

Dan Martinez
Executive Director



Brian Macy
General Manager

February 7, 2017

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

SUBJECT: Fiscal Year 16/17 Mid-Year Budget Report

Commissioners:

The attached budget report summarizes Indio Water Authority's financial position through the second quarter of FY 16/17. Overall, IWA's financial position remains in good standing. Operating revenue from water utility payments increased 13% over the same period in FY 15/16, which compensated for the decline in revenue from water meters and charges for services. After six months of the fiscal year, total revenues, excluding drought rate penalties increased by 14% compared to the same period of the last fiscal year, an increase of \$1,249,248 largely due to an increase in operating revenue from water sales. Expenditures are within authorized parameters, with a 6% increase compared to the same period of the last fiscal year due to increased utilities cost and higher budget allocation to the meter change-out program.

With the exclusion of drought rate penalties, current operating revenues and non-operating revenues were \$10.4 million or 46% of the budget with operating fund expenditures at \$8 million or 36% of the budget. All divisions continue to be focused on expenditure controls. IWA will continue to monitor expenditures to meet the budgeted surplus of \$414,168 at the end of the fiscal year to replenish operating reserves. 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.

Per Governor Brown's Executive Order B-37-16 (May 2016), the State of California recognizes a persistent yet less severe drought condition throughout California and has adopted emergency water conservation regulation that are currently effective through February 28, 2017 if the State Water Board does not act to extend it. As such, drought penalty surcharges remain in effect for customers that surpass their water budget in Tier 3 through 5. For the first two quarters of FY 16/17, IWA collected \$1,879,910; this brings the total in drought rate penalties IWA has collected since January of 2016 to \$3,168,527, which

fund the Supplemental Environmental Program and promote conservation efforts in local schools.

To help customers avoid the drought rate penalties, IWA has in place numerous indoor and outdoor rebates that customers can take advantage of, including: turf removal, irrigation upgrades, smart controllers, low flow toilets, water efficient washing machines and evaporative coolers. Additionally, IWA offers free outdoor water audits and variance applications that capture more accurate water budgets.

Our independent auditing firm, Lance, Soll and Lunghard, LLP, has provided audited financial statements for FY 2015-16, which affirmed IWA's strong financial standing and adequate internal controls.

IWA is looking forward to the next six months of the fiscal year. IWA is in the fourth calendar year of 8% annual rate increase, with the latest increase effective January 1, 2017; the rate increase is expected to strengthen revenue from water sales in the next six months. The adopted FY 16/17 operating budget reflects conservative water sales due to conservation concerns and does not include revenue from drought rate penalties. IWA Management is confident that the fiscal year will end with a surplus that will help replenish operating reserves.

Included attachments:

- ATTACHMENT A – Revenue and Expenditure Summary
- ATTACHMENT B – Mid-Year Budget Recap
- ATTACHMENT C – Drought Rate Penalties Summary

IT IS RECOMMENDED that the Board approve the recommendations and associated budget adjustments in this report and receive and file this report along with Attachments A, B, and C.

Respectfully submitted,

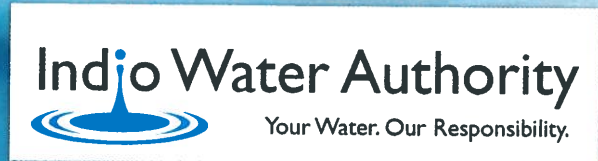

Dan Martinez
Executive Director



Indio Water Authority Quarterly Financial Report

**Fiscal Year 2016-17
Mid-Year Budget Report**

February 7, 2017





Indio Water Authority
Quarterly Financial Report

**Fiscal Year 2016-17
Mid-Year Budget Report**

February 7, 2017
Prepared by Indio Water Authority

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A. MID-YEAR FINANCIAL IMPACTS

Water operating revenue at the end of the second quarter was \$10,493,659, which is \$1,249,248 or 14% higher than the same period last year due to a 7.7% increase in water consumption due to the lifting of the previous state-mandated conservation goal of reducing Indio’s water usage by 27%. The increase excludes \$1,879,910 in revenue from drought rate penalties. Although the community welcomed the ease of restrictions with increased water usage, California remains in a state of emergency due to persistent drought conditions and IWA remains committed to maintaining a robust conservation program that customers can take advantage of.

Mid-Year Financial Highlights*

50%	Budget Fiscal Year 2016-17	Through 12/31/2016	Percent Earned/ Spent	Previous Fiscal Quarter (9/30/2015)	Increase / (Decrease)	% Change
Total Revenues	\$ 22,709,951	\$ 10,493,659	46.2%	\$ 9,244,411	\$ 1,249,248	13.5%
Total Expenditures	22,295,781	8,015,549	36.0%	6,818,529	\$ 1,197,020	17.6%
Projected Revenue over Expenditures (+/-)	\$ 414,170	\$ 2,478,110		\$ 2,425,882	\$ 52,228	

*Drought Rate Penalties Excluded

As shown in the highlights above, with half of the year completed, total operating revenues are at 46% while total operating expenditures are at 36%. At the corresponding period last year, total operating revenues were at 42% of FY 2015-16 budgeted revenue while total operating expenditures were at 33%. With the increase in revenue, total operating expenditures also increased by 3% compared to last fiscal year’s corresponding quarter; staff continues to monitor expenses and will continue to ensure that expenditures do not exceed revenue.

This report focuses on the current financial condition of IWA from July 1 through December 31, 2016 and anticipated trends throughout FY 2016-17.

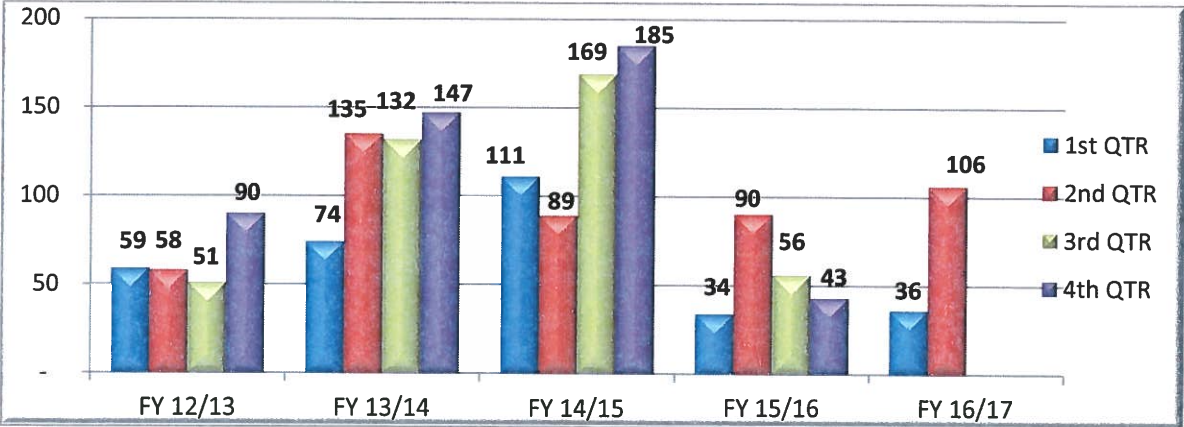
B. CUSTOMER GROWTH

At the beginning of FY 2016-17, IWA had 22,667 customers and did not project any new accounts. For the fiscal year, IWA gained 37 residential customers and 105 commercial accounts for a net gain of 142 accounts; a 0.6% customer growth since the last fiscal year.

Chart 1 reflects IWA’s quarterly customer growth over the past five (5) fiscal years. The steady growth is a reflection of a stable economy and healthy housing market. The slow but consistent growth is an indicator that while economic expansion may be slow, Indio’s abundant used land and centralized location in the Coachella Valley is attractive for business growth and residential expansion. IWA’s current

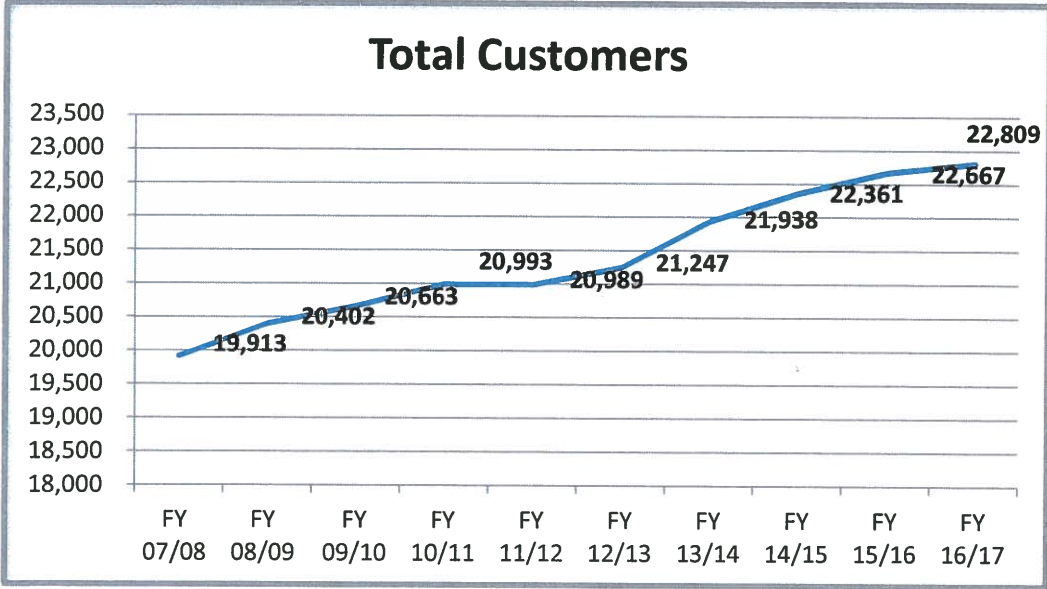
infrastructure is able to meet ongoing demands and will continue to be evaluated as additional developments utilize water from our distribution system.

Chart 1: Customer Growth Each Quarter by Fiscal Year



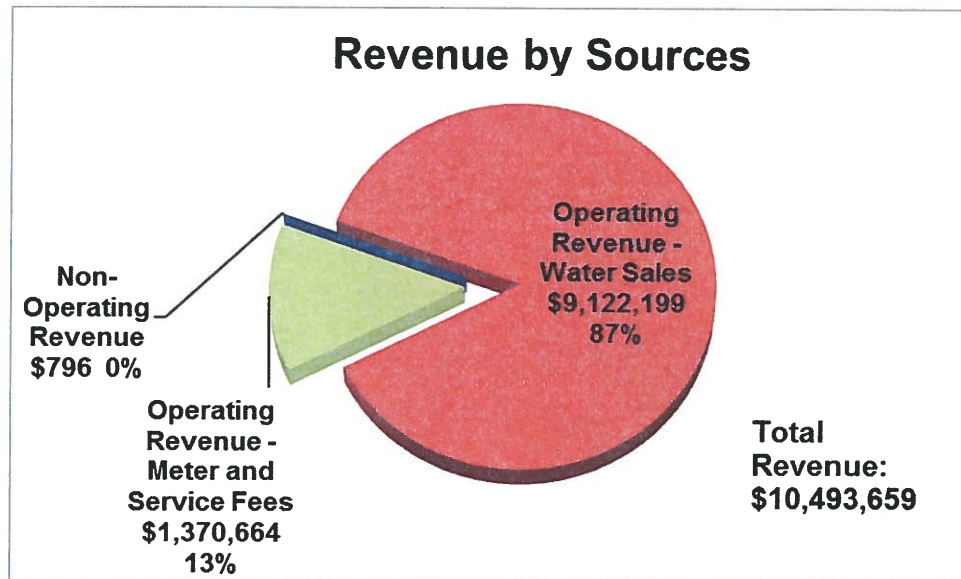
Over the last ten years, IWA customer base increased by 2,896 accounts. Chart 2 further illustrates the steady growth and this trend is expected to continue.

Chart 2: Customer Growth by Fiscal Year



C. FUND REVENUE

Revenue is categorized by operating and non-operating revenue. The total unaudited revenue recorded at the conclusion of the fiscal mid-year is \$10,493,659 or 46% of budget. Revenue increased by \$1,249,248 compared to the same period of the previous fiscal year. The revenues reported excludes operating revenue from drought rate penalties, which is one-time money and reported separately in Attachment C in order to ensure accurate historical comparison.



Total revenue increased due to increased water consumption as a result of the State lifting the mandatory restrictions in May 2016. Second quarter revenues due to water sales for the last five years are presented in Charts 3 and 4.

Operating Revenue – Water Sales

Operating revenue from water sales, which consists of revenue based on water usage, is \$9,122,199, an increase of \$1,043,356, or 13% when compared to the mid-year of FY 2015-16 (Attachment B).

Operating Revenue – Meter and Service Fees

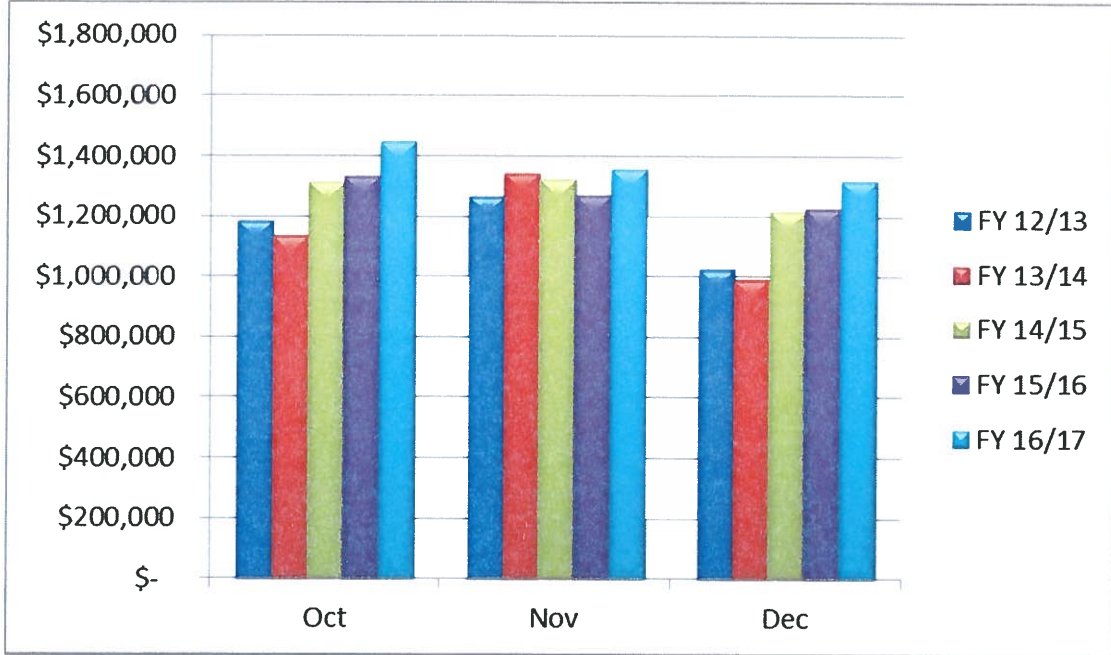
Meter and Service Fees, also part of operating revenue, includes fees associated with account establishment, delinquent account, inspection, plan checks, and more. Meter and Service Fees revenue total \$1,370,664, an increase of \$208,170 or 18% when compared to the mid-year of FY 2015-16 (Attachment B).

Operating Revenue – Drought Rate Penalties

Operating revenue from drought rate penalties, which are the penalties customers incur for going over their water budget, totaled \$1,879,910 (Attachment C). The

penalties were first collected in January 2016, and since then, IWA has collected a total of \$3,168,527. The revenue from drought rate penalties funds conservation programs in local schools and the Supplemental Environmental Project (Chart 5).

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



*Drought Rate Penalties are excluded

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

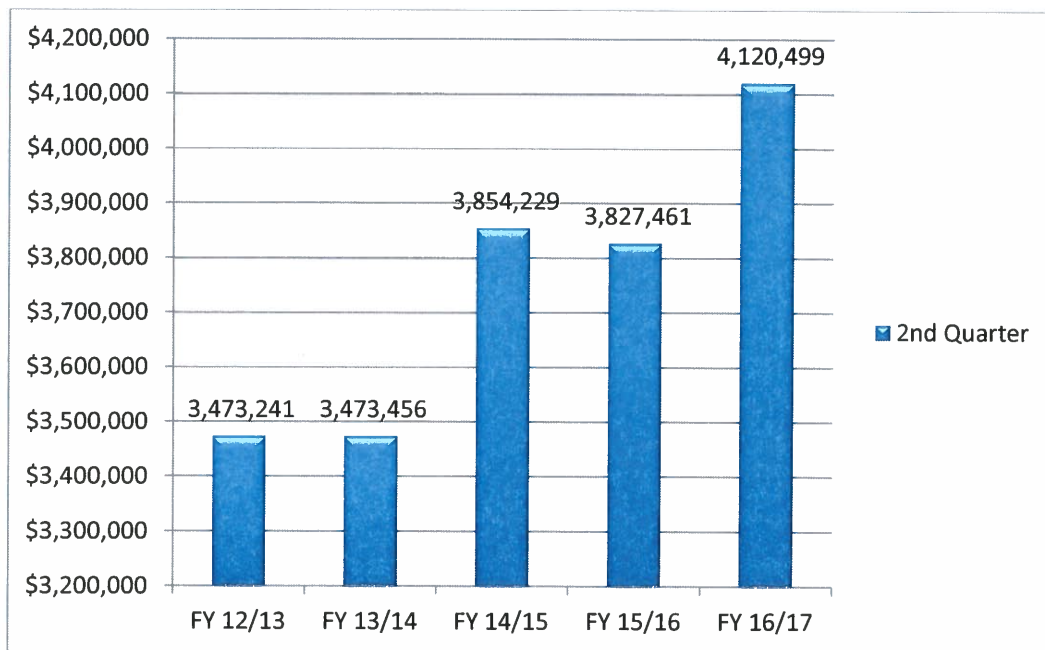


Chart 5: Drought Rate Penalties Summary

Description	Revenue / (Expense)
3rd Quarter FY 15-16 (Jan-Mar)	721,033
4th Quarter FY 15-16 (Apr-Jun)	567,584
1st Quarter FY 16-17 (Jul-Sep)	902,629
2nd Quarter FY 16-17 (Oct-Dec)	977,281
Total Penalties Collected	<u>3,168,527</u>
Supplemental Environmental Project	(2,000,000)
Supplemental Environmental Project	<u>1,168,527</u>
Water Conservation Education	(80,000)
Unappropriated funds - total	<u><u>1,088,527</u></u>

Non-Operating Revenue

Investment income yielded \$796, a decrease of \$2,278 compared to FY 2015-16 as a result of lower investment returns. 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 2016-17 operating expenditure budget includes \$5,235,399 in salaries and benefits, \$11,286,520 for services and supplies, \$1,625,427 for capital outlay and \$4,148,437 for debt service. Table 1 indicates operating fund expenditures were 17.3% of the budget or \$3,865,678 through the end of the first quarter.

Table 1: Operating Fund Expenditures - by Category

Operating Fund Expenditures - By Category

	Budget FY 2016-17	Actual December 31, 2016	% of Budget
Salaries and Benefits	\$ 5,235,399	\$ 2,542,330	48.6%
Services and Supplies	11,286,520	4,053,754	35.9%
Capital Outlay	1,625,427	281,247	17.3%
Debt Service	4,148,437	1,138,218	27.4%
Total Expenditures	\$ 22,295,783	\$ 8,015,549	36.0%

Total operating expenditures increased by \$452,018 from FY 2015-16 (see Attachment A). The increase in expenditures was driven by an increase in Services and Supplies of \$578,159, Capital Outlay of \$251,020, and Salary and Benefits of \$14,829. Increase expenditures were offset by decreases of debt service by (\$391,990).

Salary and Benefits

Salary and benefit expenditures through the end of the second quarter were \$2,542,330 or 48.6% of the budget as shown in Table 1. The increase of \$14,829 in salaries and benefits over last fiscal year was approximately 0.6%.

Services and Supplies

Second quarter service and supplies expenditures are \$4,053,754 or 35.9% of the budget. After the second quarter, all divisions are within a normal expenditure range as shown in Table 2. Staff will continue to monitor expenses to ensure adherence to the budget.

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

	Budget FY 2016-17	Actual December 31, 2016	% of Budget
Commission	\$ 10,500	\$ 2,700	25.7%
Administration	3,270,241	1,293,934	39.6%
Production	2,723,272	971,619	35.7%
Transmission Distribution	1,738,528	938,597	54.0%
Finance/Customer Service	756,752	335,170	44.3%
Information Technology	539,794	191,212	35.4%
Engineering/Water Quality	2,247,433	320,522	14.3%
Total Expenditures	\$ 11,286,520	\$ 4,053,754	35.9%

Administration

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

- Chromium-6 Compliance Implementation and Ionex contract management
- Implementation of the \$5.2 million Proposition 84 Regional Water Management Drought Grant
- Management of consolidating two mutual water associations into IWA, namely, the Boe Del Heights and Waller Tract Mutual Water Associations

- Fulfillment of the \$61,000 Settlement Agreement and Stipulated Administrative Civil Liability Order and project management for the \$2 million Supplemental Environmental Project
- Regional water management and recycled water efforts through the Coachella Valley Regional Water Management Group.

Conservation

In May 2016, the State Water Resources Control Board adopted an emergency water conservation regulation that modified and extended Governor Brown's mandates. These updated regulations required Indio Water Authority to conduct a self-certification of its water supply to establish a new water conservation standard. IWA submitted a self-certification document that reduced its conservation standard to 0%.

While some of the drought restrictions have been relaxed, IWA continues to remind customers to remain efficient in order to stay within their water budget. As we move forward, we continue to educate customers on water efficiency and the need to protect this precious resource. The IWA water conservation program is still available for customers to help them do their part and reduce water usage.

Highlights of the conservation program for July through September 2016 include:

- Created IWA's first High School Intern Program
- Facilitated water conservation presentations to over 700 elementary students within Desert Sands Unified School District
- Developed a robust CV Water Counts media campaign
- Submitted the Water-Energy Grant (appliances) for Indio Hotels
- Submitted monthly reports to the State Water Resources Control Board on conservation statistics (enforcement, restrictions, GPCD, water-use reduction)
- Processed 175+ variance applications and 175+ rebate applications
- Participated in Shadow Hills High School's job fair
- Participated in the Desert Garden Community Day at UCR
- Attended the SoCal Energy & Water Summit
- Facilitated presentations to HOA's regarding the drought and restrictions
- Hosted booths at numerous events such as the Tamale Festival and school functions/events
- Attended the WaterSmart Innovations Conference
- Successfully partnered with DSUSD on landscape conversions at Desert Ridge Academy and contributed \$30,000 to the project
- Successfully closed out the State's mandated Water Conservation Supplement Environmental Project (SEP)

Engineering

Engineering and Water Quality Division

During this quarter, IWA Engineering and Water Quality Division provided engineering services including plan checks, meter sizing and downsizing, project research requests, fire flow system analyses, updated the development guidelines, and continued to update the Geographical Information Systems database.

The Engineering and Water Quality Division also finished a waterline construction project, performed sample collection and water quality testing analysis, performed construction inspections and backflow testing, and pursued federal and state grant funding opportunities for recycled water projects.

The Engineering and Water Quality Division also worked with Coachella Valley Water District, Desert Water Agency, and Coachella Water Authority to prepare and submit a document to the Department of Water Resources (DWR) indicating how such agencies will implement management practices and projects to sustainably manage the Indio Sub-basin of the Coachella Valley Groundwater Basin. This document was submitted to DWR on December 29, 2016.

The Engineering and Water Quality Division also has continued to work with the Operations Department on the implementation of the Chromium 6 Treatment Improvements.

Engineering Services – Planning & Design

IWA Engineering staff completed numerous plan checks for water improvement and development projects. In addition, the Engineering staff has met with the developers to provide development guidelines and water system requirements.

IWA Engineering staff is preparing design plans for the following:

- Consolidation of the Boe Del Heights and Waller Tract water systems. Construction for both is expected in summer 2017.
- A 12-inch waterline on Highway 111 from Oasis to Arabia St. Construction is expected in summer or fall 2017.
- Installation of seismic joints on an existing 12-inch waterline underneath the Indio Boulevard southbound bridge crossing the Whitewater Storm Channel. Construction is expected in summer or fall 2017.

Engineering Services – Construction

The community of Boe Del Heights had been receiving IWA water through an above ground emergency fire hose connected to an IWA fire hydrant. With approval from the State Water Resources Control Board (SWRCB), IWA replaced the fire hose with a permanent underground 8-inch waterline which connects to the Boe Del Heights water system. IWA will be reimbursed by the SWRCB for the costs associated with this project. IWA Engineering staff constructed a sampling station at this connection to monitor the water quality entering the Boe Del Heights water system.

Engineering Services – Water Quality

IWA water quality staff continues to provide sampling and testing analysis as required by the Division of Drinking Water Program of the California State Water Resources Control Board. During this quarter, IWA collected over 600 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. In addition, as part of IWA's cross-connection program, staff tested approximately 446 backflow prevention devices in IWA's water system, inspected 9 new backflow installations and provided approximately 50 letters to customers as a result of failed backflow inspections.

Operations and Maintenance

Production

IWA continues to produce and deliver safe drinking water to customers while improving operational efficiency at active production facilities. From repairing minor and major equipment to adjusting pump set-points, our main focus is to facilitate operational efficiency during low and high water demands throughout the day.

During the second quarter, Production staff continued to work with Engineering and Water Quality Engineering, Finance and Customer Division and external consultants to optimize IWA's Chromium-6 treatment facilities. Also, the Division of Drinking Water performed a sanitary survey of our system and the survey entailed an on-site review of our water system for the purpose of evaluating the adequacy of the water source, facilities, equipment, operation and maintenance for producing and distributing safe drinking water, which is performed every (3) three years. Sanitary survey results will be addressed this fiscal year.

Transmission Distribution

During the second quarter of FY 16-17, Distribution staff repaired and replaced water services, performed pavement repairs, replaced inefficient water meters with new efficient meters, and performed valve exercises. In addition, staff installed new water meters within the Boe Del Heights community to register water consumption at each property because the water services were unmetered. Currently, Boe Del Heights is provided potable water through an emergency underground connection with IWA because their groundwater well is out of compliance with Riverside County Department of Environmental Health.

Quarter Highlights include:

- 3,783 work orders were completed; an average of 291 per week or 58 work orders per day
- 25 water services were repaired and replaced
- 731 water meters replaced; reduces unaccounted for water and promotes conservation
- 392 valve exercises were performed to maintain water quality
- 8 water main shutdowns were requested for repair work and new connections
- Staff attended the 2016 American Water Works Association Conference and participated in technical presentations and workshops on subjects including water distribution, water treatment, groundwater recharge, water quality, environmental compliance, utility management
- Performed over 60,000 billing meter reads

Finance/Customer Service

The Finance and Customer Service Division is responsible for managing IWA's financial resources. On the accounting side, the Division handles revenue, disbursements, financial reports preparation, audit coordination, investment management amongst other functions. On the customer service side, the Division services customer accounts, processes monthly bills, handles bill payments, and provide Call Center and Front Counter services amongst a wide variety of customer support functions.

During the second quarter of FY 16-17, the Finance and Customer Service Division has worked on the following:

- Worked with IWA staff and vendor on Customer Portal/Website Implementation.
- Timely processing of approximately 60,000 financial transactions to support IWA's core functions.

- Coordinated the auditing of Fiscal Year 2015-16 Financial Statements, which resulted in an unmodified opinion from the independent audit firm.

Information Technology (IT)

IWA’s Information Technology staff provides a variety of specialized services to IWA Administration, the three Divisions, and the City at large. Services provided include management of IWA’s telephone, voice and electronic mail systems, SCADA and other local and wide-area networks, integrated databases, and information access and system management to support IWA’s operations.

Highlights for the second quarter of FY 16-17 include:

- Hardware and software upgrades for enterprise applications and workstations at the Corporate Yard
- Server upgrades at the Corporate Yard to improve long-term site performance and stability
- Technical Support for the Customer Portal/Website and Advanced Metering Infrastructure Implementation

Capital Outlay

Capital Outlay includes the purchase of new capital equipment, and infrastructure maintenance projects not part of the Capital Improvement Program.

The \$1,625,427 capital outlay budget for FY 2016-17 includes; pump, electric panel, valve and hydrant meter replacement programs, software upgrades, system distribution maintenance, wireless infrastructure update, and machinery to support ongoing operational requirements.

Table 3: Capital Outlay by Division
Operating Fund Expenditures - Capital Outlay By Division

	Budget FY 2016-17	Actual December 31, 2016	% of Budget
Administration	-	-	0.0%
Production	130,000	1,323	1.0%
Transmission Distribution	1,383,127	254,320	18.4%
Finance/Customer Service	-	-	0.0%
Information Technology	112,300	25,604	22.8%
Engineering/Water Quality	-	-	
Total Expenditures	\$ 1,625,427	\$ 281,247	17.3%

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 \$1,484,530. First and Second quarter internal service expenses total \$741,271 or 50% 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 second quarter for FY 2016-17, the balance of this fund is \$174,865. Total budgeted expenses are \$220,000 for FY 2016-17. There have been no expenses through the second quarter due to prolonged use and life of existing equipment and vehicles. One vehicle would be expensed in the third quarter of FY 2016-17 to this fund for Engineering.

Vehicles and equipment is inspected daily and IWA’s Finance staff reviews a comprehensive list of equipment with depreciation schedules and replacement costs on a monthly basis. 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 2016-17 Budget. Capital improvements are projects that contribute to providing essential water services to customers and meeting regulatory requirements. In FY 2016-17, capital improvements are budgeted from three funds, the Supplemental Water Fee, Water Development Impact Fee, and remaining 2015 Water Bond funds. FY 2016-17 budgeted capital improvements totaling \$2,720,000 are highlighted in Table 4 below.

Table 4: Capital Projects Expenditures

	Budget FY 2016-17	Actual December 31, 2016	% of Budget
Water Bond	\$ 500,000	223,570	44.7%
Supplemental Water	665,000	-	0.0%
Water Development Fee	1,555,000	33,638	2.2%
Total Expenditures	\$ 2,720,000	\$ 257,208	9.5%

2015 Water Bond

In June, 2015, IWA refunded the 2006 Water Bond resulting in annual debt service payments and generated approximately \$4.8 million in new funding for the construction of Chromium 6 treatment facilities. The FY 2016-17 Capital Budget included \$500,000 Water Bond Funding for perceived expenditures not completed in FY 2015-16. As of June 30, 2016, remaining bond funds generated from the 2015 Bond Issue total \$603,173.

At the end of the first quarter FY 2016-17, IWA expended \$164,967 in authorized bond fund with \$58,603 remaining in current encumbrances for the Chromium 6 treatment facilities. Staff is recommending that the IWA Board approve the adjustment to a purchase order line item of \$273,574 from operation funds (production) to bond funds to utilize remaining bond funds for the remaining expenditure for the Ionex contract for the Chromium 6 facilities improvements.

Supplemental Water Fees

At the end of the first quarter FY 2016-17, IWA's Supplemental Water Fees Fund budgeted projects total \$665,000. These funds are designated for the design of a recycled water facility and a non-potable water project.

There were no expenditures to date in this fund but Staff will recommend changing the funding of the MWH Americas, Inc. contract of \$286,758 to the Supplemental Water Fees. The contract is for the design of non-potable and recycled water systems, and was previously approved to be expensed against operating funds. This is an eligible expense for the development fees and should appropriately be paid for out of this fund.

Water Development Impact Fees

At the end of the first quarter of FY 2016-17, IWA's budgeted projects had a remaining total project cost of \$1,521,362 from Water Development impact fees. Remaining funds have been designated for projects within FY 2016-17. IWA anticipates a productive third quarter with multiple capital improvement projects commencing. Capital improvement projects include: Highway 111 Water Main from Oasis to Arabia, Highway 111 Ave 44 Water Main from Salpare Place to Dillion Road,

G. RESERVE FUNDS

Table 5 on the next page summarizes the allocation of reserve funding levels, approved by IWA's Board of Directors on February 7, 2012.

Table 5: Reserve Funds
Summary of Reserve Funds

Priority Ranking	Reserve Fund Description	Target Level (Moderate)	Current Balance	(Deficit)/ Surplus
1	Operating Reserve	\$ 5,175,848	\$ 1,349,500	\$ (3,826,348)
2	Capital Repair and Replacement/System Improvement Reserve	1,655,989	123,676	(1,532,313)
3	Equipment Replacement Reserve	500,000	375,848	(124,152)
4	Rate Stabilization Reserve	337,833	337,833	-
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	\$ 2,783,931	\$ (11,377,453)

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 a rate increase IWA expects to decrease the unfunded reserve levels.

H. BUDGET ADJUSTMENTS

Staff is recommending an increased budget appropriation to utilize the remaining 2015 Refunding Bonds, and transfer of expenditure authority for the Chromium 6 project from operations (production) to the bond fund budget, through an adjustment to the Purchase Order for the Ionex Contract (No. 39998).

Recommended Motion: That the City Council/IWA Board approve and direct the IWA Finance Department to adjust appropriations as follows:

Bond Fund Appropriations

Increase (expense):

010-4725-534-62-10	Chromium 6 Treatment	\$32,819
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Decrease Fund Balance:

010-000-273-000	Fund Balance*	\$32,819
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**From 2015 IWA Water Bond funds available*

Purchase Order No. 039998

Increase Account 010-4725-534-62-10	(Bond)	\$273,574
Decrease Account 010-4712-471-62-10	(Water Production)	\$273,574

Staff is also recommending a transfer of expenditure authority for the MWH America's contract for the design of non-potable and recycled water systems from operations budget (Engineering) to the Supplemental Water Fee Budget, through an adjustment to the Purchase Order (0400094).

Recommended Motion: That the City Council/IWA Board approve and direct the IWA Finance Department to adjust appropriations as follows:

Purchase Order No. 0400094

Increase Account 015-4713-400-22-90	(SWF)	\$286,758
Decrease Account 010-4716-471-21-90	(Eng., Prof. Svs.)	\$286,758

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Indio Water Authority

Revenue & Expenditure Summary-Operating Fund
Quarter Ending December 31, 2016

50% of Year Elapsed

REVENUES	Revenue through		Variance			
	12/31/2015	12/31/2016	FY 2015 vs. 2016	Percentage Change	Budget FY 2016	Percentage FY 2016/17
Operating Revenue						
Water Utility Payments	8,078,843	9,122,199	1,043,356	12.9%	16,577,551	55.0%
Drought Rate Penalties	-	1,879,910	1,879,910	0.0%	-	0.0%
Other Operating						
Penalties, 10% delinquent fee	127,361	160,077	32,716	25.7%	245,000	65.3%
Water Meters	67,637	33,612	(34,025)	-50.3%	115,000	29.2%
Backflow Charges	151,782	154,767	2,985	2.0%	275,000	56.3%
Fire Protection Charges	71,160	72,370	1,210	1.7%	140,000	51.7%
Replenish Assessment Charge	534,414	637,641	103,227	19.3%	1,300,000	49.0%
Charges for Services	160,482	128,212	(32,270)	-20.1%	319,900	40.1%
Establishment Fee	31,640	30,600	(1,040)	-3.3%	65,000	47.1%
Reimbursements/Recovery of Labor	18,018	153,385	135,367	751.3%	2,420,000	6.3%
Total Operating Revenue	9,241,337	12,372,773	3,131,436	33.9%	21,457,451	57.7%
Total Operating Revenue*	9,241,337	10,492,863	1,251,526	14%	21,457,451	49%
*Less Drought Rate Penalties						
Non-Operating Revenue						
Interest Earnings	3,074	796	(2,278)	-74.1%	7,500	10.6%
Transfers In	-	-	-	0%	1,245,000	0.0%
Total Non-Operating Revenue	3,074	796	(2,278)	-74.1%	1,252,500	0.1%
Total Revenues	9,244,411	12,373,569	3,129,158	33.8%	22,709,951	54.5%
Total Revenues without DRP	9,244,411	10,493,659	1,249,248	14%		46%
EXPENDITURES						
EXPENDITURES	Expenditures through		Variance			
	12/31/2015	12/31/2016	FY 2015 vs. 2016	Percentage Change	Budget FY 2016	Percentage FY 2016/17
Personnel						
Salary and Benefits	2,527,501	2,542,330	14,829	0.6%	5,235,399	48.6%
Total Personnel	2,527,501	2,542,330	14,829	0.6%	5,235,399	48.6%
Services and Supplies						
Legal	8,000	10,000	2,000	0.0%	60,000	16.7%
Professional/Contract Services	408,257	523,197	114,940	28.2%	3,104,515	16.9%
Regulatory/Government Agency	549,249	580,367	31,118	5.7%	1,331,000	43.6%
Utilities	508,699	638,173	129,474	25.5%	1,500,000	42.5%
Outside Repair & Maintenance	150,410	183,899	33,489	22.3%	422,625	43.5%
Travel & Training	25,028	17,483	(7,545)	-30.1%	73,000	23.9%
Dues and Subscriptions	25,886	27,762	1,876	7.2%	30,300	91.6%
Postage Freight	67,308	57,702	(9,606)	-14.3%	164,500	35.1%
Conservation Programs	559,951	411,257	(148,694)	-26.6%	1,325,000	31.0%
Advertising	6,459	-	(6,459)	-100.0%	15,000	0.0%
Cell Phones/Pagers	8,479	9,130	651	7.7%	21,500	42.5%
Taxes	-	-	-		0	0.0%
Rents/Leases	7,957	8,054	97	1.2%	22,750	35.4%
Printing and Software	11,092	12,618	1,526	13.8%	96,000	13.1%
Water Meters & Small Tools/Equip.	404,050	629,159	225,109	55.7%	1,192,000	52.8%
Supplies & Safety Equipment	13,532	10,724	(2,808)	-20.8%	33,800	31.7%
Chemical Lab	27,563	38,900	11,337	41.1%	160,000	24.3%
Contingency	-	-	-	0.0%	100,000	0.0%
Internal Service Funds	693,675	741,271	47,596	6.9%	1,484,530	49.9%

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Transfer Out	<u>-</u>	<u>154,058</u>	<u>154,058</u>	<u>0.0%</u>	<u>150,000</u>	<u>102.7%</u>
Total Services and Supplies	<u>3,475,595</u>	<u>4,053,754</u>	<u>578,159</u>	<u>16.6%</u>	<u>11,286,520</u>	<u>35.9%</u>
Total Operations	6,003,096	6,596,084	592,988	9.9%	16,521,919	39.9%

Continuation of Report:

EXPENDITURES	Expenditures through		Variance			
	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>FY</u> <u>2015 vs. 2016</u>	<u>Percentage</u> <u>Change</u>	<u>Budget</u> <u>FY 2016</u>	<u>Percentage</u> <u>FY 2016/17</u>
Capital Outlay						
Equipment	29,246	281,247	252,001	861.7%	-	0%
Projects	<u>981</u>	<u>-</u>	<u>(981)</u>	<u>0.0%</u>	<u>1,625,427</u>	<u>0%</u>
Total Capital Outlay	<u>30,227</u>	<u>281,247</u>	<u>251,020</u>	<u>861.7%</u>	<u>1,625,427</u>	<u>17.3%</u>
Total Operations and Capital Outlay	6,033,323	6,877,331	844,008	14.0%	18,147,346	37.9%
Debt Service						
Interest - Revenue Bonds	785,208	208,218	(576,990)	-73%	2,288,437	9%
Principal - Revenue Bonds	<u>745,000</u>	<u>930,000</u>	<u>185,000</u>	<u>25%</u>	<u>1,860,000</u>	<u>50%</u>
Total Debt Service	<u>1,530,208</u>	<u>1,138,218</u>	<u>(391,990)</u>	<u>-25.6%</u>	<u>4,148,437</u>	<u>27%</u>
Total Operations, Capital Outlay and Debt Service	<u><u>7,563,531</u></u>	<u><u>8,015,549</u></u>	<u><u>452,018</u></u>	<u><u>6.0%</u></u>	<u><u>22,295,783</u></u>	<u><u>36.0%</u></u>

ATTACHMENT B: MID-YEAR BUDGET RECAP

IWA MID-YEAR BUDGET RECAP FY 2016-2017
 THROUGH DECEMBER 31, 2016 (6 MONTHS, 50%)
 SUMMARY REPORT

50% of Year Elapsed

Revenue	Budget FY 16/17	Through 12/31/2016	% Earned
Water Sales	16,577,551	9,122,199	55%
Meter and Service Fees	4,879,900	1,370,664	28%
Drought Rate Penalites	-	1,879,910	
Non-Operating Revenue	1,252,500	796	0%
Total Revenue	22,709,951	12,373,569	54.5%

Expenditures	Budget FY 16/17	Through 12/31/2016	% Spent
Salary and Benefits	5,235,399	2,542,330	49%
Legal	60,000	10,000	17%
Professional/Contract Services/Software	3,104,515	523,197	17%
Regulatory/Government Agency	1,331,000	580,367	44%
Utilities	1,500,000	638,173	43%
Outside Repair & Maintenance	422,625	183,899	44%
Travel & Training	73,000	17,483	24%
Dues and Subscriptions	30,300	27,762	92%
Postage Freight	164,500	57,702	35%
Conservation Programs	1,325,000	411,257	31%
Advertising	15,000	-	0%
Cell Phones/Pagers	21,500	9,130	42%
Rents/Leases	22,750	8,054	35%
Printing	96,000	12,618	13%
Water Meters & Small Tools/Equip.	1,192,000	629,159	53%
Supplies & Safety Equipment	33,800	10,724	32%
Chemical Lab	160,000	38,900	24%
Contingency	100,000	-	0%
Internal Service Funds	1,484,530	741,271	50%
Transfer Out	150,000	154,058	103%
Capital Outlay	1,625,427	281,247	17%
Total Operations & Capital Outlay	18,147,346	6,877,331	37.9%
Debt Service	4,148,437	1,138,218	27.4%
Total Operations, Capital Outlay and Debt Service	22,295,783	8,015,549	36.0%

Projected Revenue Over Expenditures (+/ -)	414,168	4,358,020
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ATTACHMENT C: DROUGHT RATE PENALTIES

Indio Water Authority
Drought Rate Penalties
Quarter Ending December 31, 2016

<u>Description</u>	<u>Revenue / (Expense)</u>
3rd Quarter FY 15-16 (Jan-Mar)	721,033
4th Quarter FY 15-16 (Apr-Jun)	567,584
1st Quarter FY 16-17 (Jul-Sep)	902,629
2nd Quarter FY 16-17 (Oct-Dec)	977,281
Total Penalties Collected	<u>3,168,527</u>
Supplemental Environmental Project	(2,000,000)
Supplemental Environmental Project	<u>1,168,527</u>
Water Conservation Education	(80,000)
Unappropriated funds - total	<u><u>1,088,527</u></u>