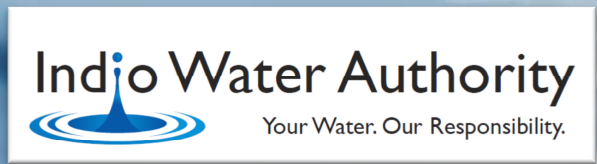




Indio Water Authority Quarterly Financial Report

**Fiscal Year 2014-15
First Quarter Report**

November 4, 2014



Dan Martinez
Executive Director



Brian Macy
General Manager

November 4, 2014

Honorable Board of Directors
Indio Water Authority
83101 Avenue 45
Indio, CA 92201

SUBJECT: FY 2014-15 First-Quarter Budget Report

Board members:

Indio Water Authority (IWA) continues to focus on providing essential water related services to its customers; including uninterrupted water service, compliance with water quality regulations, environmental stewardship, and prudent financial management.

Auditing and financial statements are currently being compiled by independent auditors for FY 2013-14. All revenue earned over expenditures during FY 2013-14 will be allocated in priority order to replenish reserve levels, thereby decreasing the unfunded portion of IWA reserve accounts.

The attached quarterly budget report summarizes IWA's financial condition as of the first quarter FY 2014-15. It presents a comparison of revenue and expenditures for this first quarter with the first quarter of the FY 2013-14. After three months of activity, water sale revenues are consistent with previous fiscal years at 30% of the yearly budget earned.

Current operating revenues and non-operating revenues were \$5.5 million or 28% of the budget with operating fund expenditures at \$4.7 million or 24% of the budget. All divisions continue to be focused on expenditure controls. Financial analysis for this report is provided for the Operating Water Fund, Equipment Replacement Fund, Capital Improvement Program, and Reserves. The report also provides information for key economic indicators affecting the water industry and financial summaries for all of IWA's major funds. The focus of this report is on IWA's financial performance.

Regulatory requirements from the California Department of Public Health (CPDH) with regard to hexavalent chromium, Cr(VI), continue to be a threat to the financial stability of IWA and the Coachella Valley. On June 14, 2014, the CPDH issued a letter to all public water systems announcing that as of July 1, 2014, the California maximum contaminant level (MCL) was set at .010mg/L. To date, no state or federal funding has been allocated for Cr(VI) treatment. Compliance of the MCL of 10 parts per billion could result in a 165% increase in cost. IWA has been working closely with other water purveyors in the region to lobby for an extension of the implementation for the mitigation of hexavalent chromium, Cr(VI) from IWA's drinking water supplies.

A new budget tiered rate water structure and rate increase was implemented on January 1, 2014. IWA has enhanced its bill inserts and bill messages due to these billing upgrades. Targeted messaging enhances the knowledge of the new rate structure and encourages water conservation to meet the state mandated water conservation goal of 20% reduction by the year 2020.

IWA is looking forward to another busy fiscal year. IWA will implement the second year of our budget tiered rate structure, undergo extensive infrastructure projects, and monitor the Cr(VI) regulatory requirements that have been mandated by the California Environmental Protection Agency. In addition, IWA will continue to design and implement an enhanced Water Conservation Program.

Included attachments:

ATTACHMENT A – Revenue and Expenditure Summary

ATTACHMENT B – First Quarter Budget Recap

IT IS RECOMMENDED that the IWA Board of Directors and Indio City Council receive and file this report along with Attachments A and B.

Respectfully submitted,


Dan Martinez
Executive Director



Indio Water Authority
Quarterly Financial Report

**Fiscal Year 2014-15
First Quarter Report**

November 4, 2014
Prepared by Indio Water Authority

TABLE OF CONTENTS

- A. CURRENT FINANCIAL CONDITIONS3
- B. CUSTOMER GROWTH4
 - Chart 1: Customer Growth Each Quarter by Fiscal Year.....4
- C. OPERATING FUND REVENUE.....5
 - Chart 2: 5 Year Water Sales Revenue - History by Month5
 - Chart 3: 5 Year Water Sales Revenue - History by Quarter.....6
- D. OPERATING FUND EXPENDITURES6
 - Table 1: Operating Fund Expenditures - By Category.....7
 - SALARY AND BENEFITS7
 - SERVICES AND SUPPLIES7
 - Table 2: Operating Fund Expenditures Services and Supplies -
By Division8
 - CAPITAL OUTLAY13
 - Table 3: Capital Outlay by Division14
 - INTERNAL SERVICE (IS)14
- E. EQUIPMENT REPLACEMENT FUND14
- F. CAPITAL IMPROVEMENT PROGRAM (CIP)15
 - Table 4: Capital Project Expenditures.....15
- G. RESERVE FUNDS16
 - Table 5: Reserve Funds16
- H. 2006 WATER BOND.....16
- I. Attachment A: Revenue and Expenditure Summary.....A-1
- J. Attachment B: First Quarter Budget Recap.....B-1

A. CURRENT FINANCIAL CONDITIONS

Drought and water conservation messages continue to immerse California. Although the Coachella Valley's current groundwater levels are not affected by this drought, ongoing conservation to prevent the aquifer from reaching an overdraft state and avoid ground subsidence is always an effort of all water purveyors in the Coachella Valley. Recycled and imported water have alleviated the strain on the water basin and the implementation of budget tiered rates by IWA with a strong conservation message will continue to further reduce ground water impacts in the years to come.

The East Valley Water Reclamation Authority (EVRA), a joint effort between the City of Indio – Indio Water Authority and Valley Sanitary District, is also assisting in managing water conservation efforts. The EVRA will focus on recycled water treatment, ground water recharge by way of Posse Park and the tertiary treatment of water. IWA also continues to nurture its relationships with connecting water agencies to reach common goals and have a united message of conservation, water quality and service. Indio is located in a desert region and IWA's focus always has been and will continue to be on long-term water management and responsible stewardship of our water supply.

The California Department of Public Health (CDPH) has adopted a maximum contaminate level (MCL) for hexavalent chromium, Cr(6), at 10 parts per billion. This has dire economic consequences on IWA, City of Indio residents, and the entire Coachella Valley region. To date, no state or federal funding has been allocated for Cr(6) treatment and compliance with the MCL which could result in a 165% increase in cost. IWA aggressively continues to research treatment needs, cost estimates, and funding sources. IWA is preparing to comply with the final MCL issued by CDPH and ensure our water supply continues to meet state and federal standards.

In addition to increased regulatory requirements water utilities continue to be under mounting pressure to control costs while implementing upgrades and becoming more competitive by way of technological advancements while also maintaining the structural integrity of aging infrastructure and being fiscally responsible. IWA like most other water agencies are stretched between meeting long-term goals and addressing short term issues.

FY 2014-15 year-to-date numbers indicate IWA is generally in line with its budget and on track to end the year within budget. Total operating revenues are at 28.2%, while total operating expenditures are at 23.8% of budgeted amounts.

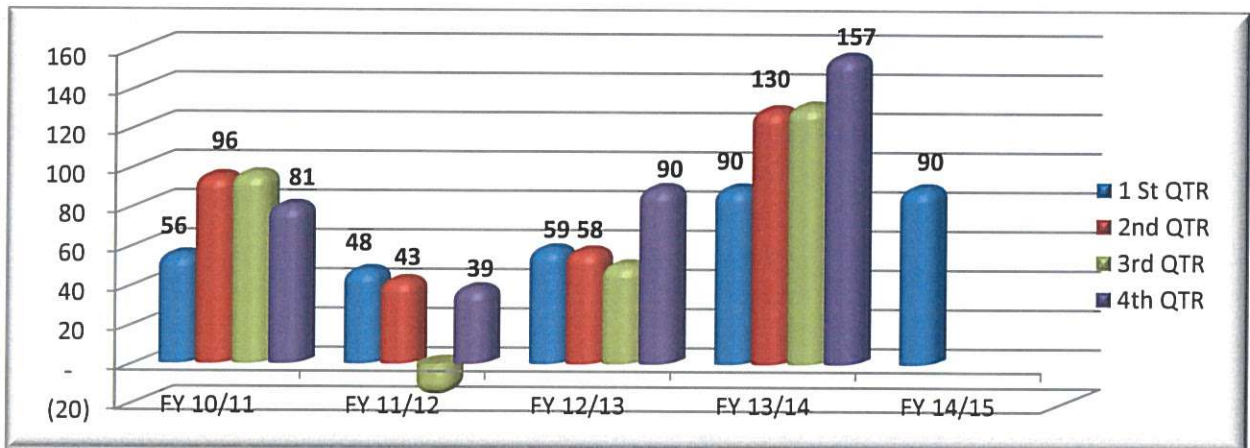
Moving forward with a new rate structure IWA is closely monitoring all revenues and expenses while focusing on providing high quality services that our customers have come to expect. In addition to maintaining current programs, it is critical that we continue to educate residents and business leaders about the importance of water conservation and the new regulatory requirements.

B. CUSTOMER GROWTH

At the beginning of FY 2014-15, the IWA had 21,938 customers with growth projected to be 150 new accounts for the fiscal year. In the first quarter of the fiscal year, IWA added 80 residential customers and 10 commercial accounts for a total of 90 new accounts. During the first quarter IWA also identified 41 fire detector meters that were added to existing water services.

The reflection of an unsettled economy is indicated on Chart 1 below where customer growth has significantly fluctuated over the last five years. Current growth during the first quarter of FY 2014-15 is the same as the first quarter last fiscal year but higher than the previous three fiscal years. IWA engineering division has seen an increase in inspections and plan reviews. IWA infrastructure is in place to meet ongoing demands and will continue to be evaluated as additional resources pull water from our distribution system.

Chart 1: Customer Growth Each Quarter by Fiscal Year



Active residential developments include: Stonewater Development, Citrus Ranch Development, Terra Lago Phase II, Trilogy at the Polo Club Phases 3 & 4, and Gallery Links (Indian Palms).

Commercial development include: the Super Walmart, Applebee's, East County Detention Center, County of Riverside – Law Building, Las Plumas Development, Trilogy Club House at the Polo Club, Verizon Cell Site, County of Riverside – Law Building Parking Structure, Coachella Valley Rescue Mission – Annexation Project, and the Santa Rosa Estates.

C. OPERATING FUND REVENUE

Revenues are delineated by operating revenues and non-operating revenues. The total unaudited revenues recorded for this fiscal year after three months of operation are \$5,533,497 or 28.2% of budget. This is an increase of \$389,096 over the prior fiscal year (Attachment A). Water sales make up \$4,473,148 of the revenue earned through September 30, 2014. Water sales are up \$304,051, or 6.8% when compared to last year during the same time frame.

Other operating revenues for FY 2014-15 totaled \$725,122 through the first quarter or 19% of the budget (Attachment B). This is an increase of \$94,130 when compared to the first quarter of FY 2013-14. Other operating revenue includes account establishment fees, delinquent account fees, inspection fees, plan checks, backflow fees, replenishment fees passed thru to Coachella Valley Water District, sphere of influence fees and reimbursements. This revenue is higher than last fiscal year due in part to the establishment of a meter downsize program, review of fire detector services to identify non-billed accounts, and increased engineering services provided to developers.

Chart 2 below reflects water sales revenue is higher than last fiscal year. This is attributed to a new rate structure which incorporated a rate adjustment starting in January 2014. Overall Chart 3 below reflects revenues are slightly higher than historical trends over the last five years and are meeting expected revenues for fiscal year 2014-15.

Chart 2: 5 Year Water Sales Revenue - History by Month

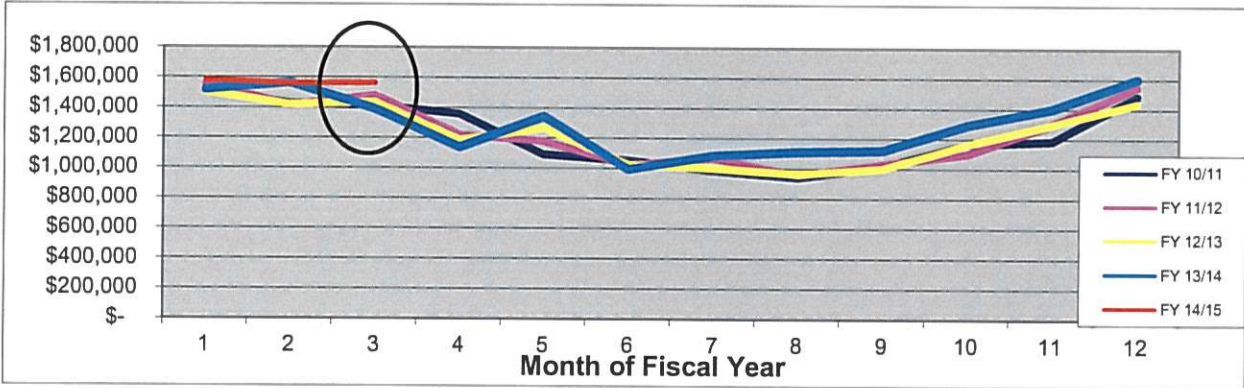
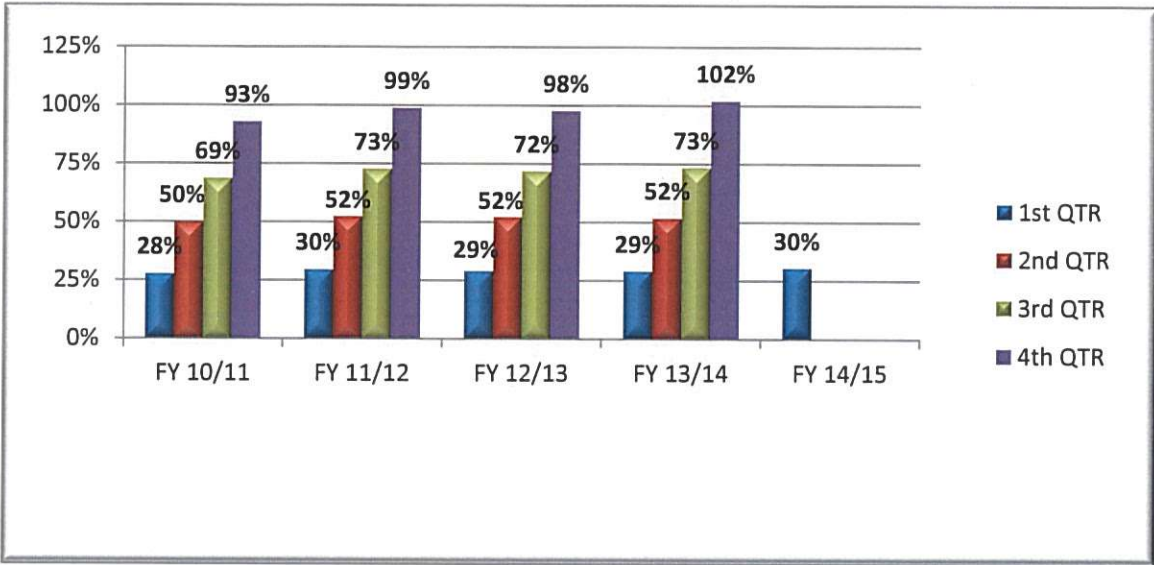


Chart 3: 5 Year Water Sales Revenue - History by Quarter



Non-Operating Revenue

Investment income ended the first quarter at \$5,227 or 6.1% of the budget. Through the first quarter, investment income decreased by \$9,085 when compared to the prior year during the same period due to lower interest earnings during the first quarter. To ensure liquidity of funds and a conservative return on investments, IWA finance staff will continue to monitor pooled cash investments with the City of Indio.

D. OPERATING FUND EXPENDITURES

The FY 2014-15 operating expenditure budget includes \$4,739,161 in salaries and benefits, \$10,312,704 for services and supplies, \$350,300 for capital maintenance and \$4,178,037 for debt service. Table 1 indicates through the end of the first quarter, operating fund expenditures were at 23.8% of the budget or \$4,650,603. Total operating expenditures decreased by \$226,586 from FY 2013-14 (see Attachment A). The decrease in expenditures were largely due to a decrease in salary and benefits of \$170,394 a decrease of \$32,100 in service and supplies, a decrease in capital outlay of \$39,025 and offset by an increase in debt service of \$14,933.

Table 1: Operating Fund Expenditures - By Category

	Budget FY 2014-15	Actual September 30, 2014	% of Budget
Salaries and Benefits	\$ 4,739,161	\$ 1,087,224	22.9%
Services and Supplies	10,312,704	1,474,889	14.3%
Capital Outlay	350,300	5,481	1.6%
Debt Service	4,178,037	2,083,009	49.9%
Total Expenditures	\$ 19,580,202	\$ 4,650,603	23.8%

Salary and Benefits

Salary and benefit expenditures through the end of the first quarter were \$1,087,224 or 22.9% of the budget as shown in Table 1. The decrease of \$170,394 in salaries and benefits over last fiscal year are associated with employees paying a higher share of retirement and medical benefits, less part-time staff hours, and overtime worked.

Services and Supplies

Services and supplies expenditures are \$1,474,889 or 14.3% of the budget through the first quarter. Each division is responsible for monitoring and adhering to their adopted budget. As shown in Table 2 on page eight, after three months, all divisions are within a normal expenditure range. IWA will continue to monitor expenses to ensure adherence to the budget. Overall operating expenditures are at 23.8% of the budget and expected to end the year within budgeted projections.

Table 2: Operating Fund Expenditures – Services and Supplies by Division

	Budget FY 2014-15	Actual September 30, 2014	% of Budget
Commission	\$ 20,500	\$ 864	4.2%
Administration	3,554,685	677,074	19.0%
Production	2,400,575	256,743	10.7%
Transmission Distribution	1,575,015	274,887	17.5%
Finance/Customer Service	666,838	120,095	18.0%
Information Technology	374,155	61,303	16.4%
Engineering/Water Quality	1,720,936	83,923	4.9%
Total Expenditures	\$ 10,312,704	\$ 1,474,889	14.3%

Administration

In addition to the overall management of IWA, the Administration Division has been involved in the following areas for IWA:

- Chromium 6
 - New law passed on June 14, 2014 implementing new standards
 - Agreement with Toxsorb LTD, for a pilot study for mitigation of Chromium 6 and site access at Well 1E
 - Board authorization to hire Hazen & Sawyer for Chromium 6 mitigation plan
- IWA Lobby Upgrade for increased secure payment processing
- Joint efforts for recycling facilities development
- Board authorization to hire a Water Conservation Programs Coordinator
- Adoption of a Water Conservation Ordinance
- Water Bond Support Resolution
- Regional water efforts through the Coachella Valley Regional Water Management Group
- Personnel - Hired a Junior Engineer
- Request for Proposals for a Legislative Advocate

Conservation

The Administration Division worked on the implementation of IWA Water Conservation Programs. The State Water Resources Control Board recently issued a mandate ordering Californians to stop outdoor water waste, or face steep fines. The state has called on agencies to impose fines for customers that wash down driveways and sidewalks, have water running from landscaped areas onto the street or sidewalk, use a hose without a shutoff nozzle to wash a vehicle, or use a fountain or water feature (without recirculating water). Furthermore, the state is asking agencies to require customers to water landscaping only twice a week. IWA is currently asking customers to visually inspect their irrigation system to make sure the systems are working properly. In addition, IWA is planning to comply with the State Water Resources Control Board mandate by aggressively enhancing its water conservation programs and may adopt an ordinance triggering mandatory watering restrictions.

IWA has expanded its water conservation programs to help residents do their part to reduce water use during California's severe and long-lasting drought. Expanded and new programs being offered include:

- Free indoor water conservation kits (150+ disseminated)
- Outdoor irrigation audits (42 conducted)
- Turf removal rebates (22+ completed)
- Irrigation equipment rebates (5+ completed)
- Toilet and washing machine rebates (2 pending)
- WaterSmart controller rebates (2 completed)
- Conservation workshops, hotel and restaurant programs
- Water conservation newsletter
- Hiring a full time Water Conservation Programs Coordinator
- Implementation of Water Waster Hotline – 125+ calls fielded
- 162 variance applications processed

Earlier this year, IWA implemented budget tiered rates, which not only helps reduce water use, but also provides funding for additional conservation efforts.

Engineering

Engineering and Water Quality Division

During this quarter, IWA Engineering and Water Quality Division provided engineering services including plan checks, fire flow system analysis, development guidelines for new and infill projects within the City.

The Engineering and Water Quality Division also implemented a waterline construction project, performed sample collection and water quality testing analysis, pursued federal and state grant funding opportunities for recycled water projects, initiated a joint study with the Coachella Water Authority for Chromium-6 Treatment and Compliance Study and coordinated integrated regional water management activities with the Coachella Valley Regional Water Management Group (CVRWMG).

Engineering Services – Planning & Design

IWA Engineering staff completed plan checks for the following water improvement and development projects:

- Super Walmart
- Applebee's
- East County Detention Center
- County of Riverside – Law Building
- Las Plumas Development
- Trilogy Club House at the Polo Club
- Verizon Cell Site
- County of Riverside – Law Building Parking Structure
- Coachella Valley Rescue Mission – Annexation Project
- Santa Rosa Estates

In addition, Northgate Development (Apartments) is currently in plan check review.

Staff initiated a joint study with the Coachella Water Authority (CWA) by issuing a Request for Proposal to provide Engineering Services for Chromium-6 Treatment and Compliance Study. Proposals were reviewed and a consultant was selected by IWA and CWA. Currently, IWA and CWA are gathering water system information and operational data for the consultant. A draft report for the Chromium-6 study is expected in January 2015.

Additionally, the Engineering staff has met with the following developers to provide development guidelines and water system requirements:

- Stonewater Development
- Citrus Ranch Development
- Terra Lago Development
- Trilogy at the Polo Club Phases 3 & 4
- Gallery Links (Indian Palms)

Engineering Services – Construction

Staff completed Phase 1 of Highway 111 Water Main Construction project, which consisted of approximately 1,300 linear feet of 12-inch Water Main from Oasis Street to Jackson Street.

Phase 2 of Highway 111 Water Main Construction is currently in progress, which consists of approximately 6,400 linear feet of 12-inch water main from Monroe Street to Madison Street. The project will provide system reliability and water supply to existing and new businesses in the surrounding areas.

Engineering Services – Water Quality

IWA water quality staff continues to provide sampling and testing analysis as required by the Division of Drinking Water Program from the California State Water Resources Control Board. During this quarter, IWA collected over 1,000 water quality samples from various constituents as required for regulatory compliance including nitrates, perchlorates, disinfection-by-products, general minerals, inorganics, routine coliform and E.coli bacterial analysis, metal digests and chromium-6. Additionally, as part of IWA's cross-connection program, staff tested approximately 600 backflow prevention devices in IWA's water system, inspected 90 new backflow installations and provided approximately 120 letters of annual backflow testing reminders to customers.

Operations and Maintenance

Production

IWA continues to improve its security system at all production facilities, from replacing non-functioning cameras to installing contact switches at building entry points; the security improvements remotely enable IWA to provide better security control and deter illegal intrusions.

In addition to security improvements, staff continues to work with other divisions and consultants to comply with the new water quality regulatory requirements set forth by the State Water Resources Control Board.

Transmission Distribution

Operation and maintenance of the water system is comprised of: replacement of polyethylene water services, old meters and damaged valves; and dead-end flushing of the water system.

In addition, Distribution Division performs valve exercising to maintain water quality; as well as meter reading which continues to be an evolving achievement of IWA. During the first quarter of FY 14-15 the Distribution Division has:

- Repaired and replaced 55 water services
- Replaced 757 water meters
- Performed 99 dead-end flushes, 229 valve exercises
- Completed 5,759 work orders
- Staff attended the 2014 Tri-State Conference which conducted technical presentations and workshops regarding:
 - Backflow prevention
 - Distribution groundwater/recharge
 - Laboratory (sampling)
 - Reclaim/Reuse water
 - Environmental compliance
 - Surface water/Water treatment
- Staff attended onsite ClearSCADA training to learn the use of the SCADA software which monitors IWA wells, reservoirs and water production

IWA continues to produce and deliver quality water to its customers.

Finance/Customer Service

Budget tiered rate structure billing successfully commenced in February 2014. To enhance our communication with customers and continue to encourage water conservation IWA has an ongoing commitment to bill inserts, bill messaging, and updated website content. The messaging programs are tailored based on IWA Board and management guidance which met operational goals and objectives of IWA.

During the first quarter of FY 14-15 the Finance and Customer Service Division has worked on the following:

- Total financial transactions were 63,128, a daily average 986.4 per day
- Customer service phone calls totaled 6,670, a daily average of 104.2 per day
- Fiscal Year 2013-14 Audit (first time with separate financial systems)
- Hired a Financial Advisor to assist with IWA 2006 Bond Issue refunding
- Conducted in-house training for IWA staff for customer service training to enhance staff knowledge of conservation programs and procedures
- Met with East Valley Water District, along with IT Systems Engineer, to discuss and present items and issues regarding design and implementation of budget-tiered rates

- Presentation at the Bond Buyer, California Public Finance Conference in San Diego on the Smaller Water Issuer Panel

Information Technology (IT)

IWA's Information Technology Division continues to implement enhancements, upgrades, as well as new systems with the objective to improve efficiency, productivity, innovation, and security.

A list of those enhancements is as follows:

- Virtualized our Fuel Management and AutoCAD License server from Physical-to Virtual (P2V)
 - P2V involves the process of migrating a physical server operating system, application and data from the physical server to a virtual-machine. This reduces hardware and operating cost by as much as 50 percent and energy cost by as much as 80 percent.
- Laserfiche Upgrade
 - Laserfiche is our Electronic Content Management System. Laserfiche has significantly helped the city increase productivity and efficiency with its current document management system. With the upgrade we extended Laserfiche to all other departments within the City.
- Setup Remote Access for Toxsorb Chromium-6 Pilot
- Replaced our out dated Uninterruptible Power Supply (UPS) battery in the data center.
- Met with East Valley Water District, along with Finance staff, to discuss and present items and issues regarding design and implementation of budget-tiered rates

Upcoming efforts of the Information Technology division at IWA includes replacing our core network switches, setup and configure server rack in the data center, and deploying a mobile application to report water wasters.

Capital Outlay

Capital Outlay includes the purchase of new capital equipment, new vehicles, and capital infrastructure maintenance projects that are not part of the Capital Improvement Program. The \$350,000 capital outlay budget for FY 2014-15 covers a lobby upgrade for payment processing, security improvements, pump and electrical panel replacements, valve and hydrant meter replacement programs. In addition, capital outlay includes system software upgrades, machinery as needed to support ongoing operational requirements, and system distribution maintenance.

Below is a summary of capital outlay budget by division for FY 2014-15.

Table 3: Capital Outlay by Division

	Budget FY 2014-15	Actual September 30, 2014	% of Budget
Administration	-	-	0.0%
Production	140,000	276	0.2%
Transmission Distribution	100,000	709	0.7%
Finance/Customer Service	50,000	2,050	4.1%
Information Technology Engineering/Water Quality	60,300	2,446	4.1%
	-	-	
Total Expenditures	\$ 350,300	\$ 5,481	1.6%

Internal Services (IS)

Internal Service Fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City, or to other Government entities, on a cost allocation basis. This budget component includes: risk management, buildings and grounds maintenance, information technology, centralized services, and fleet maintenance.

The IS current fiscal year's budget is \$1,330,740. Through the first quarter, internal service expenses total \$310,696 or 23% of the budget.

E. EQUIPMENT REPLACEMENT FUND

IWA has an equipment replacement fund separate from the City of Indio. This fund is for the replacement of vehicles and equipment as needed. At the end of the first quarter for FY 2014-15, the balance of this fund is \$704,539. Total budgeted expenses are \$220,000 for FY 2014-15. There have been no expenses through the first quarter due to prolonged use and life of existing equipment and vehicles. Staff continues to evaluate requirements for equipment and vehicle replacements.

Vehicles and equipment are inspected daily and on a monthly basis IWA's Finance staff reviews a comprehensive list of equipment with depreciation schedules and replacement costs listed by year. Reliable vehicles and equipment ensure the safety and dependability of IWA's daily operations for effective responses to emergencies.

F. CAPITAL IMPROVEMENT PROGRAM (CIP)

This section presents a summary of all CIP projects adopted with the passage of the FY 2014-15 budget. Capital improvements are projects that contribute to providing essential water services to customers and meeting regulatory requirements. In FY 2014-15, capital improvements are budgeted from two funds, the Supplemental Water Fee and Water Development Impact Fees. The total budgeted for FY 2014-15 is \$3,370,000 as highlighted in Table 4 below.

Supplemental Water Fees

At the end of the first quarter of FY 2014-15, IWA’s budgeted projects in the Supplemental Water Fees Fund had a remaining total balance of \$500,000. These funds are designated for the design of a recycled water facility and the Cadiz Valley Water purchase.

Water Development Impact Fees

At the end of the first quarter of FY 2014-15, IWA’s budgeted projects had a remaining total project cost of \$2,522,228 from Water Development impact fees. It is important to point out that \$1,156,442 is encumbered for the capital improvements under construction, leaving 1,365,786 remaining. The remaining funds have been designated for projects during the current fiscal year. IWA is looking forward to a busy second quarter with multiple capital improvement projects underway. These projects include: the design of Plant 2 and Terra Lago Emergency Power, the completion of Highway 111 Water Main Improvements from Madison Street to Monroe Street, preparation of Hexavalent Chromium Compliance Study, and recycling facility design and master plan.

Below is a summary of the capital improvement budgets by fund for FY 2014-15.

Table 4: Capital Projects Expenditures

	Budget FY 2014-15	Actual September 30, 2014	% of Budget
Supplemental Water	\$ 500,000	\$ -	0.0%
Water Development Fee	2,870,000	347,772	12.1%
Total Expenditures	\$ 3,370,000	\$ 347,772	10.3%

G. RESERVE FUNDS

Table 5 below is a summarized allocation of reserve funding levels, which were approved by IWA's Board of Directors on February 7, 2012.

Table 5: Reserve Funds

Priority Ranking	Reserve Fund Description	Target Level (Moderate)	Current Balance	(Deficit)/ Surplus
1	Operating Reserve	\$ 4,577,551	\$ 4,188,000	\$ (389,551)
2	Capital Repair and Replacement/System Improvement Reserve	374,080	74,346	(299,734)
3	Equipment Replacement Reserve	500,000	704,539	204,539
4	Rate Stabilization Reserve	330,000	330,316	316
5	Water Transfer Reserve	1,750,000	51,154	(1,698,846)
6	Emergency Reserve	4,904,060	545,920	(4,358,140)
	Total	\$ 12,435,691	\$ 5,894,275	\$ (6,541,416)

These six reserve funds recognize the importance of formally adopted policies relative to reserves and the funding of them. Reserves are prudent fiscal management tools, which are a cornerstone of successful long-term financial planning. The policies provide both flexibility to continually adapt to change, ensure continued operational solvency, and preserve adequate levels of services.

Over the next several years with the implementation of a rate increase IWA expects to decrease the unfunded reserve levels.

H. 2006 WATER BOND

IWA has hired Fieldman Rolapp and Associates (FRA) as Financial Advisor to assist staff with the process of refinancing the 2006 IWA/City of Indio Water Bond. The refinancing of a portion of the outstanding bonds could lead to annual debt service savings of \$120,000 to \$180,000 for ratepayers depending upon the market conditions at the closing of the potential refinancing bond issue.

Staff issued a Request for Proposals, through FRA, to 12 Investment Banking firms. IWA has received proposals from the following 10 firms:

- FTN Financial

- William Blair
- Citigroup Global Markets
- Mesirow Financial
- Alamo Capital
- Southwest Securities, Inc.
- J.P. Morgan
- KeyBanc Capital Markets, Inc.
- Stifel Nicolaus & Company, Inc.
- Cabrera Capital Markets, LLC

Staff along with FRA will be evaluating the proposals to recommend a firm to the IWA Board/City Council for hiring. Staff will also be recommending a law firm for the role of Disclosure Counsel to prepare the offering and continuing disclosure documents for the potential refinancing. Staff will be recommending that Richards, Watson and Gershon perform the Bond Counsel duties.

Staff is anticipating the possibility of issuing the refinance bonds in January 2015.

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Indio Water Authority
 Revenue & Expenditure Summary-Operating Fund
 Quarter Ending September 30, 2014

REVENUES	Revenue through		25% of Year Elapsed			
	9/30/2013	9/30/2014	FY	Percentage	Budget	Percentage
			2014 vs. 2015	Change	FY 2014/15	FY 2014/15
Operating Revenue						
Water Utility Payments	4,469,097	4,773,148	304,051	6.8%	15,753,900	30.3%
Other Operating						
Penalties, 10% delinquent fee	-	76,405	76,405		96,000	
Water Meters	77,520	41,088	(36,432)	-47.0%	250,000	16.4%
Backflow Charges	52,672	68,133	15,461	29.4%	230,000	29.6%
Fire Protection Charges	23,380	29,060	5,680	24.3%	100,000	29.1%
Replenish Assessment Charge	302,051	325,297	23,246	7.7%	1,144,000	28.4%
Charges for Services	130,921	114,070	(16,851)	-12.9%	432,200	26.4%
Establishment Fee	17,733	16,520	(1,213)	-6.8%	80,000	20.7%
Reimbursements/Recovery of Labor	26,715	54,549	27,834	104.2%	1,455,000	3.7%
Total Operating Revenue	5,100,089	5,498,270	398,181	7.8%	19,541,100	28.1%
Non-Operating Revenue						
Interest Earnings	14,312	5,227	(9,085)	-63.5%	85,000	6.1%
Transfers In	30,000	30,000	-	0%	30,000	0.0%
Total Non-Operating Revenue	44,312	35,227	(9,085)	-20.5%	115,000	30.6%
Total Revenues	5,144,401	5,533,497	389,096	7.6%	19,656,100	28.2%
EXPENDITURES						
Personnel						
Salary and Benefits	1,257,618	1,087,224	(170,394)	-13.5%	4,739,161	22.9%
Total Personnel	1,257,618	1,087,224	(170,394)	-13.5%	4,739,161	22.9%
Services and Supplies						
Legal	2,262	-	(2,262)	-100.0%	75,000	0.0%
Professional/Contract Services	64,275	70,673	6,398	10.0%	2,062,000	3.4%
Regulatory/Government Agency	179,572	259,400	79,828	44.5%	1,208,000	21.5%
Utilities	156,865	169,312	12,447	7.9%	1,550,000	10.9%
Outside Repair & Maintenance	110,431	12,273	(98,158)	-88.9%	417,025	2.9%
Travel & Training	3,800	5,133	1,333	35.1%	69,500	7.4%
Dues and Subscriptions	3,360	3,595	235	7.0%	24,750	14.5%
Postage Freight	20,702	31,392	10,690	51.6%	156,200	20.1%
Conservation Programs	8,543	28,165	19,622	229.7%	400,000	7.0%
Outreach	379	102	(277)	-73.1%	20,000	0.5%
Cell Phones/Pagers	115	3,440	3,325	2891.3%	17,000	20.2%
Taxes	-	-	-		0	0.0%
Rents/Leases	338,087	339,284	1,197	0.4%	1,353,916	25.1%
Printing and Software	52,669	47,921	(4,748)	-9.0%	295,073	16.2%
Water Meters & Small Tools/Equip.	196,497	153,931	(42,566)	-21.7%	1,071,500	14.4%
Supplies & Safety Equipment	1,261	8,776	7,515	596.0%	28,000	31.3%
Chemical Lab	19,979	18,296	(1,683)	-8.4%	84,000	21.8%
Contingency	-	-	-	0.0%	100,000	0.0%
Internal Service Funds	310,692	310,696	4	0.0%	1,330,740	23.3%
Transfer Out	37,500	12,500	(25,000)	-66.7%	50,000	25.0%
Total Services and Supplies	1,506,989	1,474,889	(32,100)	-2.1%	10,312,704	14.3%
Total Operations	2,764,607	2,562,113	(202,494)	-7.3%	15,051,865	17.0%

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Continuation of Report:

25% of Year Elapsed

EXPENDITURES	Expenditures through		FY 2014 vs. 2015	Variance		
	9/30/2013	9/30/2014		Percentage Change	Budget FY 2014/15	Percentage FY 2014/15
Capital Outlay						
Equipment	-	-	-	0.0%	-	0%
Projects	44,506	5,481	(39,025)	-87.7%	350,300	0%
Total Capital Outlay	44,506	5,481	(39,025)	-87.7%	350,300	1.6%
Total Operations and Capital Outlay	2,809,113	2,567,594	(241,519)	-8.6%	15,402,165	16.7%
Debt Service						
Interest - Revenue Bonds	1,368,076	1,338,009	(30,067)	-2%	2,688,037	50%
Principal - Revenue Bonds	700,000	745,000	45,000	6%	1,490,000	50%
Total Debt Service	2,068,076	2,083,009	14,933	1%	4,178,037	50%
Total Operations, Capital Outlay and Debt Service	4,877,189	4,650,603	(226,586)	-7.9%	19,580,202	23.8%

ATTACHMENT B: FIRST QUARTER BUDGET RECAP

IWA 1ST QUARTER BUDGET RECAP FY 2014-2015
THROUGH SEPTEMBER 30, 2014 (3 MONTHS, 25%)
SUMMARY REPORT

25% of Year Elapsed

Revenue	Budget FY 14/15	Through 9/30/2014	% Earned
Water Sales	15,753,900	4,773,148	30%
Meter and Service Fees	3,787,200	725,122	19%
Non-Operating Revenue	115,000	35,227	31%
Total Revenue	19,656,100	5,533,497	28.2%

Expenditures	Budget FY 14/15	Through 9/30/2014	% Spent
Salary and Benefits	4,739,161	1,087,224	23%
Legal	75,000	-	0%
Professional/Contract Services	2,062,000	70,673	3%
Regulatory/Government Agency	1,208,000	259,400	21%
Utilities	1,550,000	169,312	11%
Outside Repair & Maintenance	417,025	12,273	3%
Travel & Training	69,500	5,133	7%
Dues and Subscriptions	24,750	3,595	15%
Postage Freight	156,200	31,392	20%
Conservation Programs	400,000	28,165	7%
Conservation Outreach	20,000	102	1%
Cell Phones/Pagers	17,000	3,440	20%
Rents/Leases	1,353,916	339,284	25%
Printing and Software	295,073	47,921	16%
Water Meters & Small Tools/Equip.	1,071,500	153,931	14%
Supplies & Safety Equipment	28,000	8,776	31%
Chemical Lab	84,000	18,296	22%
Contingency	100,000	-	0%
Internal Service Funds	1,330,740	310,696	23%
Transfer Out	50,000	12,500	25%
Capital Outlay	350,300	5,481	2%
Total Operations & Capital Outlay	15,402,165	2,567,594	16.7%
Debt Service	4,178,037	2,083,009	49.9%
Total Operations, Capital Outlay and Debt Service	19,580,202	4,650,603	23.8%
Projected Revenue Over Expenditures (+/-)	75,898	882,894	