



# Indio Water Authority Quarterly Financial Report

**Fiscal Year 2016-17  
Third Quarter Report**

**May 2, 2017**



**Dan Martinez**  
Executive Director



**Brian Macy**  
General Manager

May 2, 2017

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

***SUBJECT: FY 2016-17 Third-Quarter Budget Report***

Honorable 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 FY 2016-17. It presents a comparison of revenue and expenditures through the third quarter the same period of the previous fiscal year. After nine months of activity, total water revenues are higher than the previous fiscal year third quarter by 21% and 10% when revenue from drought rate surcharges is excluded.

At the end of the third quarter, total revenue from current operating revenues and non-operating revenues were \$16.9 million or 74% of the budget while operating fund expenditures was at \$11.3 million or 50% 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.

As of March 31, 2017, Governor Brown's Executive Order B-37-16 (May 2016) was still in effect and the State of California was in a persistent but less severe drought condition due to higher than expected winter precipitation. On April 7, Governor Brown issued Executive Order B-40-17 that terminated the Drought State of Emergency. In addition, Governor Brown maintained the permanent prohibitions in B-37-16, which orders Californians to maintain conservation as a way of life and prohibits wasteful practices such as hosing off sidewalks, washing automobiles without a shut-off nozzle, watering lawns after rainfall, etc. As a result, on April 19, 2017, IWA recommended to the IWA Board/City Council to remove the drought rate penalties. The financial impact of how the public responds to the removal of drought rate penalties and the Governor's order will be more evident in the fourth quarter. In the third quarter, IWA collected \$479,372 in drought rate penalties, which increased the penalties collected since inception in January 2016 to \$3,647,899. The penalties are dedicated to funding the Supplemental Environmental Project and additional water conservation programs in local schools.



IWA continues to offer customers a robust water conservation program to help them use water more efficiently and save money. IWA customers can still take advantage of the numerous indoor and outdoor rebates including: turf removal, irrigation upgrades, smart controllers, low flow toilets, water efficient washing machines and evaporative coolers. In addition, IWA offers free outdoor water audits and water-budget variances to capture water consumption and potable water needs more accurately.

IWA is and will continue to monitor expenditures in efforts not to exceed revenues as IWA had a budgeted surplus of \$414,168 in the current budget. IWA is looking forward to a solid finish to the fourth quarter, and 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 – Third Quarter Budget Recap

ATTACHMENT C – Drought Rate Penalties Summary

**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 2016-17**  
**Third Quarter Budget Report**

May 2, 2017  
Prepared by Indio Water Authority

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**A. THIRD QUARTER FINANCIAL IMPACTS**

Excluding the \$2,359,281 in revenue from drought rate penalties, water operating revenue at the end of the third quarter was \$14,510,308, which is \$1,324,908 or 10% higher than the same period last year. And though the community welcomed the ease of restrictions with increased water usage from July 2016, at the end of the third quarter, California remained in a state of emergency due to persistent drought conditions. IWA remains committed to maintaining a robust conservation program that customers can take advantage of.

**Third Quarter Financial Highlights\***

75%	Budget Fiscal Year 2016-17	Through 3/31/2017	Percent Earned/ Spent	Previous Fiscal Quarter (3/31/2016)	Increase / (Decrease)	% Change
Total Revenues	\$ 22,709,951	\$ 16,869,590	74.3%	\$ 13,906,433	\$ 2,963,157	21.3%
Total Expenditures	22,295,783	11,275,069	50.6%	9,977,081	1,297,988	13.0%
Projected Revenue over Expenditures (+/-)	\$ 414,168	\$ 5,594,521		\$ 3,929,352	\$ 1,665,169	

\*Drought Rate Penalties Included

As shown in the highlights above, with three quarters of the year completed, total operating revenues are at 74% while total operating expenditures are at 51%. At the corresponding period last year, total operating revenues were at 63% of FY 2015-16 budgeted revenue while total operating expenditures were at 48%. With 21% increase in revenue, total operating expenditures also increased by 13% compared to last fiscal year's corresponding quarter; staff continues to monitor expenses and will continue to ensure that expenditures do not exceed revenue.

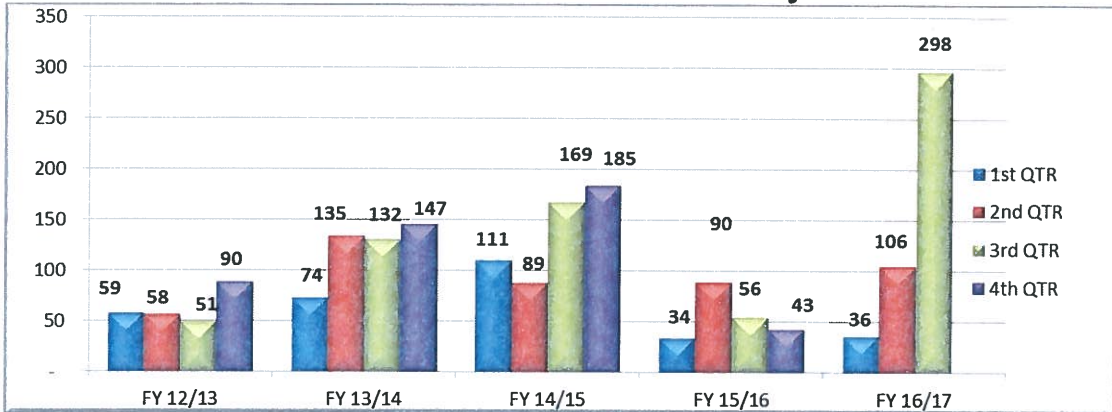
This report focuses on the financial performance of IWA from July 1, 2016 through March 31, 2017.

**B. CUSTOMER GROWTH**

At the beginning of FY 2016-17, IWA had 22,667 customers and did not project any new accounts. At the end of the third quarter, IWA has gained 112 residential customers and 328 commercial accounts for a net gain of 440 accounts; a 2% customer growth since the last fiscal year.

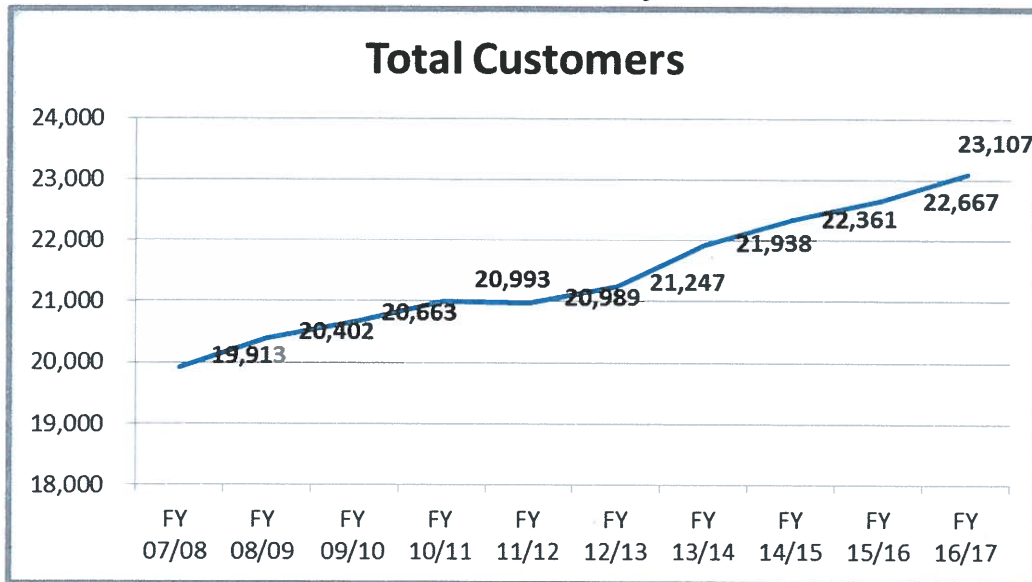
Chart 1 reflects IWA's quarterly customer growth over the past five (5) fiscal years. The steady growth is a reflection of a stable economy and healthy housing market. The slow but consistent growth is an indicator that while economic expansion may be slow, Indio's abundant used land and centralized 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**



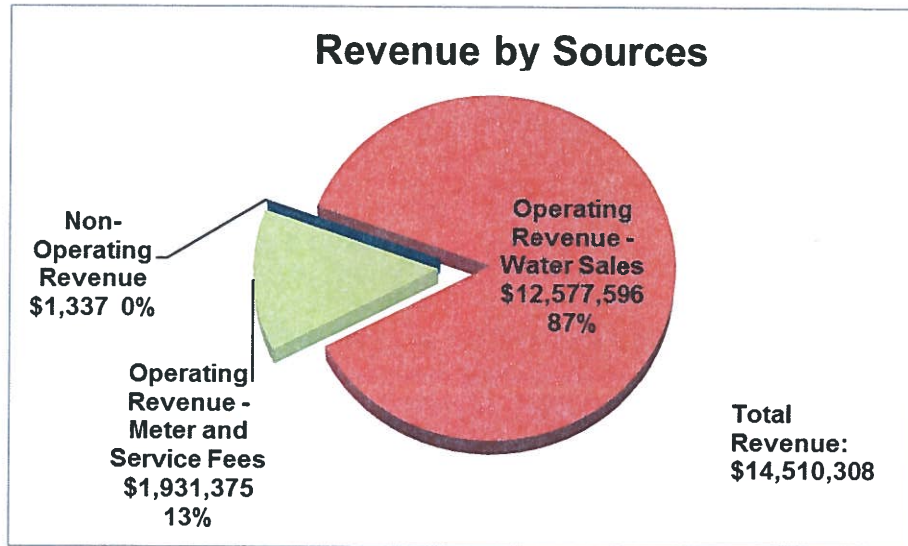
Over the last ten years, IWA customer base increased by 3,194 accounts. Chart 2 further illustrates the steady growth and this trend is expected to continue.

**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 third quarter, excluding drought rate penalties, is \$14,510,308. Revenue increased by \$1,324,908 compared to the same periods of the previous fiscal year. The revenues reported exclude 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. Third 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 \$12,577,596, an increase of \$1,084,813, or 9% when compared to the first three quarters of FY 2015-16 (**Attachment B**).

*Operating Revenue – Meter and Service Fees*

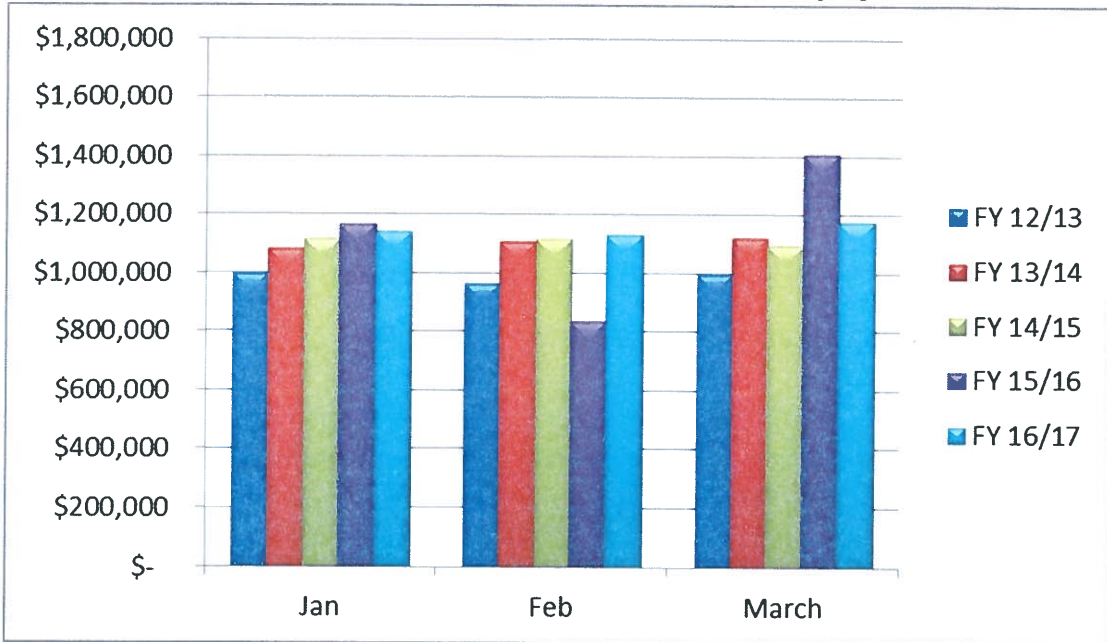
Meter and Service Fees, also part of operating revenue, includes fees associated with account establishment, delinquent account, inspection, plan checks, and more. Meter and Service Fees revenue total \$1,931,375, an increase of \$242,114 or 14% when compared to the first three quarters of FY 2015-16 (**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 \$2,359,282 (**Attachment C**). The penalties were first collected in January 2016, and since then, IWA has collected a total of \$3,647,899. The revenue from drought rate penalties funds conservation programs in local schools and the Supplemental Environmental Project (Chart 5).

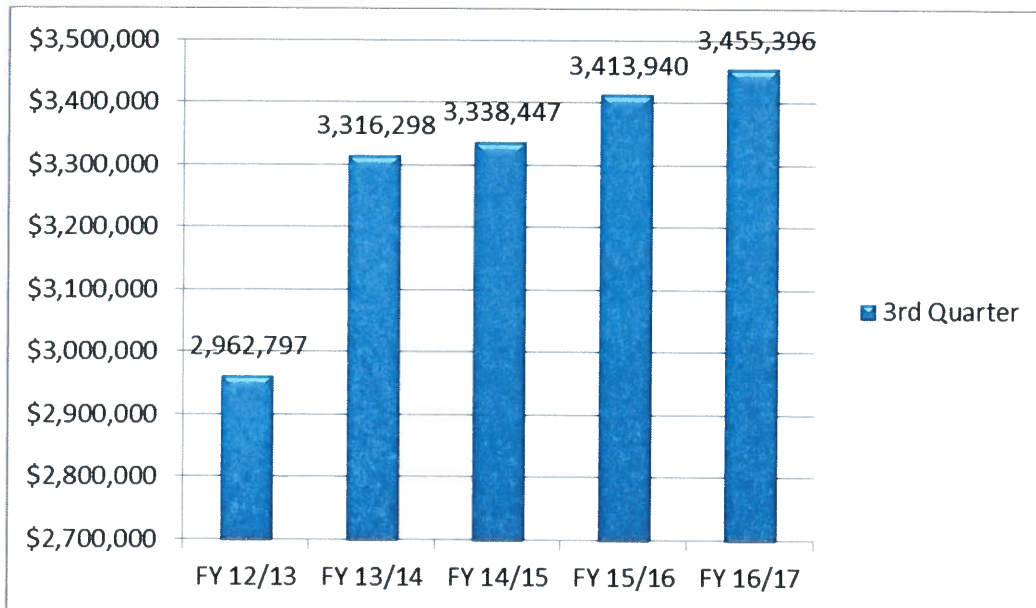


**Chart 3: 5 Year Water Sales Revenue - History by Month\***



\*Drought Rate Penalties are excluded

**Chart 4: 5 Year Water Sales Revenue - History by Third 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
3rd Quarter FY 16-17 (Jan-Mar)	479,372
Total Penalties Collected	<u>3,647,899</u>
Supplemental Environmental Project	(2,000,000)
Balance after SEP Allocation	<u>1,647,899</u>
Water Conservation Education	(80,000)
Conservation Vehicle	(22,568)
<b>DRP Fund Balance</b>	<u><b>1,545,331</b></u>

*Non-Operating Revenue*

Investment income yielded \$1,337, a decrease of \$2,019 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 50.6% of the budget or \$11,275,069 through the end of the third quarter.

**Table 1: Operating Fund Expenditures - by Category**

**Operating Fund Expenditures - By Category**

	Budget FY 2016-17	Actual March 31, 2017	% of Budget
Salaries and Benefits	\$ 5,235,399	\$ 3,659,700	69.9%
Services and Supplies	11,286,520	5,926,369	52.5%
Capital Outlay	1,625,427	550,782	33.9%
Debt Service	4,148,437	1,138,218	27.4%
<b>Total Expenditures</b>	<b>\$ 22,295,783</b>	<b>\$ 11,275,069</b>	<b>50.6%</b>

Total operating expenditures increased by \$552,988 from FY 2015-16 (see **Attachment A**). The increase in expenditures was driven by an increase in Services and Supplies of \$567,199, and Capital Outlay of \$487,487. Increase expenditures were offset by decreases of debt service by (\$394,778), and Salary and Benefits of (\$106,920).

**Salary and Benefits**

Salary and benefit expenditures through the end of the third quarter were \$3,659,700 or 69.9% of the budget as shown in Table 1. The decrease of (\$106,920) in salaries and benefits over last fiscal year was approximately -2.8%.

**Services and Supplies**

Service and supplies expenditures through the end of the third quarter were \$5,926,368 or 52.5% of the budget. After the third 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 March 31, 2017	% of Budget
Commission	\$ 10,500	\$ 3,600	34.3%
Administration	3,270,241	1,756,596	53.7%
Production	2,723,272	1,315,083	48.3%
Transmission Distribution	1,738,528	1,398,251	80.4%
Finance/Customer Service	756,752	550,162	72.7%
Information Technology	539,794	257,759	47.8%
Engineering/Water Quality	2,247,433	644,917	28.7%
<b>Total Expenditures</b>	<b>\$ 11,286,520</b>	<b>\$ 5,926,368</b>	<b>52.5%</b>

***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 the consolidation process for the 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 February 2017, the State Water Resources Control Board adopted an emergency water conservation regulation that extended the drought emergency declaration to November 2017.

While some of the drought restrictions remain relaxed, IWA continues to instruct 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. IWA's rebates, water audits, and water enforcement remain an integral role helping customers do their part with water conservation.

Highlights of the conservation program for January through March 2017 include:

- Hosted a Lead Testing in Schools event for all school districts
- Hosted the 2<sup>nd</sup> Annual CV Water Counts Event at UCR-PD
- Conducted water audits to commercial and residential customers
- Facilitated water conservation presentations to students within Desert Sands Unified School District
- Deployed a robust CV Water Counts media campaign
- Submitted monthly reports to the State Water Resources Control Board on conservation statistics (enforcement, restrictions, GPCD, water-use reduction)
- Processed numerous variance applications and rebate applications
- Facilitated presentations to HOA's regarding the drought and restrictions
- Hosted booths at numerous events such as the Riverside County Date Festival and school functions/events
- Successfully partnered with DSUSD on landscape conversions and augmented the program with an additional \$80,000.



## *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, and continued to update the Geographical Information Systems database.

The Engineering and Water Quality Division also performed sample collection and water quality testing analyses, 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 continued to coordinate regional water issues with Coachella Valley Water District (CVWD), Desert Water Agency (DWA), Coachella Water Authority (CWA) and Mission Springs Water District as part of the Integrated Regional Water Management Group. The Engineering and Water Quality Division also worked with CVWD, DWA, and CWA to follow-up on next steps regarding the Sustainable Groundwater Management Act (SGMA). The next steps would be for the agencies to have individual consultations with all the different tribes in the valley, during the fourth quarter of Fiscal Year 2016-17, and gather their input for incorporation into planning activities. The agencies' SGMA compliance plan was submitted to the Department of Water Resources (DWR) during the end of the second quarter. This plan indicates how the agencies will implement management practices and projects to sustainably manage the Indio Sub-basin of the Coachella Valley Groundwater Basin.

The Engineering and Water Quality Division also has continued to work with the Operations Department on the implementation of the Chromium 6 Treatment Improvements, including awarding a construction contract to Best Drilling and Pump to modify two 'stand-by' wells, to change the depths from which the wells can pump water and reduce the levels of chromium-6.

The Engineering and Water Quality Division also initiated a geologic investigation in northern Desert Park, formerly Posse Park, to ascertain if the site is conducive to groundwater recharge.

### Engineering Services – Planning & Design

IWA Engineering staff has performed numerous plan checks for water improvement and development projects. Most of them are still in the plan check process. In

addition, the Engineering staff has met with the developers to provide development guidelines and water system requirements. IWA Engineering staff approved the following water improvements for construction during this quarter:

- Desert Sands Unified School District
- Terra Lago – Tract 32341-4 (reapproval)

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 late summer 2017.
- A 12-inch waterline on Highway 111 from Oasis to Arabia St., construction is expected in summer 2017.
- Installation of seismic joints on an existing 12-inch waterline underneath the Indio Boulevard southbound bridge crossing the Whitewater Storm Channel; construction schedule to be determined.

#### Engineering Services – Construction

The IWA inspector performed approximately 115 inspection services on meter installations and water improvements for several developments.

#### 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 550 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 500 backflow prevention devices in IWA's water system, inspected 6 new backflow installations and provided approximately 21 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 third quarter, Production staff continued to work with Engineering and Water Quality Engineering, Finance and Customer Service Division and external consultants

to optimize IWA's Chromium-6 treatment facilities. In order to continue delivery of quality water, staff performed maintenance at the 250,000 gallon Shadow Lake reservoir. The maintenance consisted of draining the steel tank, removing silt accumulation on the floor, and disinfection per IWA and American Water Works Association standards to place back in service. Also, IWA completed all corrections identified in the sanitary survey by the Division of Drinking Water.

#### Transmission Distribution

During the third quarter of FY 16-17, Distribution staff repaired and replaced water services and valves, performed pavement repairs, replaced inefficient water meters with new efficient meters, and performed valve exercises. In addition, the valve exercising crew worked with Valley Sanitary District to perform water main shutdowns to prevent any construction damage while crossing underneath our existing infrastructure due to a new sewer main installation.

Quarter Highlights include:

- 4,141 work orders were completed; an average of 207 per week or 41 work orders per day
- 50 water services were replaced and 5 repaired
- 506 water meters replaced; meter replacement reduces unaccounted for water and promotes conservation
- 314 valve exercises were performed to maintain water quality
- 9 water main shutdowns were requested for repair work and new connections
- 69,000 billing meter reads were performed

#### *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 third quarter of FY 16-17, the Finance and Customer Service Division has worked on the following:

- Implementing the 8 percent rate increase beginning in January 2017.
- Implementing and promoting the IWA Customer Web Portal.
- Timely processing of approximately 60,000 financial transactions to support IWA's core functions.

**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 third 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 March 31, 2017	% of Budget
Administration	-	-	0.0%
Production	130,000	1,323	1.0%
Transmission Distribution	1,383,127	521,971	37.7%
Finance/Customer Service	-	-	0.0%
Information Technology	112,300	27,488	24.5%
Engineering/Water Quality	-	-	
<b>Total Expenditures</b>	<b>\$ 1,625,427</b>	<b>\$ 550,782</b>	<b>33.9%</b>



**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 ISF current fiscal year’s budget is \$1,484,530. IWA has fully booked the ISF for the 2016-17 Fiscal Year.

**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 2016-17, the balance of this fund is \$173,081. Total budgeted expenses are \$220,000 for FY 2016-17. In the fourth quarter, IWA expects to also purchase a back-hoe using Fund 11.

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 \$2,752,819 are highlighted in Table 4 below.

**Table 4: Capital Projects Expenditures**

**Capital Projects - By Funds**

	Budget FY 2016-17	Actual March 31, 2017	% of Budget
Water Bond	\$ 532,819	497,144	93.3%
Supplemental Water	665,000	286,758	43.1%
Water Development Fee	1,555,000	35,813	2.3%
<b>Total Expenditures</b>	<b>\$ 2,752,819</b>	<b>\$ 819,715</b>	<b>29.8%</b>

### 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 increased from \$500,000 to \$532,819 in Water Bond Funding for perceived expenditures not completed in FY 2015-16.

Third quarter bond statistics include:

- Current cash on hand as of March 31, 2017 from the remaining bond funds is \$603,584.
- There is \$301,979 in encumbrances and \$195,165 in expenditures for a total of \$497,144 of committed funds.
- Remaining budget for the water bond is \$35,675.

Last quarter, IWA Board approved an adjustment to a purchase order line item that allowed \$273,574 to be moved from operating funds (production) to bond funds. This allowed IWA to utilize remaining bond funds for the remaining expenditure for the Ionex contract for the Chromium 6 facilities improvement. There is currently \$301,979 remaining in current encumbrances for the Chromium 6 treatment facilities.

### Supplemental Water Fees

As of the end of the third 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 in the second quarter, Staff recommended 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 has been appropriately encumbered for out of this fund.

### Water Development Impact Fees

As of the end of the third quarter of FY 2016-17, IWA's budgeted projects had a remaining total project cost of \$1,519,187 from Water Development impact fees. Remaining funds have been designated for projects within FY 2016-17. IWA anticipates a productive fourth 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)
	<b>Total</b>	<b>\$ 14,161,384</b>	<b>\$ 2,783,931</b>	<b>\$ (11,377,453)</b>

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.

**ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS**

**Indio Water Authority**

Revenue & Expenditure Summary-Operating Fund  
Quarter Ending March 31, 2017

REVENUES	Revenue through		75% of Year Elapsed			
	3/31/2016	3/31/2017	FY 2015 vs. 2016	Variance		
				Percentage Change	Budget FY 2016	Percentage FY 2016/17
<b>Operating Revenue</b>						
Water Utility Payments	11,492,783	12,577,596	1,084,813	9.4%	16,577,551	75.9%
Drought Rate Penalties (DRP)	721,033	2,359,281	1,638,248	0.0%	-	0.0%
Other Operating						
Penalties, 10% delinquent fee	192,685	217,345	24,660	12.8%	245,000	88.7%
Water Meters	85,716	56,843	(28,873)	-33.7%	115,000	49.4%
Backflow Charges	228,334	232,540	4,206	1.8%	275,000	84.6%
Fire Protection Charges	107,060	108,690	1,630	1.5%	140,000	77.6%
Replenish Assessment Charge	712,806	819,918	107,112	15.0%	1,300,000	63.1%
Charges for Services	229,319	199,076	(30,243)	-13.2%	319,900	62.2%
Establishment Fee	46,600	44,440	(2,160)	-4.6%	65,000	68.4%
Reimbursements/Recovery of Labor	56,741	252,523	195,782	345.0%	2,420,000	10.4%
<b>Total Operating Revenue</b>	<b>13,873,077</b>	<b>16,868,252</b>	<b>2,995,175</b>	<b>21.6%</b>	<b>21,457,451</b>	<b>78.6%</b>
<b>Non-Operating Revenue</b>						
Interest Earnings	3,356	1,337	(2,019)	-60.2%	7,500	17.8%
Transfers In	30,000	-	(30,000)	0%	1,245,000	0.0%
<b>Total Non-Operating Revenue</b>	<b>33,356</b>	<b>1,337</b>	<b>(32,019)</b>	<b>-96.0%</b>	<b>1,252,500</b>	<b>0.1%</b>
<b>Total Revenues</b>	<b>13,906,433</b>	<b>16,869,589</b>	<b>2,963,156</b>	<b>21.3%</b>	<b>22,709,951</b>	<b>74.3%</b>
Total Revenues excluding DRP	13,185,400	14,510,308	1,324,908	10%		
EXPENDITURES	Expenditures through		Variance			
	3/31/2016	3/31/2017	FY 2015 vs. 2016	Variance		
				Percentage Change	Budget FY 2016	Percentage FY 2016/17
<b>Personnel</b>						
Salary and Benefits	3,766,620	3,659,700	(106,920)	-2.8%	5,235,399	69.9%
<b>Total Personnel</b>	<b>3,766,620</b>	<b>3,659,700</b>	<b>(106,920)</b>	<b>-2.8%</b>	<b>5,235,399</b>	<b>69.9%</b>
<b>Services and Supplies</b>						
Legal	12,000	17,511	5,511	0.0%	60,000	29.2%
Professional/Contract Services	745,040	826,598	81,558	10.9%	3,104,515	26.6%
Regulatory/Government Agency	734,419	796,419	62,000	8.4%	1,331,000	59.8%
Utilities	760,712	783,299	22,587	3.0%	1,500,000	52.2%
Outside Repair & Maintenance	213,069	230,196	17,127	8.0%	422,625	54.5%
Travel & Training	30,712	27,991	(2,721)	-8.9%	73,000	38.3%
Dues and Subscriptions	26,276	28,851	2,575	9.8%	30,300	95.2%
Postage Freight	92,074	87,969	(4,105)	-4.5%	164,500	53.5%
Conservation Programs	793,806	558,092	(235,714)	-29.7%	1,325,000	42.1%
Advertising	8,463	-	(8,463)	-100.0%	15,000	0.0%
Cell Phones/Pagers	17,334	16,496	(838)	-4.8%	21,500	76.7%
Taxes	-	-	-		0	0.0%
Rents/Leases	8,703	11,233	2,530	29.1%	22,750	49.4%
Printing and Software	16,379	19,042	2,663	16.3%	96,000	19.8%
Water Meters & Small Tools/Equip.	652,086	802,160	150,074	23.0%	1,192,000	67.3%
Supplies & Safety Equipment	19,925	13,878	(6,047)	-30.3%	33,800	41.1%
Chemical Lab	33,888	68,261	34,373	101.4%	160,000	42.7%
Contingency	-	-	-	0.0%	100,000	0.0%
Internal Service Funds	1,044,284	1,483,542	439,258	42.1%	1,484,530	99.9%
Transfer Out	150,000	154,831	4,831	0.0%	150,000	103.2%
<b>Total Services and Supplies</b>	<b>5,359,170</b>	<b>5,926,369</b>	<b>567,199</b>	<b>10.6%</b>	<b>11,286,520</b>	<b>52.5%</b>
<b>Total Operations</b>	<b>9,125,790</b>	<b>9,586,069</b>	<b>460,279</b>	<b>5.0%</b>	<b>16,521,919</b>	<b>58.0%</b>



**ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS**

Continuation of Report:

75% of Year Elapsed

EXPENDITURES	Expenditures through		FY 2015 vs. 2016	Variance		
	3/31/2016	3/31/2017		Percentage Change	Budget FY 2016	Percentage FY 2016/17
<b>Capital Outlay</b>						
Equipment	63,295	550,782	487,487	770.2%	-	0%
Projects	-	-	-	0.0%	1,625,427	0%
<b>Total Capital Outlay</b>	<b>63,295</b>	<b>550,782</b>	<b>487,487</b>	<b>770.2%</b>	<b>1,625,427</b>	<b>33.9%</b>
<b>Total Operations and Capital Outlay</b>	<b>9,189,085</b>	<b>10,136,851</b>	<b>947,766</b>	<b>10.3%</b>	<b>18,147,346</b>	<b>55.9%</b>
<b>Debt Service</b>						
Interest - Revenue Bonds	787,996	208,218	(579,778)	-74%	2,288,437	9%
Principal - Revenue Bonds	745,000	930,000	185,000	25%	1,860,000	50%
<b>Total Debt Service</b>	<b>1,532,996</b>	<b>1,138,218</b>	<b>(394,778)</b>	<b>-25.8%</b>	<b>4,148,437</b>	<b>27%</b>
<b>Total Operations, Capital Outlay and Debt Service</b>	<b>10,722,081</b>	<b>11,275,069</b>	<b>552,988</b>	<b>5.2%</b>	<b>22,295,783</b>	<b>50.6%</b>

**ATTACHMENT B: THIRD QUARTER BUDGET RECAP**

**Indio Water Authority**

3RD QUARTER BUDGET RECAP FY 2016-2017

THROUGH MARCH 31, 2017 (9 MONTHS, 75%)

SUMMARY REPORT

75% of Year Elapsed

<b>Revenue</b>	<b>Budget FY 16/17</b>	<b>Through 3/31/2017</b>	<b>% Earned</b>
Water Sales	16,577,551	12,577,596	76%
Meter and Service Fees	4,879,900	1,931,375	40%
Drought Rate Penalites	-	2,359,281	
Non-Operating Revenue	1,252,500	1,337	0%
<b>Total Revenue</b>	<b>22,709,951</b>	<b>16,869,589</b>	<b>74.3%</b>

<b>Expenditures</b>	<b>Budget FY 16/17</b>	<b>Through 3/31/2017</b>	<b>% Spent</b>
Salary and Benefits	5,235,399	3,659,700	70%
Legal	60,000	17,511	29%
Professional/Contract Services/Softwa	3,104,515	826,598	27%
Regulatory /Government Agency	1,331,000	796,419	60%
Utilities	1,500,000	783,299	52%
Outside Repair & Maintenance	422,625	230,196	54%
Travel & Training	73,000	27,991	38%
Dues and Subscriptions	30,300	28,851	95%
Postage Freight	164,500	87,969	53%
Conservation Programs	1,325,000	558,092	42%
Advertising	15,000	-	0%
Cell Phones/Pagers	21,500	16,496	77%
Rents/Leases	22,750	11,233	49%
Printing	96,000	19,042	20%
Water Meters & Small Tools/Equip.	1,192,000	802,160	67%
Supplies & Safety Equipment	33,800	13,878	41%
Chemical Lab	160,000	68,261	43%
Contingency	100,000	-	0%
<b>Internal Service Funds</b>	<b>1,484,530</b>	<b>1,483,542</b>	<b>100%</b>
<b>Transfer Out</b>	<b>150,000</b>	<b>154,831</b>	<b>103%</b>
<b>Capital Outlay</b>	<b>1,625,427</b>	<b>550,782</b>	<b>34%</b>
<b>Total Operations &amp; Capital Outlay</b>	<b>18,147,346</b>	<b>10,136,851</b>	<b>55.9%</b>
<b>Debt Service</b>	<b>4,148,437</b>	<b>1,138,218</b>	<b>27.4%</b>
<b>Total Operations, Capital Outlay and Debt Service</b>	<b>22,295,783</b>	<b>11,275,069</b>	<b>50.6%</b>

<b>Projected Revenue Over Expenditures (+/ -)</b>	<b>414,168</b>	<b>5,594,520</b>
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ATTACHMENT C: DROUGHT RATE PENALTIES

**Indio Water Authority**

Drought Rate Penalties

Quarter Ending March 31, 2017

<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
3rd Quarter FY 16-17 (Jan-Mar)	479,372
<b>Total Penalties Collected</b>	<b>3,647,899</b>
Supplemental Environmental Project	(2,000,000)
Balance after SEP Allocation	<u>1,647,899</u>
Water Conservation Education	(80,000)
Conservation Vehicle	(22,568)
<b>DRP Fund Balance</b>	<b><u>1,545,331</u></b>