

ITEM NO. 2

Dan Martinez
Executive Director



Brian Macy
General Manager

May 13, 2015

Honorable Board of Directors
Indio Water Authority
P.O. Drawer 1480
83101 Avenue 45
Indio, CA 92201

SUBJECT: FY 2014-15 Third-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.

The attached quarterly budget report summarizes IWA's financial condition as of the third quarter FY 2014-15. It presents a comparison of revenue and expenditures for the third quarter of FY 2014-15 with that of the previous fiscal year. After nine months of activity, water sale revenues are consistent with previous fiscal years at 71.4% of the yearly budget earned.

Current operating revenues and non-operating revenues were \$14.3 million or 71.4% of the budget with operating fund expenditures at \$19.8 million or 74.6% of the budget. It is important to note that there was a budget amendment of \$6.0 million this year so that IWA could prepay the lease to the City saving \$400,000 and assisting IWA for bonding possibilities for Chromium-6 mitigations.

All divisions continue to be focused on expenditure controls. Financial analyses in this report are 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.

On July 1, 2014, California's Chromium-6 regulation took effect setting the maximum contaminant at .010 mg/L or 10 parts per billion (10 ppb). As such, IWA removed thirteen wells from service; and has been operating seven (7) wells to meet the winter season demands. IWA is currently constructing three (3) wellhead treatment facilities with plans to have the strong based anion exchange systems operational by the second week of June. The total project cost for the wellhead treatment is approximately \$7,000,000.

The State of California remains in severe drought. Through aggressive water conservation efforts, IWA and its customers have reduced water consumption by 6% since 2013 and 23% since 2010. Even with these reductions, IWA continues to enhance the water conservation program and was awarded a \$1,200,000 grant through the Proposition 84, Integrated Regional Water Management program. In the fourth quarter, IWA will be proposing a large-turf removal program to help meet Executive Order B-29-15 (the "Executive Order") issued by Governor Brown on April 1, 2015. The Executive Order, among other things, directed the State Water Resources Control Board (the "SWRCB") to impose restrictions to achieve a statewide 25% reduction in potable urban water usage from 2013 levels by February 28, 2016. The SWRCB developed regulations on May 5, 2015 to implement the Executive Order. Under the SWRCB's emergency regulations implementing the Executive Order, IWA and its customers will be required to reduce water consumption by 36% from the established base year of 2013. As IWA has already reduced consumption by 6%, IWA is required to reduce water consumption by an additional 30%. As such, IWA recently amended the City of Indio Stage 2 Water Alert restricting outdoor water use to four days (Tuesday, Thursday, Saturday, and Sunday) per week.

On January 1, 2015, IWA implemented its second 8% rate adjustment as part of a 5-year rate increase. To help IWA customers better understand this rate adjustment, IWA continued with its rate adjustment outreach campaign by including informational bill inserts, bill messages and added a Water Usage History graph to customer's bills.

IWA is looking forward to another busy three months to end the fiscal year. In the fourth quarter, IWA intends to; issue a bond to refinance the 2006 Water Bond, bring into service wellhead Chromium-6 treatment facilities, substantially increase water conservation, and continue to provide high quality water to our customers.

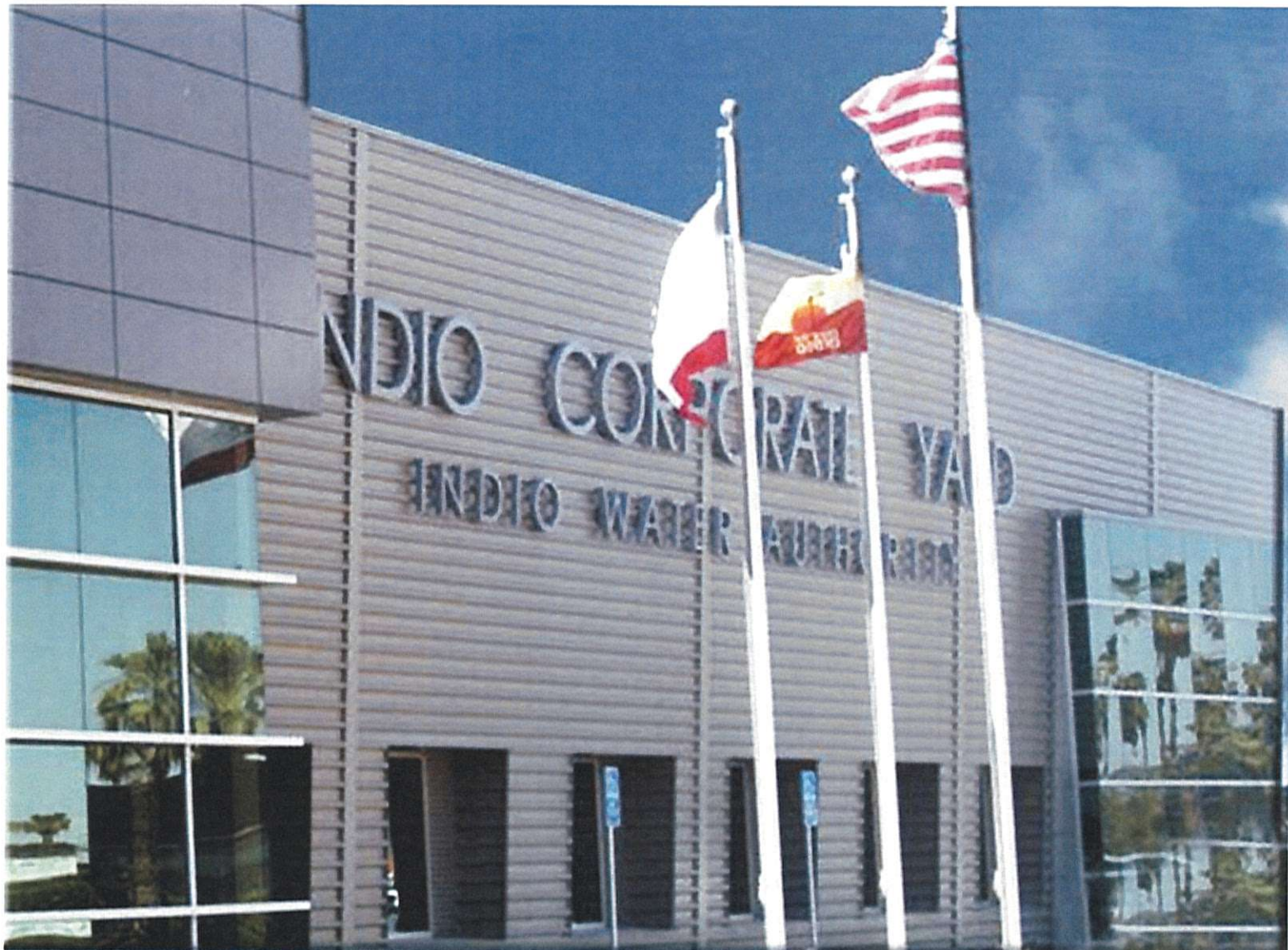
Respectfully submitted,


Dan Martinez
Executive Director

Included attachments:

ATTACHMENT A – Revenue and Expenditure Summary

ATTACHMENT B – Third Quarter Budget Recap



Indio Water Authority Quarterly Financial Report

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

May 13, 2015

Indio Water Authority
Your Water. Our Responsibility.





Indio Water Authority
Quarterly Financial Report

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

May 13, 2015
Prepared by Indio Water Authority

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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 groundwater impacts in the years to come.

The East Valley 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, groundwater 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 for 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 is preparing to comply with the final MCL issued by CDPH and ensure our water supply continues to meet state and federal standards with the purchase of strong based Ionex units to treat Cr(6) and the construction improvements to three wells.

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 and 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.

On April 1, 2015, Governor Brown issued Executive Order B-29-15 (the "Executive Order") to address ongoing drought conditions in California.

The Executive Order, among other things, directed the State Water Resources Control Board (the "SWRCB") to impose restrictions to achieve a statewide 25% reduction in potable urban water usage from 2013 levels by February 28, 2016. The Executive Order further directs the SWRCB to impose restrictions to require that commercial, industrial and institutional properties, such as campuses, golf courses and cemeteries, immediately implement water efficiency measures to reduce potable water usage, and calls upon the SWRCB to direct urban water suppliers to develop rate structures and other pricing mechanisms, including but not limited to surcharges, fees and penalties, to maximize water conservation consistent with statewide water restrictions. The Executive Order includes several provisions to increase enforcement activity against water waste and to streamline the State and local response to drought-related initiatives.

The SWRCB has developed regulations to implement the Executive Order. Under the SWRCB's emergency regulations implementing the Executive Order, IWA must reduce consumption by 36% using calendar year 2013 as a baseline. To date, IWA has reduced consumption by six percent (6%), so IWA is required to reduce consumption by a net 30%.

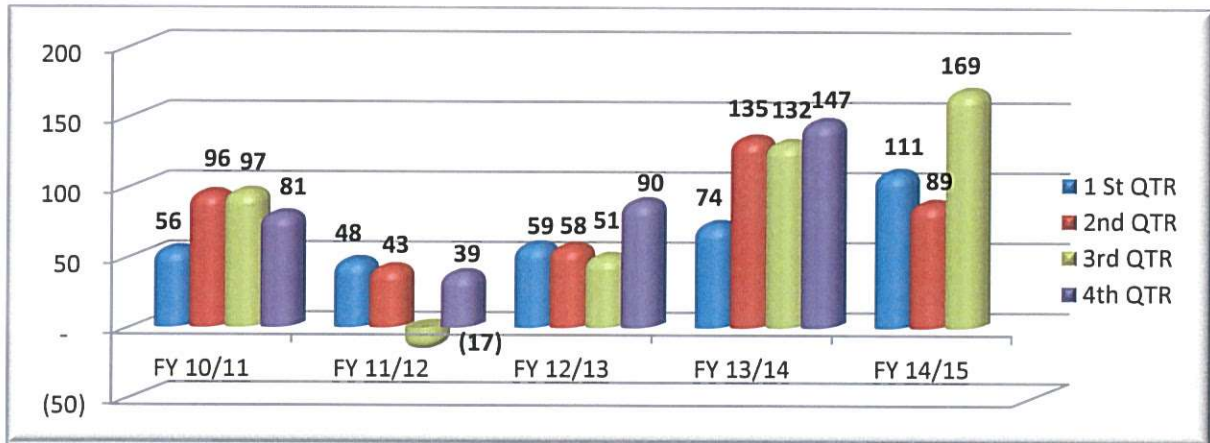
FY 2014-15 year-to-date numbers indicate IWA is in line with its budget and on track to end the year within budget. Total operating revenues are at 71.4%, while total operating expenditures are at 74.6% of budgeted amounts. Moving forward with a new rate structure, IWA is closely monitoring all revenues 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, IWA had 21,938 customers with growth projected to be 150 new accounts for the fiscal year. In the third quarter of the fiscal year, IWA added 168 residential customers and one (1) commercial account for a total of 169 new accounts.

The reflection of an unsettled economy is indicated on Chart 1, on Page 5, where customer growth has significantly fluctuated over the last five years. Current growth during the third quarter of FY 2014-15 is higher than the third quarter FY 2013-14. 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



C. OPERATING FUND REVENUE

Revenues are delineated by operating revenues and non-operating revenues. The total unaudited revenues recorded for this fiscal year after nine months of operation are \$14,297,096 or 71.4% of budget. This is an increase of \$1,061,586 over the prior fiscal year (Attachment A). Water sales make up \$11,965,824 of the revenue earned through March 31, 2015. Water sales are up \$706,973 or 6.3% when compared to last year during the same time frame.

Other operating revenues for FY 2014-15 totaled \$1,909,105 through the third quarter or 50% of the budget (Attachment B). This is a decrease of \$40,776 when compared to the third 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 ten percent penalty fee, review of fire detector services to identify non-billed accounts, and increased replenishment fees.

Chart 2 on Page 6, reflects water sales revenue trends over the last five fiscal years. This is attributed to a new rate structure which incorporated a rate adjustment starting in January 2014. Overall, Chart 3 on Page 6, reflects revenues are on par with historical trends over the last five years and are close to meeting expected revenues for FY 2014-15.

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

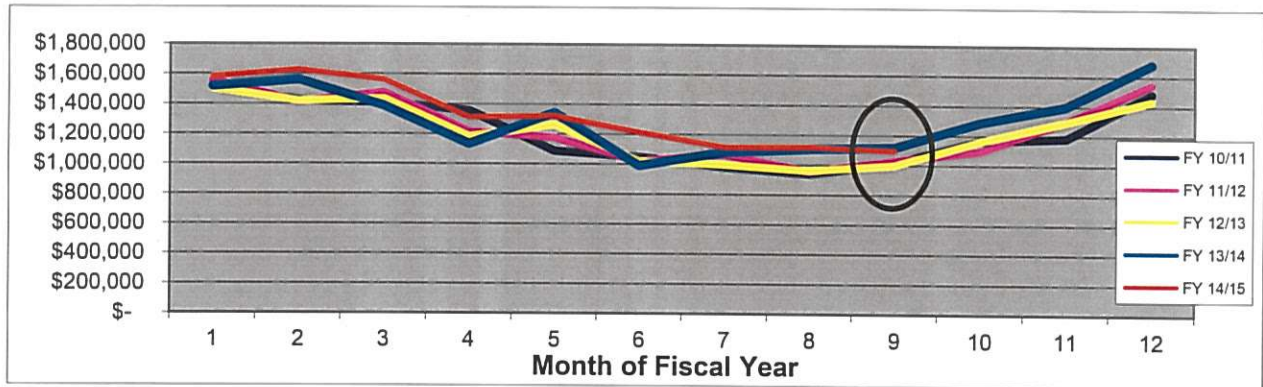
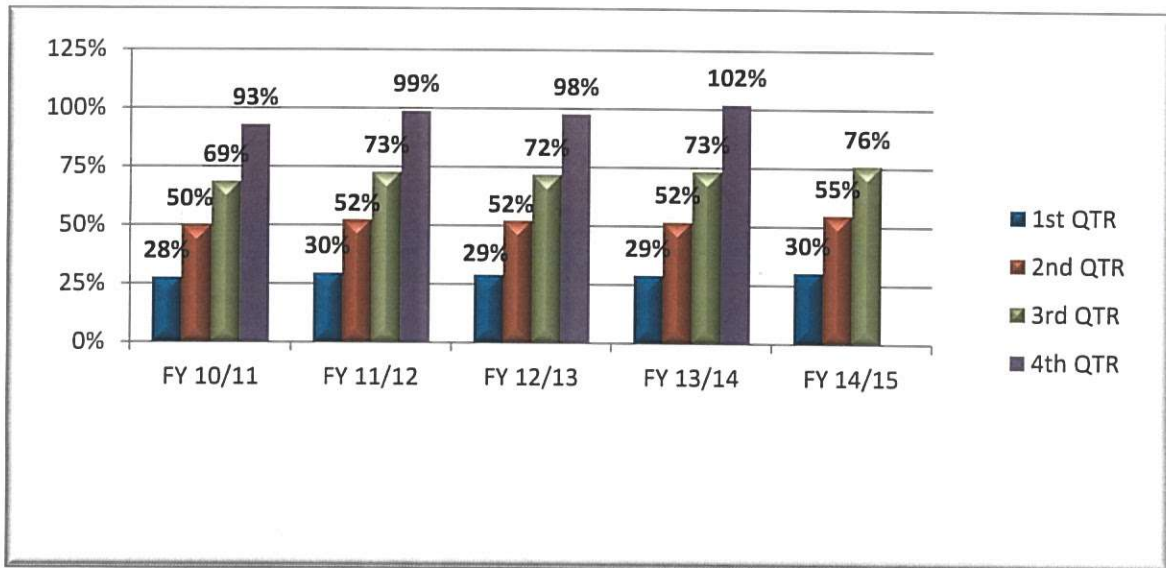


Chart 3: 5 Year Water Sales Revenue - History by Quarter



Non-Operating Revenue

Investment income ended the third quarter at \$20,709 or 24.4% of the budget. Through the third quarter, investment income decreased by \$6,069 compared to the prior year during the same period due to lower pooled cash investments during the third 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, \$16,267,704 for services and supplies, \$1,344,309 for capital maintenance and \$4,178,037 for debt service. Table 1 below, indicates through the end of the third quarter, operating fund expenditures were at 74.6% of the budget or \$19,792,393. Total operating expenditures increased by \$6,959,105 from FY 2013-14 (see Attachment A). The increase in expenditures were due to an increase in salary and benefits of \$158,096 an increase of \$7,116,582 in service and supplies, an increase in debt service of \$31,734, and offset by a decrease in capital outlay of \$347,307.

It is important to note that the increase of \$7,116,582 in services and supplies included the advanced payment of the lease of \$6,000,000 which saved IWA approximately \$400,000 in lease payments and better positioned IWA to do future capital improvement financing. The budget was adjusted by \$6,000,000 to reflect this transaction.

Table 1: Operating Fund Expenditures - By Category

	Budget FY 2014-15	Actual March 31, 2015	% of Budget
Salaries and Benefits	\$ 4,739,161	\$ 3,530,087	74.5%
Services and Supplies	16,267,704	11,989,620	73.7%
Capital Outlay	1,344,309	103,927	7.7%
Debt Service	4,178,037	4,168,759	99.8%
Total Expenditures	\$ 26,529,211	\$ 19,792,393	74.6%

Salary and Benefits

Salary and benefit expenditures through the end of the third quarter were \$3,530,087 or 74.5% of the budget as shown in Table 1. There was an increase of \$158,096 in salaries and benefits over last fiscal year. Please note that salaries and benefits budget is \$186,311 higher in the current fiscal year as compared to last fiscal year.

Services and Supplies

Services and supplies expenditures are \$11,989,620 or 73.7% of the budget through the third quarter. Each division is responsible for monitoring and adhering to their adopted budget.

As shown in Table 2 below, after nine months, most divisions are within a normal expenditure range. IWA will continue to monitor expenses to ensure adherence to the budget. Overall operating expenditures are at 74.6% 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 March 31, 2015	% of Budget
Commission	\$ 20,500	\$ 6,308	30.8%
Administration	9,453,870	8,270,868	87.5%
Production	2,501,390	1,299,834	52.0%
Transmission Distribution	1,575,015	1,319,310	83.8%
Finance/Customer Service	646,838	428,338	66.2%
Information Technology	349,155	235,298	67.4%
Engineering/ Water Quality	1,720,936	429,664	25.0%
Total Expenditures	\$ 16,267,704	\$ 11,989,620	73.7%

Administration

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

- Chromium 6
 - Board authorization to hire Hazen & Sawyer for Chromium 6 evaluation of treatment technologies
 - Board authorization to purchase three altitude valves for Chromium 6 regulate wells 1, 2, and 3
 - Agreement with Richard Slade & Associations, LLC, to conduct a diagnostic zone study for possible mitigation of Chromium 6 at Wells U, Z, W, and AA.
 - Board authorization to purchase three strong based anion exchange wellhead treatment units from Ionex SG Ltd recommended by Hazen & Sawyer resulting from the Chromium 6 treatment technologies evaluation
 - Board authorization to hire Hazen & Sawyer for additional engineering and design services for the installation of Chromium 6 treatment units

- IWA Lobby Upgrade for increased secure payment processing
- Joint efforts for recycling facilities development
- Regional water efforts through the Coachella Valley Regional Water Management Group
 - Round 3 Grant Administrator

Conservation

The Administration Division works 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.

IWA is currently requiring customers to irrigate between 6:00 p.m. and 6:00 a.m. with irrigation repairs restricted to the hours between 6:00 a.m. and 10:00 a.m.; applying water to driveways, parking lots, and other paved surfaces is prohibited; private vehicles may only be washed with a bucket or with a hose equipped with a positive shutoff nozzle; commercial car washes shall recycle water; eating or drinking establishments, including but not limited to a restaurant, hotel, café, cafeteria, bar, club, or other public place where food or drinks are sold, served, or offered for sale, are prohibited from providing drinking water to any person unless expressly requested; water service through construction meters for grading or other construction purposes shall be used only between the hours of 5:00 p.m. and 10:00 a.m.; commercial nurseries may only use water for irrigation purposes between the hours of 6:00 p.m. and 6:00 a.m.; filling or replenishing decorative ponds, golf course water hazards which are not an integral part of the permanent irrigation or fire protection system, fountains, and other waterscape features is prohibited. Fountain pumps should remain off to minimize evaporation. IWA is complying with the State Water Resources Control Board mandates by aggressively enhancing its water conservation programs and may adopt an ordinance triggering mandatory watering restrictions during the fourth quarter.

IWA has expanded its water conservation programs to help residents do their part to reduce water use during California's fourth consecutive year of this severe drought.

Enhanced and new programs being offered include:

- Designed and implemented a Water Waster Mobile App
- Field all Water Waster hotline calls
- Declared Stage II Watering Restrictions
- Process Variance Applications
- Disseminate Free Indoor Water Conservation Kits, Shower Timers, Stress Balls and Reusable Tote Bags
- Conduct Outdoor Irrigation Audits for Residential and Commercial
- Process Rebates for Turf Removal, Irrigation Equipment, Smart Controllers, Toilets, and Washing Machines
- Facilitate Water Conservation Workshops: HOA's, Businesses and Schools
- Created a Water Conservation Logo - 'Commit 2 Conserve'
- Developed a Water Conservation Outreach Campaign – Print, TV, Radio, Billboard, Websites, Social Media, Buses, Bus Stops, Television, Bill Inserts, Special Events, Door Tags, Bill Messaging, Customer Service Hold Prompts and Press Releases
- CVWaterCounts, ACWA, AWWA, CUWCC Participation
- Research and study state and federal legislation relating to the drought and water conservation issues
- Enforcement of new water conservation laws and regulations – verbal notification, door tags, violation letters, fines, etc.
- Development of Website/Social Media Tools regarding Water Conservation

Last year, IWA implemented budget tiered rates, which not only helps reduce water use, but also provides funding for additional conservation efforts. These newly implemented programs will continue to expand over the next three months.

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 (CVRWVG).

Engineering Services – Planning & Design

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

- Las Plumas Development
- Jackson Street Recycling Center
- Dr. Nguyen Doctor Offices
- Carl's Jr.
- Indian Palms Residential Home
- Sonic Drive-In
- Kristen Plaza Suite E
- Los Molcajetes Restaurant
- 69 Apartments and Rental
- Ralphs Grocery Store
- Sumabat Dental
- Quemango
- Starbucks – Highway 111

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 May 2015.

Engineering Services – Construction

Staff completed Phase 3 of Highway 111 Water Main Construction project, which consisted of approximately 6,400 linear feet of 12-inch water main from Monroe Street to Madison Street. The project provides 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 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 536 backflow prevention devices in IWA's water system and provided approximately 547 letters of annual backflow testing reminders to customers.

Furthermore, staff completed the cleaning and decontamination of reservoirs 2, 3, and 3A. Cleaning and decontamination was completed by in-house staff over the course of two weeks. Reservoirs 2, 3, and 3A have been refilled and are distributing potable water to IWA customers.

Operations and Maintenance

Production

IWA continues to improve its water production operation at all facilities throughout the water system to comply with the Cr6 regulations implemented by The State Water Resources Control Board and effective July 1, 2014.

In addition to water operation efficiency, staff continues to work with other divisions and consultants to meet Summer Potable Water Demands (May 2015 – September 2015).

During the third quarter of FY 14-15, the Production Division has:

- Cleaned and disinfected three (3) steel reservoirs at Plant 2 and 3
- Installed and operating backfill valves (Cla-Vals) at Plant 2 and 3
- Modified SCADA program to remotely monitor backfill valves
- Produced and delivered 3,845.4 AF of groundwater

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, the 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 third quarter of FY 14-15, the Distribution Division has:

- Repaired and replaced 26 water services, including pavement repairs
- Replaced 349 water meters
- Performed 83 dead-end flushes, 375 valve exercises
- Completed 4,204 work orders
- Read 67,282 meters

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

Finance/Customer Service

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

- Continued working with the Financial Advisor to assist with IWA 2006 Bond Issue refunding
- Conducted in-house training for IWA staff for finance and customer service training to enhance staff knowledge of procedures
- Presentation of two sessions at the California Debt and Investment Advisory Commission's Municipal Debt Essentials Conference In March 2015
- IWA continued with its rate adjustment outreach campaign by including informational inserts
- Updated the hold prompts on our phone system
- Updated 2015 bill messages
- Added a Water Usage History graph to customer's bills

Information Technology (IT)

IWA's Information Technology Division is responsible for providing strategic technology direction; supporting citywide technologies and applications; coordinating infrastructure activities, including IT procurement and developing and implementing IT operational policies and standards; managing contracts for IT services with various service providers; and managing and implementing IT projects.

IT enhancements include:

- IT Strategic Infrastructure goal for 2015 to increase wireless coverage throughout the Corp Yard our design goal was to provide secure wireless quality of service
- Hardware Replacement Program: The overall philosophy for the Hardware Replacement program is to target the most underpowered systems first
- Award GIS Professional Services Agreement (PSA): IWA and City Council approve the PSA with Dudek and Miller Spatial Services, LLC to provide GIS services for a not-to-exceed annual amount of \$100,000 per firm
- Upgraded our ERP system to the newest version
- Upgraded our Utility website from SHA-1 Hash Algorithm to SHA-2. As technology evolves, it is critical to stay ahead of those who wish to defeat cryptographic technologies for their malicious benefit
- Utility bill pay website is secure by proactively enabling and elevating strong cryptographic standards with SSL/TLS encryption

Additionally, during the third quarter of FY 14-15, the Information Technology Division has worked on the following:

- Number of IWA closed helpdesk tickets for this quarter: 436
- Number of virus blocks: 4,000
- Number of blocked email spam: 500,000

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 \$1,344,309 capital outlay budget for FY 2014-15 covers a lobby upgrade for payment processing, security improvements, pump and electrical panel replacements, and 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 the capital outlay budget by division for FY 2014-15.

Table 3: Capital Outlay by Division

	Budget FY 2014-15	Actual March 31, 2015	% of Budget
Administration	-	-	0.0%
Production	1,089,009	(618)	-0.1%
Transmission Distribution	100,000	21,136	21.1%
Finance/Customer Service	70,000	57,909	82.7%
Information Technology	85,300	25,500	29.9%
Engineering/Water Quality	-	-	0.0%
Total Expenditures	\$ 1,344,309	\$ 103,927	7.7%

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 third quarter, internal service expenses total \$1,009,110 or 75.8% 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 Third quarter for FY 2014-15, the balance of this fund is \$359,638. Total budgeted expenses are \$220,000 for FY 2014-15. There have been no expenses through the Third 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 on a daily and 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 improvement projects 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 \$5,370,000 as highlighted in Table 4 on page 16.

At the end of the third quarter of FY 2014-15, IWA received the following revenue for the CIP funds (including interest earnings):

- | | |
|--|-----------|
| • Supplemental Water Fees | \$560,493 |
| • Water Facilities Development Impact Fees | \$578,493 |

Supplemental Water Fees

At the end of the third 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 Third quarter of FY 2014-15, IWA’s budgeted projects had a remaining total project cost of \$1,522,542 from Water Development impact fees.

It is important to point out that \$59,194 is encumbered for the capital improvements under construction, and is included in the remaining total project cost. The remaining funds have been designated for projects during the current fiscal year.

IWA is looking forward to a busy fourth 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 Rubidoux to Arabia 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 March 31, 2015	% of Budget
Supplemental Water	\$ 500,000		\$ -	0.0%
Water Facilities DIF Fee	4,870,000		1,522,542	47.4%
Total Expenditures	\$ 5,370,000		\$ 1,522,542	40.4%

G. RESERVE FUNDS

Table 5 on Page 17, 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	\$ -	\$ (4,577,551)
2	Capital Repair and Replacement/System Improvement Reserve	374,080	123,676	(250,404)
3	Equipment Replacement Reserve	500,000	359,638	(140,362)
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	\$ 1,410,704	\$ (11,024,987)

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.

2006 WATER BOND

In August 2014, the Board authorized IWA to hire the City's Financial Advisor, Fieldman, Rolapp & Associates (Fieldman) to analyze the interest rate environment to see if IWA could refund the 2006 bonds to achieve debt service savings or generate new funding for system improvements utilizing the current debt service payments.

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

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Indio Water Authority
 Revenue & Expenditure Summary-Operating Fund
 Quarter Ending March 31, 2015

REVENUES	Revenue through		75% of Year Elapsed			
	3/31/2014	3/31/2015	FY	Percentage	Budget	Percentage
			2014 vs. 2015	Change	FY 2014/15	FY 2014/15
Operating Revenue						
Water Utility Payments	11,258,851	11,965,824	706,973	6.3%	15,753,900	76.0%
Other Operating						
Penalties, 10% delinquent fee	65,178	198,371	133,193	204.4%	96,000	206.6%
Water Meters	322,292	115,256	(207,036)	-64.2%	250,000	46.1%
Backflow Charges	180,703	217,176	36,473	20.2%	230,000	94.4%
Fire Protection Charges	71,890	99,860	27,970	38.9%	100,000	99.9%
Replenish Assessment Charge	712,569	753,906	41,337	5.8%	1,144,000	65.9%
Charges for Services	394,473	313,811	(80,662)	-20.4%	432,200	72.6%
Establishment Fee	47,033	47,740	707	1.5%	80,000	59.7%
Reimbursements/Recovery of Labor	155,743	162,985	7,242	4.6%	1,455,000	11.2%
Total Operating Revenue	13,208,732	13,874,929	666,197	5.0%	19,541,100	71.0%
Non-Operating Revenue						
Interest Earnings	26,778	20,709	(6,069)	-22.7%	85,000	24.4%
Transfers In	-	401,458	401,458	0%	401,458	0.0%
Total Non-Operating Revenue	26,778	422,167	395,389	1476.5%	486,458	86.8%
Total Revenues	13,235,510	14,297,096	1,061,586	8.0%	20,027,558	71.4%

EXPENDITURES	Expenditures through		Variance			
	3/31/2014	3/31/2015	FY	Percentage	Budget	Percentage
			2014 vs. 2015	Change	FY 2014/15	FY 2014/15
Personnel						
Salary and Benefits	3,371,991	3,530,087	158,096	4.7%	4,739,161	74.5%
Total Personnel	3,371,991	3,530,087	158,096	4.7%	4,739,161	74.5%
Services and Supplies						
Legal	154,271	14,429	(139,842)	-90.6%	75,000	19.2%
Professional/Contract Services	254,497	591,732	337,235	132.5%	2,042,000	29.0%
Regulatory/Government Agency	649,521	736,122	86,601	13.3%	1,208,000	60.9%
Utilities	784,044	738,944	(45,100)	-5.8%	1,550,000	47.7%
Outside Repair & Maintenance	307,756	219,983	(87,773)	-28.5%	417,025	52.8%
Travel & Training	11,711	34,915	23,204	198.1%	69,500	50.2%
Dues and Subscriptions	23,311	24,545	1,234	5.3%	24,750	99.2%
Postage Freight	76,716	103,830	27,114	35.3%	156,200	66.5%
Conservation Programs	20,021	246,000	225,979	1128.7%	400,000	61.5%
Advertising	6,057	5,857	(200)	-3.3%	20,000	29.3%
Telephones	1,917	-	(1,917)	-100.0%	-	0.0%
Cell Phones/Pagers	12,832	16,465	3,633	28.3%	17,000	96.9%
Taxes	-	-	-	0.0%	0	0.0%
Rents/Leases	1,020,526	7,025,281	6,004,755	588.4%	7,353,916	95.5%
Printing and Software	60,689	125,436	64,747	106.7%	270,073	46.4%
Water Meters & Small Tools/Equip.	434,819	934,143	499,324	114.8%	1,071,500	87.2%
Supplies & Safety Equipment	4,016	22,847	18,831	468.9%	28,000	81.6%
Chemical Lab	51,225	53,151	1,926	3.8%	84,000	63.3%
Contingency	-	-	-	0.0%	100,000	0.0%
Internal Service Funds	924,109	1,009,110	85,001	9.2%	1,330,740	75.8%
Transfer Out	75,000	86,830	11,830	15.8%	50,000	173.7%
Total Services and Supplies	4,873,038	11,989,620	7,116,582	146.0%	16,267,704	73.7%
Total Operations	8,245,029	15,519,707	7,274,678	88.2%	21,006,865	73.9%

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Continuation of Report:

75% of Year Elapsed

EXPENDITURES	Expenditures through		FY 2014 vs. 2015	Variance		
	3/31/2014	3/31/2015		Percentage Change	Budget FY 2014/15	Percentage FY 2014/15
Capital Outlay						
Equipment	-	-	-	0.0%	-	0%
Projects	451,234	103,927	(347,307)	-77.0%	1,344,309	0%
Total Capital Outlay	451,234	103,927	(347,307)	-77.0%	1,344,309	7.7%
Total Operations and Capital Outlay	8,696,263	15,623,634	6,927,371	79.7%	22,351,174	69.9%
Debt Service						
Interest - Revenue Bonds	2,737,025	2,678,759	(58,266)	-2%	2,688,037	100%
Principal - Revenue Bonds	1,400,000	1,490,000	90,000	6%	1,490,000	100%
Total Debt Service	4,137,025	4,168,759	31,734	1%	4,178,037	100%
Total Operations, Capital Outlay and Debt Service	12,833,288	19,792,393	6,959,105	80.4%	26,529,211	74.6%

ATTACHMENT B: THIRD QUARTER BUDGET RECAP

IWA 3RD QUARTER BUDGET RECAP FY 2014-2015
 THROUGH MARCH 31, 2015 (9 MONTHS, 75%)
 SUMMARY REPORT

75% of Year Elapsed

Revenue	Budget FY 14/15	Through 3/31/2015	% Earned
Water Sales	15,753,900	11,965,824	76%
Meter and Service Fees	3,787,200	1,909,105	50%
Non-Operating Revenue	486,458	422,167	87%
Total Revenue	20,027,558	14,297,096	71.4%

Expenditures	Budget FY 14-15	Through 3/31/2015	% Spent
Salary and Benefits	4,739,161	3,530,087	74%
Legal	75,000	14,429	19%
Professional/Contract Services	2,042,000	591,732	29%
Regulatory/Government Agency	1,208,000	736,122	61%
Utilities	1,550,000	738,944	48%
Outside Repair & Maintenance	417,025	219,983	53%
Travel & Training	69,500	34,915	50%
Dues and Subscriptions	24,750	24,545	99%
Postage Freight	156,200	103,830	66%
Conservation Programs	400,000	246,000	62%
Advertising	20,000	5,857	29%
Cell Phones/Pagers	17,000	16,465	97%
Rents/Leases	7,353,916	7,025,281	96%
Printing and Software	270,073	125,436	46%
Water Meters & Small Tools/Equip.	1,071,500	934,143	87%
Supplies & Safety Equipment	28,000	22,847	82%
Chemical Lab	84,000	53,151	63%
Contingency	100,000	-	0%
Internal Service Funds	1,330,740	1,009,110	76%
Transfer Out	50,000	86,830	174%
Capital Outlay	1,344,309	103,927	8%
Total Operations & Capital Outlay	22,351,174	15,623,634	69.9%
Debt Service	4,178,037	4,168,759	99.8%
Total Operations, Capital Outlay and Debt Service	26,529,211	19,792,393	74.6%
Projected Revenue Over Expenditures (+/-)	(6,501,653)	(5,495,297)	