,523

#### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Impact Fees	85,000
Transfer from other Fund	-
Transfer to other Fund - To CIP for Vehicle Replacement	(31,201)
Acquisition of Capital Assets-See Capital Projects Below	(204,000)
Debt Payments (2004 Sewer Bonds)	(524,080)
Interest Expense (2004 Sewer Bond)	(9,880)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(684,161)

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	7,000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	7,000

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (119,638)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 1,502,436

**CASH AND CASH EQUIVALENTS AT END OF YEAR LESS RESTRICTED CASH (IMPACT FEES)** 1,382,798  
(392,000)  
990,798

#### Capital Projects

SUVMWA Project	(54,000)
Sewer Maintenance	(100,000)
Sewer Treatment Plant Improvements -Spanish Fork	-
Lift Station Backup Generator	(50,000)
	(204,000)

**Total Capital Projects Cash Use** (204,000)

## Fiscal Year 2017-2018

### Sewer

#### **CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	<b>980,370</b>
Payments to Suppliers (Operations-Maintenance)	(189,229)
Payments to Employees	(221,956)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>569,185</b>

#### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Impact Fees	85,000
Transfer from other Fund	-
Transfer to other Fund - To CIP for Vehicle Replacement	(31,201)
Acquisition of Capital Assets-See Capital Projects Below	(310,000)
Debt Payments (2004 Sewer Bonds)	(59,000)
Interest Expense (2004 Sewer Bond)	(8,720)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(323,921)</b>

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	7,000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>7,000</b>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** **252,264**

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** **1,382,798**

**CASH AND CASH EQUIVALENTS AT END OF YEAR** **1,635,062**  
**LESS RESTRICTED CASH (IMPACT FEES)** (477,000)  
**1,158,062**

#### Capital Projects

SUVMWA Project	(60,000)
Sewer Maintenance	(100,000)
Sewer Treatment Plant Improvements -Spanish Fork	(100,000)
Lift Station Backup Generator	(50,000)

Total Capital Projects Cash Use (310,000)

#### **Unfunded Capital Projects**

**Sewer TV** **(100,000)**

**Total Cash Needed for Unfunded Projects** **(100,000)**

	Fiscal Year 2008-2009 Sewer	Fiscal Year 2009-2010 Sewer	Fiscal Year 2010-2011 Sewer	Fiscal Year 2011-2012 Sewer	Fiscal Year 2012-2013 Sewer	Fiscal Year 2013-2014 Sewer	Fiscal Year 2014-2015 Sewer	Fiscal Year 2015-2016 Sewer	Fiscal Year 2016-2017 Sewer	Fiscal Year 2017-2018 Sewer
<b>OPERATING REVENUES</b>										
Charges for Services	981,540	1,010,131	1,031,917	1,051,058	1,081,027	1,122,757	1,150,770	922,370	942,370	962,370
Connections Fees	6,250	10,500	8,500	15,750	18,000	18,050	18,000	18,000	18,000	18,000
Miscellaneous	-	-	-	3,880	-	-	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>987,790</b>	<b>1,020,631</b>	<b>1,040,417</b>	<b>1,070,688</b>	<b>1,099,027</b>	<b>1,140,807</b>	<b>1,168,770</b>	<b>940,370</b>	<b>960,370</b>	<b>980,370</b>
<b>OPERATING EXPENSES</b>										
Salaries and Benefits	341,285	294,720	262,978	283,990	196,833	201,250	204,317	209,215	215,491	221,956
Operation and Maintenance	288,517	236,554	228,181	285,846	201,290	241,683	190,914	185,500	187,355	189,229
Depreciation	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>629,802</b>	<b>531,274</b>	<b>491,159</b>	<b>569,836</b>	<b>398,123</b>	<b>442,933</b>	<b>395,231</b>	<b>394,715</b>	<b>402,846</b>	<b>411,185</b>
<b>OPERATING INCOME (LOSS)</b>	<b>357,988</b>	<b>489,357</b>	<b>549,258</b>	<b>500,852</b>	<b>700,904</b>	<b>697,874</b>	<b>773,539</b>	<b>545,655</b>	<b>557,524</b>	<b>569,185</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>										
Impact Fees	8,385	17,569	-	10,648	77,945	91,472	100,000	85,000	85,000	85,000
Interest Income	40,505	9,605	10,237	12,742	11,201	10,302	11,000	7,000	7,000	7,000
Interest Expense	(17,872)	(16,743)	(20,400)	(22,294)	(18,899)	(15,386)	(13,710)	(11,000)	(9,880)	(8,720)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>31,018</b>	<b>10,431</b>	<b>(10,163)</b>	<b>1,096</b>	<b>70,247</b>	<b>86,388</b>	<b>97,290</b>	<b>81,000</b>	<b>82,120</b>	<b>83,280</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>389,006</b>	<b>499,788</b>	<b>539,095</b>	<b>501,948</b>	<b>771,151</b>	<b>784,262</b>	<b>870,829</b>	<b>626,655</b>	<b>639,644</b>	<b>652,465</b>
Transfer from Other Funds			60,000			211,520	-	-	-	-
Transfer to Other Funds						(10,000)	(26,495)	(31,201)	(31,201)	(31,201)
Developer Contributions	86,950	11,600	11,600	50,000		-	-	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>475,956</b>	<b>511,388</b>	<b>610,695</b>	<b>551,948</b>	<b>771,151</b>	<b>985,782</b>	<b>844,334</b>	<b>595,454</b>	<b>608,443</b>	<b>621,264</b>
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR</b>	<b>9,249,652</b>	<b>9,725,608</b>	<b>10,236,996</b>	<b>10,847,691</b>	<b>11,399,639</b>	<b>12,170,790</b>	<b>13,156,572</b>	<b>14,000,906</b>	<b>14,596,360</b>	<b>15,204,803</b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b>9,725,608</b>	<b>10,236,996</b>	<b>10,847,691</b>	<b>11,399,639</b>	<b>12,170,790</b>	<b>13,156,572</b>	<b>14,000,906</b>	<b>14,596,360</b>	<b>15,204,803</b>	<b>15,826,067</b>

# RESOLUTION NO. 2015-0520

## A RESOLUTION OF THE CITY OF MAPLETON, UTAH AMENDING THE SCHEDULE OF SEWER RATES

**WHEREAS**, the City's Sewer fund currently has three (3) outstanding bond issues consisting of the following;

\$6,330,000 Taxable Sewer Revenue Bond, Series 1995;  
\$3,070,000 Taxable Sewer and Refunding Bonds, Series 1997;  
\$1,110,000 Taxable Sewer Revenue Bonds, Series 2004; and

**WHEREAS**, the Series 1995 and Series 1997 bonds will be paid in full on December 20, 2017, and

**WHEREAS**, the current sewer rate for a connected dwelling is \$40.76 and the current sewer rate for a non-connected dwelling is \$32.96; and

**WHEREAS**, Mapleton City, has analyzed the impact of reducing the existing sewer rates by \$10; and

**WHEREAS**, the analysis shows that with a \$10 rate decrease, the Sewer fund will see a reduction in its cash and cash equivalents balance for two consecutive years; and

**WHEREAS**, the analysis also shows that the Sewer fund will see a significant increase in its cash and cash equivalents balance when the Series 1995 and Series 1997 bonds are paid in full; and

**WHEREAS**, Mapleton City, has determined that a \$10 reduction in the Sewer rate will generate sufficient revenues to cover the debt service and the cost of operations, excluding depreciation;

**NOW THEREFORE**, be it resolved by the City Council of Mapleton, Utah, that the Sewer rate table as presented in Exhibit A be adopted:

This resolution adopted this 20<sup>th</sup> day of May, 2015, by the City Council of Mapleton City, Utah with an effective date of June 1, 2015.

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Brian Wall  
Mayor

ATTEST:

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Camille Brown  
City Recorder

**EXHIBIT A**

<b>Sewer Rate Table</b>	
<b>Sewer Connected</b>	<b>\$30.76</b>
<b>Sewer Not Connected</b>	<b>\$22.96</b>