

Indio Water Authority Quarterly Financial Report

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

May 11, 2016

Dan Martinez
Executive Director



Brian Macy
General Manager

May 11, 2016

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

SUBJECT: FY 2015-16 Third-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 third quarter of FY 2015-16. It presents a comparison of revenue and expenditures for this second quarter with the third quarter of FY 2014-15. After nine months of activity, water sale revenues are lower than previous fiscal years at 68% of the yearly budget earned.

Current operating revenues and non-operating revenues were \$13.9 million or 63% of the budget with operating fund expenditures at \$9.9 million, or 48% 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 March 2016, 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 its 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. In an effort to meet State water conservation goals, IWA has increased the water conservation budget by 450% compared to last fiscal year.

Honorable Commissioners
May 11, 2016
Page 2

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 and has submitted to the SWRCB a Supplemental Environmental Program to utilize the \$61,000 fine, along with other funding for conservation programs detailed in the program. IWA has also implemented drought rate penalties with the January 2016 billing on customers who didn't meet the mandatory conservation rate of 32%. On March 1, 2016, The IWA Board reduced the mandatory conservation subject to the drought rate penalties from 32% to 27% as the SWRCB reduced the IWA's mandatory conservation rate to 27% effective March 1, 2016.

As a result of the water conservation efforts to date, IWA is experiencing reduced water sales of \$473,041 (4%) compared to the third 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 busy three months to end the fiscal year. In the fourth quarter, IWA intends to substantially increase water conservation, and continue to provide high quality water to our customers.

Included attachments:

ATTACHMENT A – Revenue and Expenditure Summary

ATTACHMENT B – Third 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
Third Quarter Report**

May 11, 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.....6
- OPERATING FUND REVENUE.....6**
 - Chart 3: 5 Year Water Sales Revenue - History by Month7
 - Chart 4: 5 Year Water Sales Revenue - History by Quarter7
- C. OPERATING FUND EXPENDITURES8**
 - Table 1: Operating Fund Expenditures - by Category8
 - SALARY AND BENEFITS8**
 - SERVICES AND SUPPLIES9**
 - Table 2: Operating Fund Expenditures Services and Supplies -
By Division9
 - Administration.....10
 - Conservation.....10
 - Engineering.....12
 - Operations and Maintenance.....13
 - Finance/Customer Service.....14
 - Information Technology.....15
 - CAPITAL OUTLAY 15**
 - Table 3: Capital Outlay by Division16
 - INTERNAL SERVICE (IS)16**
- D. EQUIPMENT REPLACEMENT FUND.....16**
- E. CAPITAL IMPROVEMENT PROGRAM (CIP)16**
 - Table 4: Capital Project Expenditures.....17
- F. RESERVE FUNDS18**
 - Table 5: Reserve Funds18

G. GRANT FUNDS.....19

H. Attachment A: Revenue and Expenditure Summary.....A-1

I. Attachment B: Third Quarter Budget Recap.....B-1

J. 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 the mandated 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 first appeared on customer bills in January 2016 and affected users who did not conserve the state mandated 32% based on their individual water budgets.

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.

In March, 2016, the SWRCB reduced the mandatory conservation goal for IWA to 27% effective as of March 1, 2016. Revenue received from drought penalties go towards the programs detailed in the Supplemental Environment Project between the SWRCB and IWA.

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 March 31, 2016 and anticipated trends to end our fiscal year.

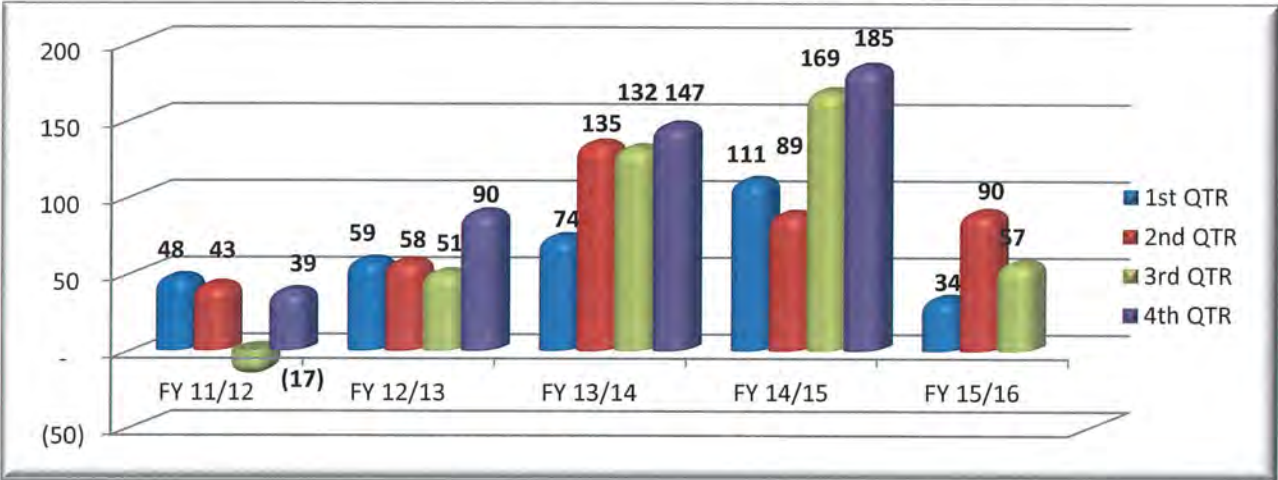
B. CUSTOMER GROWTH

At the beginning of FY 2015-16, IWA had 22,492 customers and projected 150 new accounts. In the third quarter, IWA added 51 residential customers and 5 commercial accounts, which yielded 56 total new accounts. In addition, IWA also added one fire detector meter to existing water services. Through FY 2015-16 IWA has added a total of 186 accounts.

Chart 1, on the next page, reflects IWA's quarterly customer growth over the past five (5) fiscal years. As of the third quarter for the current FY 2015-16 overall customer

growth is at 186 new accounts. The steady growth is a reflection of a stable 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 third 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 California Desert Trial Academy.

Over the last ten years IWA has increased its customer base by 3,672 accounts. Chart 2, on the next page, 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 third quarter is \$13,906,433 or 62.5% of budget. Revenue decreased by \$390,663 compared to the previous fiscal year (Attachment A). Third quarter water sales revenue is \$11, 492,783, which is a decrease of \$473,041, or -4.0%, when compared to the third quarter of FY 2014-15.

Although IWA has implemented three 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 implemented the third-year rate adjustment as previously approved. Decreased water sales revenue within the last five years is represented monthly in Chart 3, on the following page, and quarterly in Chart 4 on the following page, as well. There was a slight anomaly reflected on Chart 3 as there were only two of four cycles billed in February and six cycles billed in March. This skewed the graph since February was short two cycles, which were included in March.

A further decline in water sales may be present in the upcoming quarter due to the implementation of a drought penalty fee starting on December 1, 2015. Fines collected from these fees will be used for conservation programs detailed in Supplemental Environment Project with the SWRCB.

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

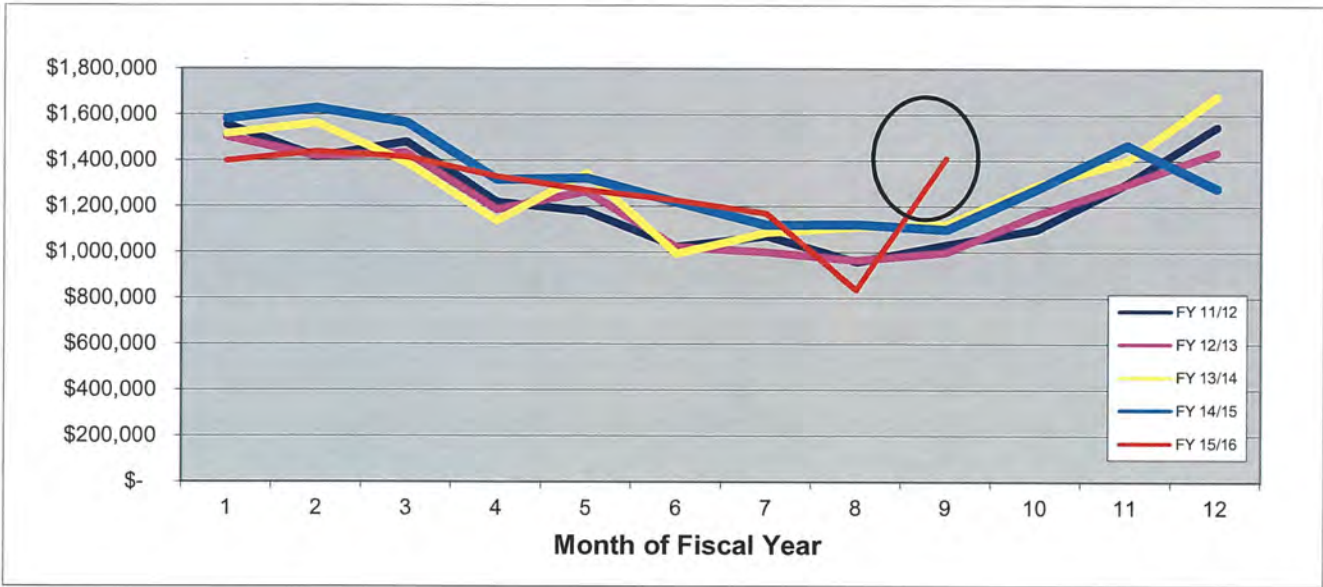
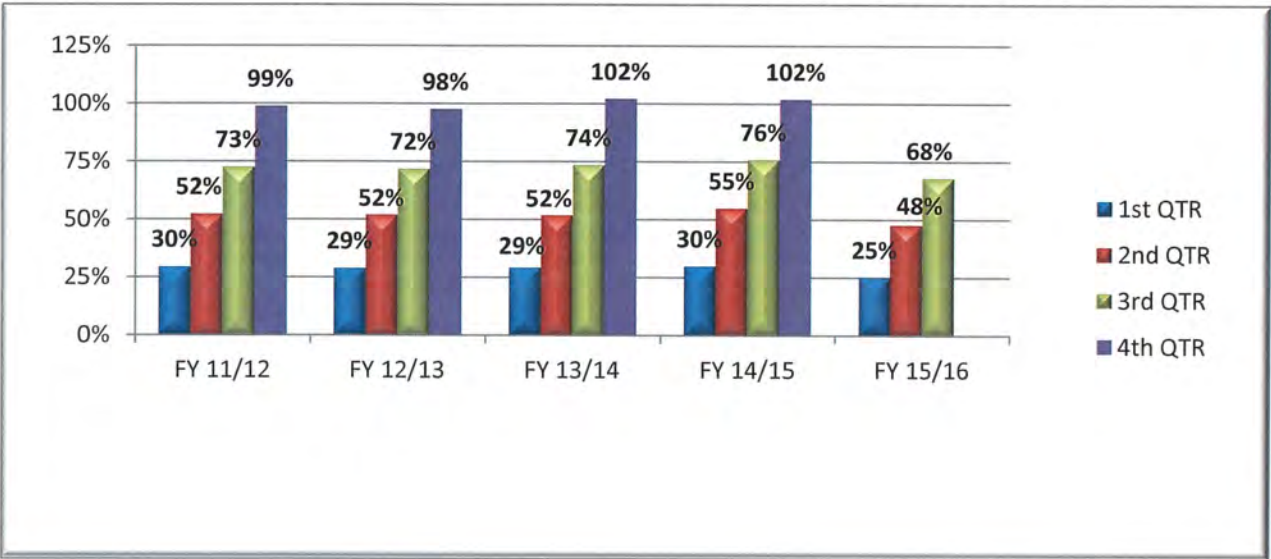


Chart 4: 5 Year Water Sales Revenue - History by Quarter



Other FY 2015-16 operating revenues total \$2,380,294 or 45% 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 increased by \$471,189 compared to the third quarter of FY 2014-15 (\$1,909,105) due to drought 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 third quarter yielded \$3,356 or 22.4% of overall interest revenue budgeted for the fiscal year. In comparison to the third quarter of FY 2014-15, investment income decreased by \$17,353 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 48% of the budget or \$9,997,081 through the end of the third quarter. Total operating expenditures decreased \$9,815,312 from FY 2014-15 (see Attachment A). The decrease in expenditures was driven by services and supplies (\$6,630,450), capital outlay (\$40,632), and debt service (\$3,380,763). Decreased expenditures were offset by an increase of \$236,533 in salary and benefits.

Table 1: Operating Fund Expenditures - by Category

	Budget FY 2015-16	Actual March 31, 2016	% of Budget
Salaries and Benefits	\$ 5,246,824	\$ 3,766,620	71.8%
Services and Supplies	11,751,620	5,359,170	45.6%
Capital Outlay	385,427	63,295	16.4%
Debt Service	3,405,491	787,996	23.1%
Total Expenditures	\$ 20,789,362	\$ 9,977,081	48.0%

Salary and Benefits

Salary and benefit expenditures through the end of the third quarter were \$3,766,620 or 71.8% of the budget as shown in Table 1 above. The increase of \$236,533 or 6.7% 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. In addition, the increase reflects the fact that in FY 2014-15 there were three vacant positions in Engineering (Junior Engineer, Senior Engineer, and Manager of Engineering and Water Quality), which were filled during the same period in FY 2015-16.

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

Third quarter service and supply expenditures are \$5,359,170 or 45.6% of the budget. Each division is responsible for monitoring and adhering to their adopted budget. At the end of the third quarter, all divisions are within a normal expenditure range as shown in Table 2.

IWA will continue to monitor expenses to ensure adherence to the budget. Overall operating expenditures are 45.6% 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 March 31, 2016	% of Budget
Commission	\$ 29,112	\$ 5,600	19.2%
Administration	3,897,688	1,864,006	47.8%
Production	2,844,467	1,085,410	38.2%
Transmission Distribution	1,721,625	1,065,311	61.9%
Finance/Customer Service	745,211	484,581	65.0%
Information Technology	449,530	330,756	73.6%
Engineering/Water Quality	2,063,987	523,506	25.4%
Total Expenditures	\$ 11,751,620	\$ 5,359,170	45.6%

Administration

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

- East Valley Reclamation Authority
- Drought Penalty Amendment (reduction to 27%)
- Proposition 84 Regional Water Management Drought Grant implementation (\$5,270,635 regionwide)
- Consolidation Projects
 - Boe Del Heights Mutual Water Association
 - Mesquite Mutual Water Association
 - Waller Tract Water District
- Interfacing with SWRCB on the Supplemental Environment Project
- Joint efforts for recycling facilities development
- Sustainable Groundwater Management Act
- Regional water efforts through the Coachella Valley Regional Water Management Group

Conservation

The Administration Division works on the implementation of IWA Water Conservation Programs. Since 2015, 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 only 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.; prohibit watering of driveways, parking lots, and other paved surfaces; 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; and 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 significantly expanded its water conservation programs to help residents do their part to reduce water use during California's severe drought entering its fifth consecutive year. The conservation program has hosted numerous events since the beginning of the fiscal year and has processed rebates at an all-time high.

Ongoing water conservation programs/efforts include:

- Overseeding Workshops
- Seasonal Irrigation Watering Guide
- Creation and Dissemination of Free Table Top Tents to Restaurants
- Conference Speaker/Presenter Engagements
- Free Smart Controller Installations
- Drought Penalty Surcharges
- Water Waste Mobile App and Telephone 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, Association of California Water Agencies, American Water Works Association, and California Urban Water Conservation Council 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.
- Website/Social Media tools regarding Water Conservation Outreach Campaign
- Water Conservation Outreach Campaign include: weekend walk-about, television ads, customer service hold prompts, envelope and bill messaging, Spanish radio ads, public presentations to numerous community groups such as HOA's/businesses/schools/service organizations, social media posts, bill inserts, on-line ads, bus and bus shelter ads, IWA website posts, 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, it updated development guidelines, standardized details and forms for new water infrastructure projects within IWA, and continued to update the water infrastructure on the Geographical Information Systems database. Furthermore, staff continued to assist the General Manager with the implementation of IWA to become a Groundwater Sustainability Agency.

The Engineering and Water Quality Division also performed and completed sample collection and water quality testing analysis, continued to pursue state grant funding opportunities for recycled water projects, and consolidated of three small water mutual agencies.

Additionally, Engineering and Water Quality Division worked 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 projects: Golf Center Village, Golf Center Parkway Dog Park, Our Lady of Perpetual Help School, Haciendas II – Tract 31975, and Dog Park for Tract 34920-F. In addition, IWA Engineering staff worked with Jones Brothers Construction Company, who was awarded the construction of Highway 111 Water Main Improvements – Monroe Street to Rubidoux Street, to address missing items on the plans and specifications that were previously completed in December, 2016. Construction of this Capital Improvement Project will begin in the fourth quarter.

Engineering Services – Construction

Staff completed inspections for development construction on Parkwood Apartments and started construction inspections on Pulte Homes Tract 34920 Phase 1, Terra Lago Tract 32341 Phase 4 and Terra Lago Tract 32462.

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 500 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 535 backflow prevention devices in IWA's water system, inspected 20 new backflow installations and provided 54 letters to customers notifying them to repair their backflow prevention devices.

Operations and Maintenance

Production

IWA continues to improve its operational strategy at all production facilities to reduce energy cost and operate assets efficiently. Our operational strategy is in-sync with low- and high-peak hour demands throughout the day.

In addition to operational improvements, staff continues to work with other divisions and consultants to optimize our chromium-6 removal treatment facilities and reduce stranded assets. As IWA moves closer to accepting the chromium-6 removal treatment project, staff continues to assist with 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 third quarter, IWA produced and treated 3,154 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 to collect consumption, which assists our customers conserve water. The Distribution Division is working closely with other divisions to migrate all work orders into our asset management system, CityWorks.

During the third quarter of FY 15-16, the Distribution Division performed the following tasks:

- Repaired and replaced 39 water services, including pavement repairs
- Replaced 480 water meters
- Performed 2 dead-end flushes and 338 valve exercises
- Completed 4,452 work orders
- Read approximately 67,878 meters

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

Finance/Customer Service

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

- Processing approximately 58,000 financial transactions
- Answered approximately 11,000 customer service phone calls
- Conducted in-house training for IWA staff for customer service training to enhance staff knowledge of drought penalties, conservation programs and internal procedures
- Updated, verified, and tested the water rate increase of 8%, effective January 1, 2016
- Implemented and tested software updates to online payment system
- Worked with IT on fully (revised) drought penalties from 32% to 27%.

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

During the third quarter, the IT Division performed the following tasks:

- Closed 267 helpdesk tickets.
- Upgraded all remaining Windows 2003 servers to Windows Server 2012.
- Deployed new, redundant Stratus Server to act as the main SCADA server.
- Added another new server at Plant 4 for even more redundancy, in the case that something catastrophic happens here.
- Upgraded the Point-to-Point wireless backhauls citywide.
- Implemented a completely new Interactive Voice Response system for customers to pay their bills, get account information, etc.

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 replacements, wireless infrastructure upgrades, and machinery support for ongoing operational requirements.

Table 3 on the next page 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 March 31, 2016	% of Budget
Administration	\$ -	\$ -	0.0%
Production	130,000	9,162	7.0%
Transmission Distribution	150,427	20,427	13.6%
Finance/Customer Service	-	-	0.0%
Information Technology	105,000	33,706	32.1%
Engineering/Water Quality	-	-	
Total Expenditures	\$ 385,427	\$ 63,295	16.4%

Internal Services (IS)

IS 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. Third quarter IS expenses total \$1,044,284 or 72.5% of the budget. IS 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 third quarter for FY 2015-16, the balance of this fund is \$523,023. Total budgeted expenses are \$297,900 for FY 2015-16 for the purchase of four replacement vehicles. The vehicles are on order and will be paid for in the fourth quarter.

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 third quarter for capital improvements are highlighted in Table 4 below.

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 nine months of activity, these expenditure are at \$1,248,011 or 37.8% 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 March 31, 2016	% of Budget
Water Bond	\$ 1,521,000	\$ 1,028,194	67.6%
Supplemental Water	650,000	-	0.0%
Water Development Fee	1,130,000	219,817	19.5%
Total Expenditures	\$ 3,301,000	\$ 1,248,011	37.8%

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 March 31, 2016, remaining bond funds generated from the 2015 Bond Issue totals \$602,079.

Supplemental Water Fees

At the end of the third quarter for FY 2015-16, IWA's Supplemental Water Fee Fund budgeted projects totaled \$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 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 third quarter of FY 2015-16, IWA's budgeted projects had a remaining total project cost of \$910,183 from Water Development impact fees.

Capital improvement projects under construction total \$189,817 for the completion of the Highway 111 water main from Rubidoux Street to Arabia Street, remaining future projects total \$844,287. In addition, the Water Development Impact Fee fund reimbursed \$30,000 to the Operating Fund for the administration of the projects conducted by the Engineering Division Staff.

Remaining funds have been designated for projects within FY 2015-16. IWA anticipates a productive fourth quarter of the fiscal year with multiple capital improvement projects commencing. Capital improvement projects include: Avenue 44 water main from Salpare Place to Dillon Road (design is complete) with construction to start in the fourth quarter and Highway 111 water main from Monroe Street to Rubidoux Street. On March 1, 2016, the IWA Board awarded a contract in the amount of \$376,937 to Jones Brothers Construction Company for the construction of this project.

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	523,023	23,023
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	\$ 1,574,097	\$ (12,587,287)

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 two (2) 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 third quarter, IWA also continued 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 3RD QUARTER BUDGET RECAP FY 2015-2016
Quarter Ending March 31, 2015

REVENUES	Revenue Through		75% of Year Elapsed			
	3/31/2015	3/31/2016	Fiscal Year	Percentage	Budget	Percentage
			14/15 vs. 15/16	Change	FY 2016	FY 2015/16
Operating Revenue						
Water Utility Payments	11,965,824	11,492,783	(473,041)	-4.0%	16,891,658	68.0%
Other Operating						
Penalties, 10% delinquent fee	198,371	192,685	(5,686)	-2.9%	250,000	77.1%
Penalties - Drought	-	721,033	721,033	0.0%	-	0.0%
Water Meters	115,256	85,716	(29,540)	-25.6%	160,000	53.6%
Backflow Charges	217,176	228,334	11,158	5.1%	260,000	87.8%
Fire Protection Charges	99,860	107,060	7,200	7.2%	110,000	97.3%
Replenish Assessment Charge	753,906	712,806	(41,100)	-5.5%	1,300,000	54.8%
Charges for Services	313,811	234,525	(79,286)	-25.3%	374,500	62.6%
Establishment Fee	47,740	46,600	(1,140)	-2.4%	60,000	77.7%
Reimbursements/Recovery of Labor	162,985	51,535	(111,450)	-68.4%	2,795,212	1.8%
Total Operating Revenue	13,874,929	13,873,077	(1,852)	-0.013%	22,201,370	62.5%
Non-Operating Revenue						
Interest Earnings	20,709	3,356	(17,353)	-83.8%	15,000	22.4%
Transfers In	401,458	30,000	(371,458)	0%	30,000	100.0%
Total Non-Operating Revenue	422,167	33,356	(388,811)	-92.1%	45,000	74.1%
Total Revenues	14,297,096	13,906,433	(390,663)	-2.7%	22,246,370	62.5%
EXPENDITURES	Expenditures Through		Variance			
	3/31/2015	3/31/2016	Fiscal Year	Percentage	Budget	Percentage
			14/15 vs. 15/16	Change	FY 2016	FY 2015/16
Personnel						
Salary and Benefits	3,530,087	3,766,620	236,533	6.7%	5,246,824	71.8%
Total Personnel	3,530,087	3,766,620	236,533	6.7%	5,246,824	71.8%
Services and Supplies						
Legal	14,429	12,000	(2,429)	-16.8%	60,000	20.0%
Professional/Contract Services (sftwr)	591,732	745,040	153,308	25.9%	2,796,090	26.6%
Regulatory/Government Agency	736,122	734,419	(1,703)	-0.2%	1,331,000	55.2%
Utilities	738,944	760,712	21,768	2.9%	1,666,250	45.7%
Outside Repair & Maintenance	219,983	213,069	(6,914)	-3.1%	422,625	50.4%
Travel & Training	34,915	30,712	(4,203)	-12.0%	83,400	36.8%
Dues and Subscriptions	24,545	26,276	1,731	7.1%	30,600	85.9%
Postage Freight	103,830	92,074	(11,756)	-11.3%	174,500	52.8%
Conservation Programs	246,000	793,806	547,806	222.7%	1,865,212	42.6%
Advertising	5,857	8,463	2,606	44.5%	5,000	169.3%
Cell Phones/Pagers	16,465	17,334	869	5.3%	21,500	80.6%
Taxes	-	-	-	-	0.00	0.0%
Rents/Leases	7,025,281	8,703	(7,016,578)	-99.9%	22,750	38.3%
Printing and Reproduction	125,436	16,379	(109,057)	-86.9%	99,500	16.5%
Water Meters & Small Tools/Equip.	934,143	652,086	(282,057)	-30.2%	1,188,500	54.9%
Supplies & Safety Equipment	22,847	19,925	(2,922)	-12.8%	33,800	58.9%
Chemical Lab	53,151	33,888	(19,263)	-36.2%	160,000	21.2%
Contingency	-	-	-	0.0%	200,000	0.0%
Internal Service Funds	1,009,110	1,044,284	35,174	3.5%	1,440,893	72.5%
Transfer Out	86,830	150,000	63,170	72.8%	150,000	100.0%
Total Services and Supplies	11,989,620	5,359,170	(6,630,450)	-55.3%	11,751,620	45.6%
Total Operations	15,519,707	9,125,790	(6,393,917)	-41.2%	16,998,444	53.7%

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Continuation of Report:

75% of Year Elapsed

EXPENDITURES	Expenditures Through		Fiscal Year 14/15 vs. 15/16	Variance		
	3/31/2015	3/31/2016		Percentage Change	Budget FY 2016	Percentage FY 2015/16
Capital Outlay						
Equipment	-	58,949	58,949	0.0%	245,427	0%
Projects	103,927	4,346	(99,581)	0.0%	140,000	0%
Total Capital Outlay	103,927	63,295	(40,632)	0.0%	385,427	16.4%
Total Operations and Capital Outlay	15,623,634	9,189,085	(6,434,549)	-41.2%	17,383,871	52.9%
Debt Service						
Interest - Revenue Bonds	2,678,759	787,996	(1,890,763)	-71%	1,915,491	41%
Principal - Revenue Bonds	1,490,000	-	(1,490,000)	-100%	1,490,000	0%
Total Debt Service	4,168,759	787,996	(3,380,763)	-81.1%	3,405,491	23%
Total Operations, Capital Outlay and Debt Service	19,792,393	9,977,081	(9,815,312)	-49.6%	20,789,362	48.0%

ATTACHMENT B: THIRD QUARTER BUDGET RECAP

IWA 3RD QUARTER BUDGET RECAP FY 2015-2016
 THROUGH March 31, 2016 (9 MONTHS, 75%)
 SUMMARY REPORT

50% of Year Elapsed

Revenue	Budget FY 15/16	Through 3/31/2016	% Earned
Water Sales	16,891,658	11,492,783	68.0%
Meter and Service Fees	5,309,712	2,380,294	44.8%
Non-Operating Revenue	45,000	33,356	74.1%
Total Revenue	22,246,370	13,906,433	62.5%

Expenditures	Budget FY 15/16	Through 3/31/2016	% Spent
Salary and Benefits	5,246,824	3,766,620	71.8%
Legal	60,000	12,000	20.0%
Professional/Contract Services/Software	2,796,090	745,040	26.6%
Regulatory/Government Agency	1,331,000	734,419	55.2%
Utilities	1,666,250	760,712	45.7%
Outside Repair & Maintenance	422,625	213,069	50.4%
Travel & Training	83,400	30,712	36.8%
Dues and Subscriptions	30,600	26,276	85.9%
Postage Freight	174,500	92,074	52.8%
Conservation Programs	1,865,212	793,806	42.6%
Advertising	5,000	8,463	169.3%
Cell Phones/Pagers	21,500	17,334	80.6%
Rents/Leases	22,750	8,703	38.3%
Printing	99,500	16,379	16.5%
Water Meters & Small Tools/Equip.	1,188,500	652,086	54.9%
Supplies & Safety Equipment	33,800	19,925	58.9%
Chemical Lab	160,000	33,888	21.2%
Contingency	200,000	-	0.0%
Internal Service Funds	1,440,893	1,044,284	72.5%
Transfer Out	150,000	150,000	100.0%
Capital Outlay	385,427	63,295	16.4%
Total Operations & Capital Outlay	17,383,871	9,189,085	52.9%
Debt Service	3,405,491	787,996	23.1%
Total Operations, Capital Outlay and Debt Service	20,789,362	9,977,081	48.0%
Projected Revenue Over Expenditures (+/ -)	1,457,008	3,929,352	

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