

Dan Martinez
Executive Director



Brian Macy
General Manager

February 2, 2016

Honorable Commissioners
Indio Water Authority
83101 Avenue 45
Indio, CA 92201

SUBJECT: FY 2015-16 Second-Quarter Budget Report

Commissioners:

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 second quarter FY 2015-16. It presents a comparison of revenue and expenditures for this second quarter with the second quarter of FY 2014-15. After six months of activity, water sale revenues are lower than previous fiscal years at 48% of the yearly budget earned.

Current operating revenues and non-operating revenues were \$9.2 million or 42% of the budget with operating fund expenditures at \$6.8 million or 33% 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.

The State of California remains in a severe drought. Through aggressive water conservation efforts, IWA and its customers have reduced water consumption by 21%, from June through December 2015, or 1.6 billion gallons, when compared to the same time period in 2013. Even with these reductions, IWA continues to enhance the water conservation programs and was awarded a \$1,290,000 grant through the Proposition 84, Integrated Regional Water Management program.

On October 29, 2015 the State Water Resources Control Board (SWRCB) fined IWA \$61,000 for not meeting it's 32% water conservation goal established on May 5, 2015. IWA has aggressively been working towards meeting the conservation goal set by the state and has implemented a number of programs to both educate and reduce water consumption.

Honorable Commissioners
February 2, 2016
Page 2

In an effort to meet State water conservation goals, IWA has increased the water conservation budget by 450% compared to last fiscal year. A total of six (6) water agencies throughout California were fined by the state. Since then IWA has been working closely with the SWRCB to mitigate and avoid future fines.

As a result of the water conservation efforts to date, IWA is experiencing reduced water sales of \$548,534 (6%) compared to the second quarter of FY 2014-15. IWA is and will continue to monitor expenditures in efforts not to exceed revenues as IWA had a budgeted surplus of \$1,357,008 in the current budget and a contingency of \$200,000 which will offset losses in water sales due to conservation efforts of IWA's customers.

IWA is looking forward to another lively fiscal year. IWA will implement a drought penalty surcharge, the third year of our budget tiered rate structure, and undergo extensive infrastructure project in the third quarter of FY 2015-16. Furthermore, IWA will continue to implement an enhanced Water Conservation Program.

Included attachments:

ATTACHMENT A – Revenue and Expenditure Summary
ATTACHMENT B – Second Quarter Budget Recap
ATTACHMENT C - List of Acronyms

IT IS RECOMMENDED that the Board receive and file this report along with Attachments A, B, and C.

Respectfully submitted,

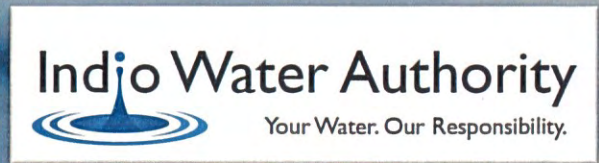

Dan Martinez
Executive Director



Indio Water Authority Quarterly Financial Report

**Fiscal Year 2015-16
Second Quarter Report**

February 2, 2016





Indio Water Authority
Quarterly Financial Report

Fiscal Year 2015-16
Second Quarter Report

February 2, 2016
Prepared by Indio Water Authority

TABLE OF CONTENTS

A. QUARTERLY FINANCIAL IMPACTS	4
B. CUSTOMER GROWTH	4
Chart 1: Customer Growth Each Quarter by Fiscal Year.....	5
Chart 2: Total Customers by Fiscal Year	5
C. OPERATING FUND REVENUE	6
Chart 3: 5 Year Water Sales Revenue - History by Month	6
Chart 4: 5 Year Water Sales Revenue - History by Quarter	7
D. OPERATING FUND EXPENDITURES	7
Table 1: Operating Fund Expenditures - by Category	8
SALARY AND BENEFITS	8
SERVICES AND SUPPLIES	8
Table 2: Operating Fund Expenditures Services and Supplies -	
By Division	9
Administration.....	9
Conservation.....	10
Engineering.....	11
Operations and Maintenance.....	12
Finance/Customer Service.....	13
Information Technology.....	14
CAPITAL OUTLAY	15
Table 3: Capital Outlay by Division	15
INTERNAL SERVICE (IS)	16
E. EQUIPMENT REPLACEMENT FUND	16
F. CAPITAL IMPROVEMENT PROGRAM (CIP)	16
Table 4: Capital Project Expenditures.....	17
G. RESERVE FUNDS	18
Table 5: Reserve Funds	18

H. GRANT FUNDS.....18
I. Attachment A: Revenue and Expenditure Summary.....A-1
J. Attachment B: Second Quarter Budget Recap.....B-1
K. Attachment C: List of Acronyms.....C-1

A. QUARTERLY FINANCIAL IMPACTS

On October 29, 2015 the State Water Resource Control Board (SWRCB) fined IWA \$61,000 for not meeting its 32% water conservation goal. IWA has aggressively been working towards meeting the conservation goal set by the state and has implemented a number of programs to both educate and reduce water consumption including an increased water conservation budget of 450% over last fiscal year. A total of six (6) water agencies throughout California were fined by the state as of today. Since then IWA has been working closely with the SWRCB to understand and seek to avoid future fines.

In addition to conservation programs as part of this commitment to reduce water use IWA also adopted a drought penalty surcharge on November 18, 2015 with an effective date of December 1, 2015. Drought penalties will first appear on customer bills in January 2016 and will affect users who do not conserve state mandated 32% based on their individual water budgets. Revenue received from drought penalties will go towards any fines the state imposes on IWA should we not meet our mandatory water use reduction goal and for conservation programs.

On November 13, 2015 Governor Brown issued another Executive Order related to the drought whereby water restrictions were extended through October 1, 2016 if current drought conditions continue into 2016. IWA will continue its commitment to water conservation by exploring additional programs to help us achieve necessary reductions. While conservation is at the forefront of IWA, reduced water use negatively affects IWA's finances. This report focuses on the current financial condition of IWA through December 31, 2015 and anticipated trends to end our fiscal year.

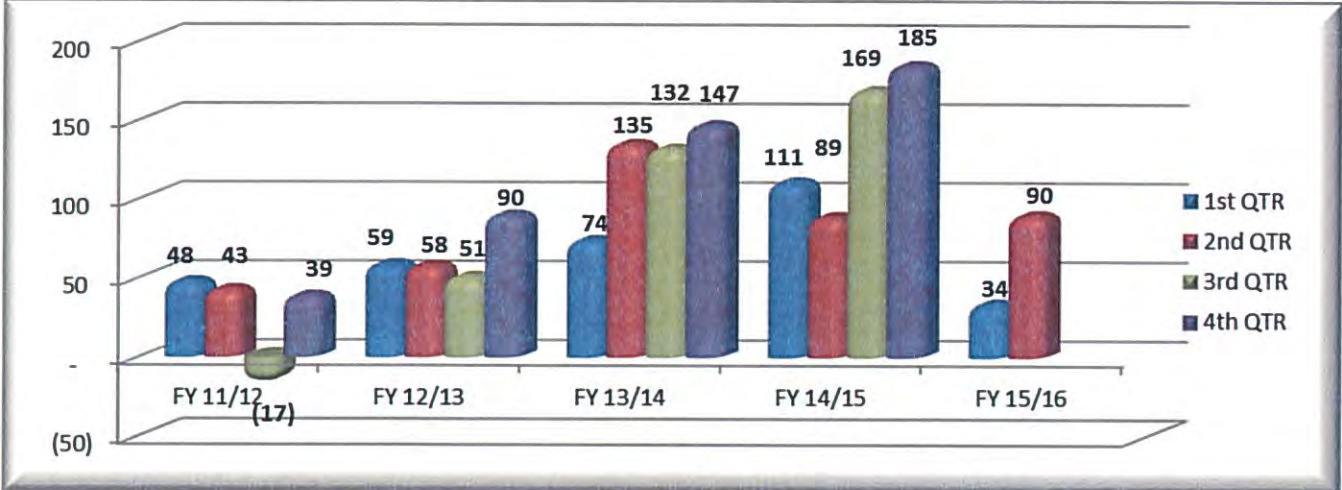
B. CUSTOMER GROWTH

At the beginning of FY 2015-16, IWA had 22,492 customers and projected 150 new accounts. In the second quarter, IWA added 84 residential customers, 12 commercial accounts and lost 6 commercial accounts yielding 90 new accounts. In addition, IWA also added two fire detector meters to existing water services.

Chart 1 on page 4 reflects IWA's quarterly customer growth over the past five (5) fiscal years. As of the second quarter for the current FY 2015-16 overall customer growth is at 124 new accounts. The steady growth is a reflection of a steadfast economy. The slow moving industrial expansion is an indicator that a quick economic change is unlikely. However, Indio's abundant unused land and centralized location in the Coachella Valley is attractive for business growth and residential expansion. IWA's current infrastructure is able to meet ongoing demands

and will continue to be evaluated as additional resources utilize water from our distribution system.

Chart 1: Customer Growth Each Quarter by Fiscal Year



During the second quarter active residential developments included: Terra Lago Phase East, Polo Estates, Stonefield Estates/Madison Estates and Woodside at Desert Trace. Large commercial developments include the East County Detention Center and Dolan Law Desert Trial Academy.

Over the last ten years IWA has increased its customer base by 3,672 accounts. Chart 2 below further illustrates the steady growth Indio has experienced. This trend is expected to continue.

Chart 2: Customer Growth by Fiscal Year



C. OPERATING FUND REVENUE

Revenue is categorized by operating revenue and non-operating revenue. The total unaudited revenue recorded for the second quarter is \$9,244,411 or 41.6% of budget. Revenue decreased by \$747,892 compared to the previous fiscal year (Attachment A). Second quarter water sales revenue is \$8,078,843 a decrease of \$548,534, or -6.4% when compared to the second quarter of FY 2014-15.

Although IWA has implemented two rate adjustments approved on October 1, 2013; water sales revenue has decreased due to a combination of water conservation regulations mandated by the Governor and an increased customer awareness of water use. During the third quarter of FY 2015-16 IWA will implement the third year rate adjustment as previously approved. Decreased water sales revenue within the last five years is represented monthly in Chart 3 below and quarterly in Chart 4 on the following page.

A further decline in water sales may be present in the upcoming quarter due to the implementation of a drought penalty fee starting on January 1, 2016. The drought penalty fee is a new fee charged to customers not decreasing water use by the state mandated 32%. Fines collected from these fees will be used for conservation programs and paying potential fines imposed by the State on IWA should we not meet our mandatory water use reduction.

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

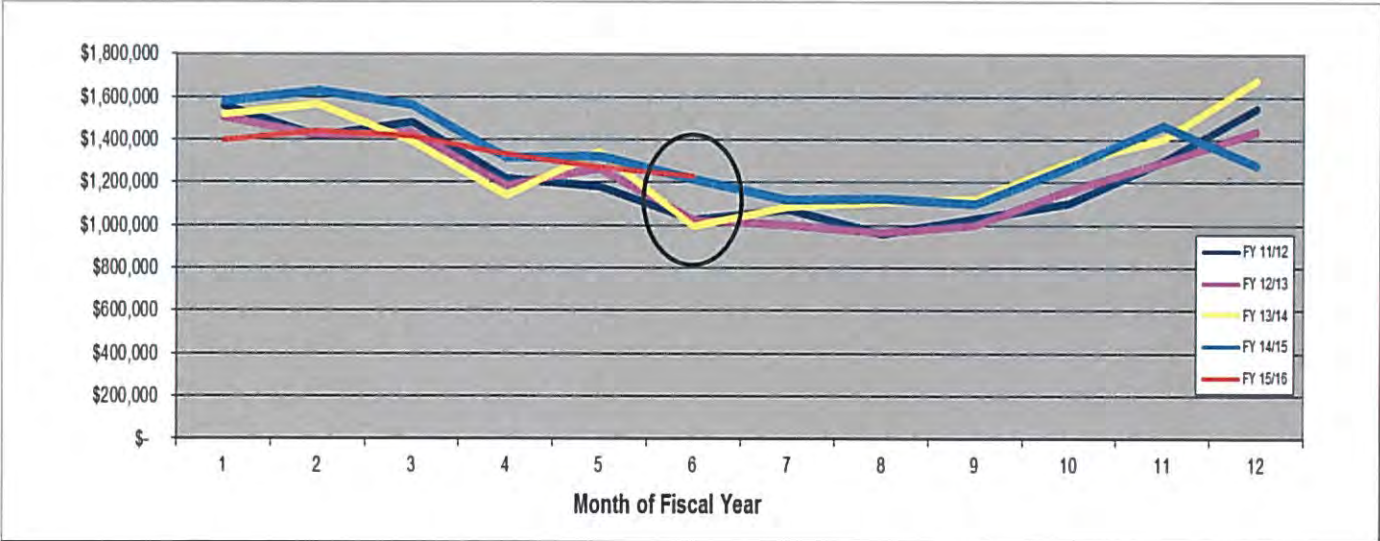
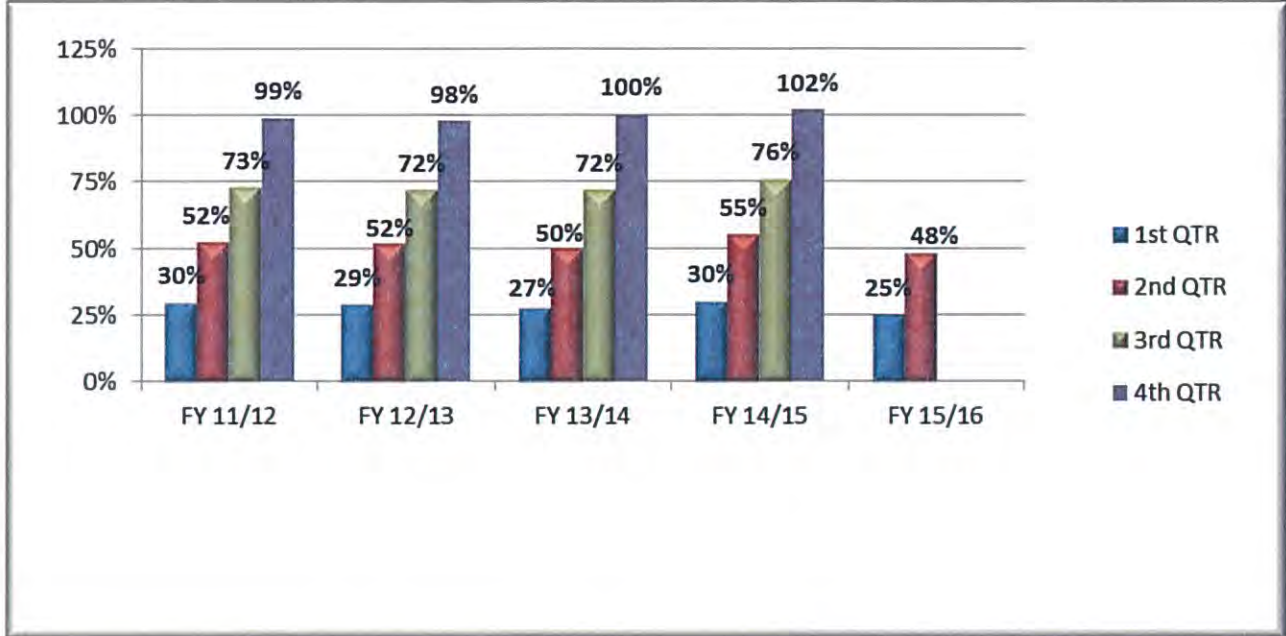


Chart 4: 5 Year Water Sales Revenue - History by Quarter



Other FY 2015-16 operating revenues total \$1,162,494 or 22% of the revenue budget earned (Attachment B). Other operating revenue includes account establishment fees, delinquent account fees, inspection fees, plan checks, backflow fees, replenishment fees, and reimbursements. Revenue decreased by \$161,371 compared to the second quarter of FY 2014-15 (\$1,323,865) due to fewer delinquent penalty fees, a decelerated meter downsize program, decreased charges for services and lower replenishment assessment charges stemming from decreased water usage.

Non-Operating Revenue

Investment income through the second quarter yielded \$3,074 or 20.5% of overall interest revenue budgeted for the fiscal year. In comparison to the second quarter of FY 2014-15, investment income decreased by \$7,987 due to decreased interest income resulting from decreased cash balances. 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 2015-16 operating expenditure budget includes \$5,246,824 in salaries and benefits, \$11,751,620 for services and supplies, \$385,427 for capital outlay and

\$3,405,491 for debt service. Table 1 indicates operating fund expenditures were 32.8% of the budget or \$6,818,529 through the end of the second quarter. Total operating expenditures decreased \$1,705,586 from FY 2014-15 (see Attachment A). The decrease in expenditures was driven by debt services (\$1,297,803) and services and supplies (\$391,985). Decreased expenditures were offset by an increase of \$93,561 in salary and benefits.

Table 1: Operating Fund Expenditures - by Category

	Budget FY 2015-16	Actual December 31, 2015	% of Budget
Salaries and Benefits	\$ 5,246,824	\$ 2,527,501	48.2%
Services and Supplies	11,751,620	3,475,595	29.6%
Capital Outlay	385,427	30,227	7.8%
Debt Service	3,405,491	785,206	23.1%
Total Expenditures	\$ 20,789,362	\$ 6,818,529	32.8%

Salary and Benefits

Salary and benefit expenditures through the end of the second quarter were \$2,527,501 or 48.2% of the budget as shown in Table 1 above. The increase of \$93,561 or 3.8% in salaries and benefits over last fiscal year is attributed to additional part-time staff and one additional full-time position offset by a vacant Accounting Technician II position.

During the upcoming quarter, IWA will re-introduce the weekend walk-about throughout the City of Indio. IWA will speak with customers about decreasing their water use to avoid drought penalties and meeting the state conservation mandate. Walk-about will yield some over-time expenditures for qualifying employees. IWA closely monitors all overtime expenditures and avoids additional payroll expenses when possible.

Services and Supplies

Second quarter service and supply expenditures are \$3,475,595 or 29.6% of the budget. Each division is responsible for monitoring and adhering to their adopted budget. After the second quarter, all divisions are within a normal expenditure range as shown in Table 2. The Information Technology Department expenditure is 60.4% due to the acceleration of a non-capital software upgrade, updates to machinery and equipment, and an increase of outside repairs and maintenance.

IWA will continue to monitor expenses to ensure adherence to the budget. Overall operating expenditures are 29.6% of the budget and expected to end the year within budgeted projections.

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

	Budget FY 2015-16	Actual December 31, 2015	% of Budget
Commission	\$ 29,112	\$ 3,100	10.6%
Administration	3,897,688	1,245,626	32.0%
Production	2,844,467	726,375	25.5%
Transmission Distribution	1,721,625	671,334	39.0%
Finance/Customer Service	745,211	325,015	43.6%
Information Technology	449,530	271,337	60.4%
Engineering/Water Quality	2,063,987	232,808	11.3%
Total Expenditures	\$ 11,751,620	\$ 3,475,595	29.6%

Administration

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

- Chromium 6 Treatment Management
 - Technology Tour
- East Valley Reclamation Authority
- Proposition 84 Regional Water Management Drought Grant implementation (\$5,270,635 region wide)
- Consolidation Projects
 - Boe Del Heights Mutual Water Association
 - Mesquite Mutual Water Association
 - Waller Tract Water District
- Drought Penalty Study Sessions
- Drought Penalty Surcharge Implementation
- Budget Tiered Rate Effectiveness Study
- Joint efforts for recycling facilities development
- Sustainable Groundwater Management Act

- Myoma Dunes Water Company
- Regional water efforts through the Coachella Valley Regional Water Management Group

Conservation

The Administration Division works on the implementation of IWA Water Conservation Programs. The State Water Resources Control Board 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 refuse to conserve and/or violate the watering restrictions set forth.

IWA currently has the following restrictions in place: irrigate between 6:00 p.m. and 6:00 a.m. on Tuesday, Thursday, Saturday, and Sunday 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.

IWA has expanded its water conservation programs to help residents do their part to reduce water use during California's severe drought entering the fourth consecutive year. The Conservation program has hosted over 50 events since the beginning of the fiscal year.

Ongoing water conservation programs/efforts include:

- Implemented Drought Penalty Surcharges
- Water Waster Mobile App & Hotline
- Stage II Watering Restrictions
- Variance Applications
- Free Water Conservation Kits, Shower Timers, & Reusable Tote Bags

- Free Outdoor Irrigation Audits for Residential and Commercial Customers
- Rebates for Turf Removal, Irrigation Equipment, Smart Controllers, Toilets, and Washing Machines
- Water Conservation Workshops: HOA's, Businesses and Schools
- 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 – written/verbal notification, door tags, violation letters, fines, etc.
- Development of Website/Social Media Tools regarding Water Conservation
- Water Conservation Outreach campaign including: weekend walk-about, television ads, customer service hold prompts, Spanish radio messages, presentations to several community groups such as HOA's/businesses/schools/service organizations, social media, bill inserts, on-line ads, bus shelters, busses, IWA website, door tags, press releases, and special events.

Engineering

Engineering and Water Quality Division

During this quarter, IWA Engineering and Water Quality Division provided engineering services including plan checks, and fire flow system analysis. Also, updates to the development guidelines, standard details and forms for new water infrastructure projects within Indio Water Authority. Furthermore, staff assisted the General Manager with the implementation of Indio Water Authority to become a Groundwater Sustainability Agency.

The Engineering and Water Quality Division also finished, performed sample collection and water quality testing analysis, pursued state grant funding opportunities for recycled water projects, and consolidation of three small water mutual agencies.

During the third quarter, the Engineering and Water Quality Division will work with the Operations Division on the replacement of large diameter backflow prevention devices for two services on Vargas Street prior to the Better Neighborhoods Repaving Project.

Engineering Services – Planning & Design

IWA Engineering staff completed plan checks for the following large water improvement and development project: Highway 111 from Monroe to Rubidoux. Additionally, the Engineering staff has added and reorganized the development guidelines, standard details, and water system requirements.

Engineering Services – Construction

Staff completed the following development construction projects – Trilogy Tract 33004 Phases 3 and 4, Carl's Jr, Verizon Downtown Relocation Phase 2, and Parkwood Apartments. Construction inspection started on Terra Lago Tract 32341 Phase 5, Pulte Homes Tract 32341 Phase 1, Desert Trail Academy, and East County Detention Center.

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 weekly and monthly water quality samples for the hexavalent chromium treatment plants. Additionally, over 600 water quality samples from various constituents as required for regulatory compliance including nitrates, perchlorates, disinfection-by-products, general minerals, inorganics, routine coliform, E.coli bacterial analysis, metal digests and chromium-6 were collected.

Furthermore, as part of IWA's cross-connection program, staff tested approximately 505 backflow prevention devices in IWA's water system, inspected 16 new backflow installations and provided approximately 47 letters of annual backflow testing reminders to customers.

Operations and Maintenance

Production

IWA continues to improve its Supervisory Control and Data Acquisition (SCADA) operational strategy at all production facilities by upgrading our obsolete wireless communication system. The improvements enable IWA to remotely operate the water system efficiently and prevent operation failures.

In addition to SCADA improvements, staff continues to work with other divisions and consultants to optimize our Chromium-6 removal treatment facilities and reduce stranded assets. Furthermore, IWA is assisting with the transition of Chromium-6 treatment plant operations as the equipment supplier completes the remaining

punch-list items. Staff will assume responsibility for plants, vendor operations, and maintenance contracts once the project is accepted by IWA Engineering.

During the second quarter IWA produced and treated 3,971 acre feet of potable 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.

Additionally, the Distribution Division performs valve exercising to maintain water quality and meter reading transitions from manual to automated meter reading. The Distribution Division is working closely with other divisions to migrate all work orders into our asset management system, CityWorks.

During the second quarter of FY 15-16 the Distribution Division:

- Repaired and replaced 50 water services, including pavement repairs
- Replaced 579 water meters
- Performed 12 dead-end flushes and 567 valve exercises
- Completed 4,357 work orders
- Read approximately 67,878 meters
- Staff attended the 2015 AWWA Conference which conducted technical presentations and workshops regarding:
 - Backflow prevention
 - Distribution groundwater/recharge
 - Laboratory (water sampling)
 - Water loss
 - Advanced Metering Infrastructure
 - Water treatment

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

Finance/Customer Service

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 second quarter of FY 15-16, the Finance and Customer Service Division has worked on the following:

- Processing 58,069 financial transactions
- Answered 11,636 customer service phone calls for an average of 176 daily calls
- Review and confirmation of Fiscal Year 2014-15 Audited Financial Statements for IWA and EVRA
- Conducted in-house training for IWA staff for customer service training to enhance staff knowledge of drought penalties, conservation programs and internal procedures
- Programmed, tested, and implemented new drought penalty fees
- Reformatted and updated the water utility bill to a legal size page with more detailed information regarding fees and water efficiency ratings
- Updated, verified, and tested new water rates effective January 1, 2016
- Implemented and tested software updates to online payment system

During the remainder of the year this division will focus on training for implementation of the following programs:

- SunGard Edge – A new interactive software upgrade for SunGard, which is IWA's financial and utility billing system. Edge software allows for customized reporting and extraction of data by user profile.
- CityWorks – A real time work order system with ongoing communication between office and field staff personnel. This software allows staff to track where daily work orders are throughout the city and have real time status updates of closed and open customer requests.
- LaserFische - Fully implemented a new electronic process for accounts payable whereby all invoices will be approved, entered, processed and stored electronically.

Information Technology (IT)

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

During the second quarter the Information Technology division performed the following tasks:

- Closed 300 helpdesk tickets for this quarter
- Blocked 6,500 viruses
- Blocked 70,000 email spam
- Update our Billing online services - This service offers up-to-date, online views of customer's utility accounts, while also providing several convenient payment options. From the comfort of their home, customers can review; payment history, pending payments, and account status.
- Update existing wireless communication infrastructure for SCADA. - We updated SCADA infrastructure to an industry-leading wireless access network. The system was designed for fixed outdoor applications and is optimized for speed, reach, reliability, and increased usage. This new technology allows dual stream operation for most channel conditions, guaranteeing successful deployment of wireless networks in challenging environments.

Capital Outlay

Capital Outlay includes the purchase of new capital equipment and infrastructure maintenance projects not part of the Capital Improvement Program. The \$385,427 capital outlay budget for FY 2015-16 includes; a security fence at Well U, pump and electrical panel replacements, valve and hydrant meter replacement programs, wireless infrastructure, and machinery to support ongoing operational requirements.

Below is a summary of the capital outlay budget by division for FY 2015-16. Capital projects are currently underway; these expenses are projected to be within budget by fiscal year-end.

Table 3: Capital Outlay by Division

	Budget FY 2015-16	Actual December 31, 2015	% of Budget
Administration	-	-	0.0%
Production	130,000	981	0.8%
Transmission			
Distribution	150,427	-	0.0%
Finance/Customer Service	-	-	0.0%
Information Technology	105,000	29,246	27.9%
Engineering/Water Quality	-	-	
Total Expenditures	\$ 385,427	\$ 30,227	7.8%

Internal Services (IS)

Internal Service Fund is used to account for 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 \$1,440,893. Second quarter internal service expenses total \$693,675 or 48.1% of the budget. Internal service fund expenses are projected to be within budget by fiscal year-end.

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 second quarter for FY 2015-16, the balance of this fund is \$372,821. Total budgeted expenses are \$297,900 for FY 2015-16, which includes an approved budget adjustment in the amount of \$77,900, added to the adopted budget of \$220,000, for the purchase of an additional replacement vehicle. There have been no expenses through the second quarter; however, there are four vehicles that are scheduled to be purchased during the third quarter of FY 2015-16.

Vehicles and equipment are inspected daily. Reliable vehicles and equipment ensure the safety and dependability of IWA's daily operations for effective emergency response.

F. CAPITAL IMPROVEMENT PROGRAM (CIP)

This section presents a summary of all CIP projects adopted with the passage of the FY 2015-16 budget. Capital improvements are projects that contribute to providing essential water services to customers and meeting regulatory requirements. In FY 2015-16, capital improvements are budgeted from three (3) funds: the Supplemental Water Fee, Water Development Impact Fee, and the remaining 2015 Water Bond funds. FY 2015-16 budget and expenses through the second quarter for capital improvements are highlighted in Table 4 on the next page.

FY 2015-16 budget for capital projects increased by \$1,021,000 due to an approved budget adjustment to fully expense available resources from the 2015 Water Bond. After six months of activity these expenditure are at \$1,193,515 or 36.2% of budget. Water bond funds are expected to be fully expensed by fiscal year end.

Table 4: Capital Projects Expenditures

	Budget FY 2015-16	Actual December 31, 2015	% of Budget
Water Bond	\$ 1,521,000	1,009,681	66.4%
Supplemental Water	650,000	-	0.0%
Water Development Fee	1,130,000	183,834	16.3%
Total Expenditures	\$ 3,301,000	\$ 1,193,515	36.2%

2015 Water Bond

In June, 2015, IWA refunded the 2006 Water Bond resulting in slightly lower annual debt service payments and generated approximately \$4.8 million in new funding for the construction of Chromium-6 treatment facilities. The FY 2015-16 Capital Budget included \$1,521,000 Water Bond Funding for Chromium-6 implementation expenditures. As of December 31, 2015, remaining bond funds generated from the 2015 Bond Issue total \$601,798.

Supplemental Water Fees

At the end of the second quarter for FY 2015-16, IWA's Supplemental Water Fee Fund budgeted projects total \$650,000. IWA is committed to meeting current and future water demands in a cost-effective and sustainable manner. These funds are designated for the design of a recycled water facility and a non-potable water project. The kick-off meeting for the design phase of the non-potable and recycled water is scheduled for February 2016. The construction of these facilities will assist in avoiding an overdraft of our groundwater basin and ensure availability of reclaimed water for future growth within the City of Indio.

Water Development Impact Fees

At the end of the second quarter of FY 2015-16, IWA's budgeted projects had a remaining total project cost of \$946,166 from Water Development impact fees. Capital improvement projects under construction total \$127,725 for the completion of the Highway 111 water main from Rubidoux Street to Arabia Street, remaining future projects total \$818,441. Remaining funds have been designated for projects within FY 2015-16. IWA anticipates a productive second half of the fiscal year with multiple capital improvement projects commencing. Capital improvement projects include: Avenue 44 water main from Salpore Place to Dillon Road (design is complete) with construction to start in the third quarter and Highway 111 water main from Monroe Street to Rubidoux Street is expected to be awarded for construction in March 2016.

G. RESERVE FUNDS

Table 5 below is a summarized allocation of reserve funding levels, 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	\$ 5,175,848	\$ 9	\$ (5,175,839)
2	Capital Repair and Replacement/System Improvement Reserve	1,655,989	123,676	(1,532,313)
3	Equipment Replacement Reserve	500,000	372,821	(127,179)
4	Rate Stabilization Reserve	337,833	330,316	(7,517)
5	Water Transfer Reserve	1,750,000	51,154	(1,698,846)
6	Emergency Reserve	4,741,714	545,920	(4,195,794)
	Total	\$ 14,161,384	\$ 1,423,896	\$ (12,737,488)

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

Over the next several years with the implementation of three (3) approved rate adjustments IWA expects to decrease the unfunded reserve levels.

H. GRANT FUNDS

In August 2015 IWA accepted the Proposition 84 Integrated Regional Water Management Drought Grant in the amount of \$5,270,636 from the State of California Department of Water Resources. The grant was awarded through the Coachella Valley Regional Water Management Group (CVRWVG) for regional turf reduction and disadvantage community plumbing retrofits.

During the second quarter IWA finance staff established fund 020 for the administration of these grant proceeds and submitted the first draw down request in the amount of \$1,529,749. Initial draw down requests up to \$1,435,963 will be

applied towards meeting the matching grant obligation. Therefore, grant funds remain at \$5,176,850 at this time.

During the second quarter IWA also began supplying temporary water to Boe Del Heights Mutual Water Association and Mesquite Mutual Water Association. IWA is currently working with the State to acquire grant funding for the installation of permanent domestic water infrastructure for these two water agencies which currently operate on private wells. The acquisition of these two agencies would increase IWA customer base by 141 connections.

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Indio Water Authority
IWA 2ND QUARTER BUDGET RECAP FY 2015-2016
Quarter Ending December 31, 2015

REVENUES	Revenue Through		50% of Year Elapsed			
	12/31/2014	12/31/2015	Fiscal Year	Percentage	Budget	Percentage
			14/15 vs. 15/16	Change	FY 2016	FY 2015/16
Operating Revenue						
Water Utility Payments	8,627,377	8,078,843	(548,534)	-6.4%	16,891,658	47.8%
Other Operating						
Penalties, 10% delinquent fee	141,313	127,361	(13,952)	-9.9%	250,000	50.9%
Water Meters	75,624	67,637	(7,987)	-10.6%	160,000	42.3%
Backflow Charges	141,888	151,782	9,894	7.0%	260,000	58.4%
Fire Protection Charges	63,710	71,160	7,450	11.7%	110,000	64.7%
Replenish Assessment Charge	566,548	534,414	(32,134)	-5.7%	1,300,000	41.1%
Charges for Services	207,998	160,482	(47,516)	-22.8%	374,500	42.9%
Establishment Fee	32,400	31,640	(760)	-2.3%	60,000	52.7%
Reimbursements/Recovery of Labor	94,384	18,018	(76,366)	-80.9%	2,795,212	0.6%
Total Operating Revenue	9,951,242	9,241,337	(709,905)	-7.1%	22,201,370	41.6%
Non-Operating Revenue						
Interest Earnings	11,061	3,074	(7,987)	-72.2%	15,000	20.5%
Transfers In	30,000	-	(30,000)	0%	30,000	0.0%
Total Non-Operating Revenue	41,061	3,074	(37,987)	-92.5%	45,000	6.8%
Total Revenues	9,992,303	9,244,411	(747,892)	-7.5%	22,246,370	41.6%

EXPENDITURES	Expenditures Through		Variance			
	12/31/2014	12/31/2015	Fiscal Year	Percentage	Budget	Percentage
			14/15 vs. 15/16	Change	FY 2016	FY 2015/16
Personnel						
Salary and Benefits	2,433,940	2,527,501	93,561	3.8%	5,246,824	48.2%
Total Personnel	2,433,940	2,527,501	93,561	3.8%	5,246,824	48.2%
Services and Supplies						
Legal	8,307	8,000	(307)	0.0%	60,000	13.3%
Professional/Contract Services	324,800	408,257	83,457	25.7%	2,796,090	14.6%
Regulatory/Government Agency	547,940	549,249	1,309	0.2%	1,331,000	41.3%
Utilities	512,219	508,699	(3,520)	-0.7%	1,666,250	30.5%
Outside Repair & Maintenance	112,222	150,410	38,188	34.0%	422,625	35.6%
Travel & Training	24,555	25,028	473	1.9%	83,400	30.0%
Dues and Subscriptions	24,345	25,886	1,541	6.3%	30,600	84.6%
Postage Freight	57,608	67,308	9,700	16.8%	174,500	38.6%
Conservation Programs	124,863	559,951	435,088	348.5%	1,865,212	30.0%
Advertising	5,124	6,459	1,335	26.1%	5,000	129.2%
Cell Phones/Pagers	10,788	8,479	(2,309)	-21.4%	21,500	39.4%
Taxes	-	-	-	0.0%	0	0.0%
Rents/Leases	683,785	7,957	(675,828)	-98.8%	22,750	35.0%
Printing and Software	74,883	11,092	(63,791)	-85.2%	99,500	11.1%
Water Meters & Small Tools/Equip.	695,569	404,050	(291,519)	-41.9%	1,188,500	34.0%
Supplies & Safety Equipment	13,540	13,532	(8)	-0.1%	33,800	40.0%
Chemical Lab	42,854	27,563	(15,291)	-35.7%	160,000	17.2%
Contingency	-	-	-	0.0%	200,000	0.0%
Internal Service Funds	672,739	693,675	20,936	3.1%	1,440,893	48.1%
Transfer Out	25,000	-	(25,000)	-100.0%	150,000	0.0%
Total Services and Supplies	3,961,141	3,475,595	(485,546)	-12.3%	11,751,620	29.6%
Total Operations	6,395,081	6,003,096	(391,985)	-6.1%	16,998,444	35.3%

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Continuation of Report:

50% of Year Elapsed

EXPENDITURES	Expenditures Through		Fiscal Year 14/15 vs. 15/16	Variance		
	12/31/2014	12/31/2015		Percentage Change	Budget FY 2016	Percentage FY 2015/16
Capital Outlay						
Equipment	-	29,246	29,246	0.0%	245,427	0%
Projects	46,025	981	(45,044)	0.0%	140,000	0%
Total Capital Outlay	46,025	30,227	(15,798)	0.0%	385,427	7.8%
Total Operations and Capital Outlay	6,441,106	6,033,323	(407,783)	-6.3%	17,383,871	34.7%
Debt Service						
Interest - Revenue Bonds	1,338,009	785,206	(552,803)	-41%	1,915,491	41%
Principal - Revenue Bonds	745,000	-	(745,000)	-100%	1,490,000	0%
Total Debt Service	2,083,009	785,206	(1,297,803)	-62.3%	3,405,491	23%
Total Operations, Capital Outlay and Debt Service	8,524,115	6,818,529	(1,705,586)	-20.0%	20,789,362	32.8%

ATTACHMENT B: SECOND QUARTER BUDGET RECAP

IWA 2ND QUARTER BUDGET RECAP FY 2015-2016
 THROUGH DECEMBER 31, 2015 (6 MONTHS, 50%)
 SUMMARY REPORT

50% of Year Elapsed

Revenue	Budget FY 15/16	Through 12/31/2015	% Earned
Water Sales	16,891,658	8,078,843	48%
Meter and Service Fees	5,309,712	1,162,494	22%
Non-Operating Revenue	45,000	3,074	7%
Total Revenue	22,246,370	9,244,411	41.6%

Expenditures	Budget FY 15/16	Through 12/31/2015	% Spent
Salary and Benefits	5,246,824	2,527,501	48%
Legal	60,000	8,000	13%
Professional/Contract Services/Software	2,796,090	408,257	15%
Regulatory/Government Agency	1,331,000	549,249	41%
Utilities	1,666,250	508,699	31%
Outside Repair & Maintenance	422,625	150,410	36%
Travel & Training	83,400	25,028	30%
Dues and Subscriptions	30,600	25,886	85%
Postage Freight	174,500	67,308	39%
Conservation Programs	1,865,212	559,951	30%
Advertising	5,000	6,459	129%
Cell Phones/Pagers	21,500	8,479	39%
Rents/Leases	22,750	7,957	35%
Printing	99,500	11,092	11%
Water Meters & Small Tools/Equip.	1,188,500	404,050	34%
Supplies & Safety Equipment	33,800	13,532	40%
Chemical Lab	160,000	27,563	17%
Contingency	200,000	-	0%
Internal Service Funds	1,440,893	693,675	48%
Transfer Out	150,000	-	0%
Capital Outlay	385,427	30,227	8%
Total Operations & Capital Outlay	17,383,871	6,033,323	34.7%
Debt Service	3,405,491	785,206	23.1%
Total Operations, Capital Outlay and Debt Service	20,789,362	6,818,529	32.8%

Projected Revenue Over Expenditures (+/ -)	1,457,008	2,425,882
--	------------------	------------------

LIST OF ACRONYMS

ACWA – Association of California Water Agencies
AF (af) – Acre Foot (1af = 325,851 gallons of water)
AMP - Asset Management Plan
AQMD – Air Quality Management District
AWWA – American Water Works Association
CCR – Consumer Confidence Report
ccf – 100 cubic feet (volume equal to 748 gallons of water).
CDPH – California Department of Public Health
CEQA – California Environmental Quality Act
cf – cubic feet (volume equal to 7.48 gallons of water)
CIP – Capital Improvement Project
CUWCC – California Urban Water Conservation Council
CVWD – Coachella Valley Water District
EVRA – East Valley Reclamation Authority
FY – Fiscal Year
GIS – Geographic Information System
HOA – Homeowner’s Association
IRWMP – Integrated Regional Water Management Plan
IT – Information Technology
IWA – Indio Water Authority
JPA – Joint Powers Authority
MCL – Maximum Contaminant Level
RAC – Replenishment Assessment Charge
SCADA – Supervisory Control and Data Acquisition
SWRCB – State Water Resource Control Board
VPN – Virtual Private Network