

**CITY OF WILLCOX
MAYOR AND CITY COUNCIL**

**WORK SESSION MEETING
AGENDA**

NOTE DATE: Monday, March 19, 2012

NOTE TIME: 6:00 p.m.

**City Council Chambers
300 W. Rex Allen Drive
Willcox, AZ**

(Mayor or Designee will read only **BOLD** print of each agenda item,
except for Public Hearings, Petitions and Communications.)

1. CALL TO ORDER

2. ROLL CALL

3. PLEDGE OF ALLEGIANCE TO THE FLAG

4. DECLARATION ON CONFLICT OF INTEREST

The Council members and staff have a right to declare a conflict of interest. The declaration of a conflict of interest must be made prior to discussion of any agenda item in which Council members or staff may have a conflict of interest.

5. ADOPTION OF THE AGENDA

The Council will at this time either adopt the agenda as presented by the City Clerk or may remove or table any of the listed agenda items. Tabled items, unless otherwise directed, will appear on the next regular agenda. Council may not add any items to the agenda at this time. Should staff have any recommendations concerning the exclusion or tabling of agenda items they will voice these recommendations at this time.

6. DISCUSSION REGARDING THE SEWER MULTIYEAR PROJECTIONS AND RATE CHANGE FOR FY 13 - 4%

7. ADJOURN

NOTE: People with disabilities may request reasonable accommodations. Requests must be made 48 hours prior to the meeting by contacting City Hall at 384-4271, ext. 4204, during regular business hours 8:00 a.m. to 4:30 p.m., Monday through Friday.



NOTICE OF MEETING

CITY COUNCIL

In accordance with Resolution No. 370 of the City of Willcox, and Section §38-431.01 of the Arizona Revised Statutes **NOTICE IS HEREBY GIVEN** that the **MAYOR AND COUNCIL** of the City of Willcox, County of Cochise, Arizona, will hold a **WORK SESSION MEETING** on **MONDAY** the **19TH** day of **MARCH** 2012, at **6:00 P.M.**, at the **CITY COUNCIL CHAMBERS, 300 W. REX ALLEN DRIVE, WILLCOX, AZ.**

Item for consideration and/or discussion relating to:

- Discussion Of The Sewer Multiyear Projections And Rate Change For FY 13 - 4%

All members of the public are invited to attend such meeting.

DATED AND POSTED this **15TH** day of **MARCH** 2012, at 3:00 P.M.

CITY OF WILLCOX, ARIZONA

Cristina Garcia Whelan, CMC

/s/ Cristina Garcia Whelan, CMC

City Clerk Cristina Garcia Whelan, CMC

Agenda\2012\wsmtgnotice 031912

"Mine, Yours, Ours"

**CITY OF WILLCOX
REQUEST FOR COUNCIL ACTION**

Agenda Item: _____
Tab Number: _____
Date: _____

Date Submitted:
3-14-12
Date Requested:
3-19-12

Action:
 Resolution
 Ordinance
 Formal
 Other

**Subject: discussion of
the Sewer Multiyear
Projections and rate
change for FY 13 - 4%**

TO: MAYOR AND COUNCIL

FROM: City Manager

DISCUSSION: Attached you will find the multiyear spread sheet for the Sewer Fund. Historical numbers are FY 08-FY11; FY12 is partial hard numbers and partial Projection; all FY beyond FY12 are projections.

The **BIG** question is the upgrade to the Waste Water Treatment Plan (WWTP). The estimated cost is \$10,000,000 with the construction in FY14 (see lower center portion of the spreadsheet). It is estimated that ½ will be covered by GRANTS, the other ½ will be by REVENUE BONDS (Revenue bonds are paid back from the rates charged to the user). The annual cost of a \$5,000,000 bond is estimated at \$300,000/yr for 20 years. This new estimated cost shows up in FY15 under "Debt Service". I believe it is prudent to begin to prepare for this increase I do not wish to overreact; therefore I am only recommending a 4% (1% over inflation) in FY 13. The spreadsheet assumes 5% (2% over inflation in future years – and this is NOT sufficient, as the Opening Balance goes negative in FY 19).

The further in the future we project; the hazier the numbers become. At the pace the upgrades to the WWTP have been moving and the spending restraint the Staff has exercised on expenditures; I feel it is prudent to have an increase over inflation, but hold off on a large increase at this time.

RECOMMENDATION: Implement a 4% increase on July 1, 2012.

FISCAL IMPACT: An additional \$36,475 to the Sewer Fund in FY 13

Prepared by: Pat McCourt

Approved by: _____



City Manager

Sewer Fund Projection Sheet
Date of sheet 3-12-12

	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Opening Balance Operations (OE)	373,594	466,862	649,391	626,864	786,733	812,257	802,442	808,717	532,467	272,159	29,326	-194,404	-397,298	-577,518	-733,109	-861,988	-961,982	-1,030,725
Operating Income	649,008	703,465	683,300	701,447	701,447	729,505	765,980	804,279	844,493	866,718	931,054	977,606	1,026,487	1,077,811	1,131,702	1,188,287	1,247,701	1,310,086
Service fees	11,172	2464	3000	9,828	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Connect fee	2,002	670	1,360	6,703	7,867	8,123	8,024	8,087	5,325	2,722	293	-1,944	-3,973	-5,775	-7,331	-8,620	-9,620	-10,307
Penalty Fees	0	0	0	9,170	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	662,182	706,599	687,660	721,148	720,389	748,885	785,575	824,265	862,061	902,045	944,333	989,048	1,036,318	1,086,281	1,139,077	1,194,859	1,253,783	1,316,016
Misc	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Income	662,182	706,599	687,660	721,148	720,389	748,885	785,575	824,265	862,061	902,045	944,333	989,048	1,036,318	1,086,281	1,139,077	1,194,859	1,253,783	1,316,016
Daily Operating Costs	123,751	139,867	148,785	172,781	176,376	181,667	187,117	192,731	198,513	204,468	210,602	216,920	223,428	230,131	237,035	244,146	251,470	259,014
Personnel 3%	330,665	270,260	353,287	226,390	267,889	275,720	283,981	292,511	301,286	310,325	319,635	329,224	339,100	349,273	359,752	370,544	381,661	393,110
Operational 3%	78,000	78,000	85,800	85,800	115,228	127,361	131,182	135,117	139,171	143,346	147,646	152,076	156,638	161,337	166,177	171,163	176,297	181,586
Debt Service	36498	35086	72072	82,308	72,072	72,072	72,072	72,072	72,072	72,072	72,072	72,072	72,072	72,072	72,072	72,072	72,072	72,072
Capital Operating costs (COC)	0	857	50,243	0	63,500	65,405	67,367	69,388	71,470	73,614	75,822	78,097	80,440	82,853	85,339	87,899	90,536	93,252
License fees 5%	0	0	0	0	36,475	36,475	37,570	38,697	39,857	41,053	42,285	43,553	44,860	46,206	47,592	49,020	50,490	52,005
System Upgrades cost	568,914	524,070	710,187	567,279	694,865	758,700	779,289	1,100,516	1,122,369	1,144,878	1,168,062	1,191,942	1,216,538	1,241,872	1,267,966	1,294,843	1,322,526	1,351,040
Total Operating Costs	466,862	649,391	626,864	786,733	812,257	802,442	808,717	532,467	272,159	29,326	-194,404	-397,298	-577,518	-733,109	-861,988	-961,982	-1,030,725	-1,065,749
OBO next year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Opening Balance (OBCCOC)	0	857	50,243	0	63,500	65,405	67,367	69,388	71,470	73,614	75,822	78,097	80,440	82,853	85,339	87,899	90,536	93,252
COC income	0	857	50,243	0	63,500	65,405	67,367	69,388	71,470	73,614	75,822	78,097	80,440	82,853	85,339	87,899	90,536	93,252
Total COC money	0	857	50,243	0	63,500	65,405	67,367	69,388	71,470	73,614	75,822	78,097	80,440	82,853	85,339	87,899	90,536	93,252
Vehicle Repl	0	857	23,243	0	63,500	65,405	67,367	69,388	71,470	73,614	75,822	78,097	80,440	82,853	85,339	87,899	90,536	93,252
System Replacement	0	0	27,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total COC costs	0	857	50,243	0	63,500	65,405	67,367	69,388	71,470	73,614	75,822	78,097	80,440	82,853	85,339	87,899	90,536	93,252
Opening Balance (OBCCOC) next	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
System Upgrades (SG)	0	0	-16236	18,764	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695
Borrowing	0	0	0	189,112	0	0	5,000,000	0	0	0	0	0	0	0	0	0	0	0
Grants	0	0	85,000	0	0	0	5,000,000	0	0	0	0	0	0	0	0	0	0	0
System Upgrades	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total SG money	0	0	68764	207,876	28,695	28,695	10,028,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695
Upgrade costs	0	0	50000	179,181	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Planning	0	16236	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction	0	16236	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total SG costs	0	16236	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OBBSG next year	0	-16236	18764	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695	28,695

Interest assumes earnings 1%
Assumes 4% increase in rates in FY13 and 5% thereafter (2% over inflation rate)
If the grant is 1/2 of loan then DS = 6% of 5,000,000 = DS of \$300,000 + exiting DS of \$72072 = DS of \$372,072. Assumption in projections
Assuming Operating costs increase 3% each year after FY11-12 (inflation = 3%)
Assumes that volume stays constant
The coverage of OBO over total Operating Costs declines between FY 14-15 until FY 21-22 after which it begins to recover

FY 25-26
-1,065,749
1,375,590
5,000
11,799
-10,657
0
1,381,732

266,785
404,904
187,034
372,072
96,049
53,565
0
1,380,409
-1,064,426
0
96,049
96,049
96,049
96,049
0
28,695
0
0
0
28,695
0
0
0
28,695