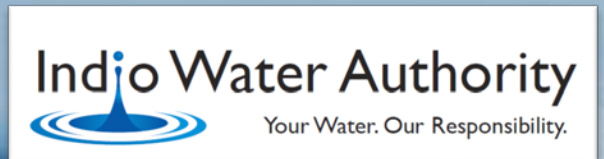




# Indio Water Authority Quarterly Financial Report

**Fiscal Year 2017-18  
First Quarter Report**

**November 7, 2017**



**Mark Scott**  
Executive Director



**Brian Macy**  
General Manager

November 7, 2017

Honorable Commissioners  
Indio Water Authority  
83-101 Avenue 45  
Indio, CA 92201

***SUBJECT: FY 2017-18 First-Quarter Budget Report***

Commissioners:

The attached budget report summarizes the financial position of the Indio Water Authority (IWA) as of September 30, 2017. In June 2017 the Board adopted a \$26,970,275 revenue budget and a \$26,191,154 expenditure budget. This budget provides a structural balance between revenues and expenditures to maintain fiscal stability. The budget also contributes to forecasting what revenues and reserves are anticipated to sustain operations throughout the fiscal year, and identifies the programs and activities that will be supported. This report focuses on the financial performance of IWA for the first quarter which runs from July 1 through September 30, 2017.

Total revenues for the first quarter are trending at \$6.3 million, which represents 23.2 percent of the total budget. Sales from water increased by \$541,438, or 10.8 percent compared to the first quarter of the prior year. This was due to an extremely hot summer, and water rate increases in January 2017. According to Accuweather.com, temperatures reached 100 degrees or above for 69 of the 92 days in the quarter.

Total operating expenditures for the first quarter totaled \$4.0 million, which represents 15.4 percent of the budget. Salaries and benefit expense was on target at 21.1 percent of the budget, or an increase of 2 percent from the prior year. Services and supplies expense came in at 15.7 percent of the budget, decrease of 2.7 percent when compared to the prior year. Capital outlay expense and debt service expense were at 3.8 percent and 27 percent of the budget respectively.

With a projected budget surplus of \$779,121 for the fiscal year, the IWA is and will continue to monitor expenditures to contain costs and provide adequate resources to ensure reliable water supply, adequate debt service coverage, and healthy financial reserves.

During the first quarter there were two actions taken by the State Water Board. In the fourth quarter of FY 2016-17, the Governor suspended emergency urban water conservation which

included drought rates penalties, and passed Executive Order B-40-17. The passage of Executive Order B-40-17 extended monthly water use reporting and wasteful water use regulations until Nov. 25, 2017. This extension was needed to allow the State Water Board time to create a permanent water conservation plan.

The second action taken by the State Water Board was in accordance with a court ruling. The Board adopted a resolution to remove the current maximum contaminant level (MCL) for the pollutant hexavalent chromium found in drinking water for failure to consider the cost of complying with MCL requirements. The State Water Board will now begin work on establishing a new MCL for the contaminant. Since the current MCL will be removed, the State Water Board will no longer enforce compliance plans that public water systems entered for hexavalent chromium. The Indio Water Authority will continue treating water to remove hexavalent where plausible, and will be ready to meet the new regulations when they are adopted.

Included attachments:

ATTACHMENT A – FY 2017-18 Q1 Revenue and Expenditure Summary

ATTACHMENT B – First Quarter Budget Recap

ATTACHMENT C – Drought Penalty Surcharge Summary

**IT IS RECOMMENDED** that the Board receive and file this report along with Attachments A, B, and C, and approve the budget adjustments contained in the last page of this Report.

Respectfully submitted,



Mark Scott  
Executive Director



Indio Water Authority  
Quarterly Financial Report

**Fiscal Year 2017-18**  
**First Quarter Report**

November 7, 2017  
Prepared by Indio Water Authority

## TABLE OF CONTENTS

<b>A. QUARTERLY FINANCIAL IMPACTS</b> .....	1
<b>B. CUSTOMER GROWTH</b> .....	1
Chart 1: Customer Growth Each Quarter by Fiscal Year .....	2
Chart 2: Customer Growth by Fiscal Year .....	2
<b>C. FUND REVENUE</b> .....	3
Chart 3: Year Water Sales Revenue - Operating/Non-Operating ..	3
Chart 4: 5 Year Water Sales Revenue - History by Month.....	4
Chart 5: 5 Year Water Sales Revenue - History by First Quarter...	5
Chart 6: 5 Year Water Sales Revenue – By Category .....	6
Chart 7: Drought Rate Penalties Summary .....	7
<b>D. OPERATING FUND EXPENDITURES</b> .....	8
Table 1: Operating Fund Expenditures - by Category.....	8
<b>SALARY AND BENEFITS</b> .....	8
<b>SERVICES AND SUPPLIES</b> .....	8
Table 2: Operating Fund Expenditures Services and Supplies - By Division .....	9
<b>CAPITAL OUTLAY</b> .....	14
Table 3: Capital Outlay by Division.....	14
<b>INTERNAL SERVICE (IS)</b> .....	14
<b>E. EQUIPMENT REPLACEMENT FUND</b> .....	15
<b>F. CAPITAL IMPROVEMENT PROGRAM (CIP)</b> .....	15
Table 4: Capital Project Expenditures.....	15
<b>G. RESERVE FUNDS</b> .....	16
Table 5: Reserve Funds.....	17
<b>H. BUDGET ADJUSTMENTS</b> .....	17
<b>I. Attachment A: Revenue and Expenditure Summary</b> .....	A-1
<b>J. Attachment B: First Quarter Budget Recap</b> .....	B-1
<b>K. Attachment C: Drought Rate Penalty Summary</b> .....	C-1

**A. QUARTERLY FINANCIAL IMPACTS**


For Fiscal Year 2017-18, the Indio Water Authority adopted a \$26,970,275 revenue budget and a \$26,191,154 expenditure budget. This report focuses on the financial performance of IWA for the first quarter, which runs from July 1 through September 30, 2017.

As shown in the highlights below, with the first quarter of the year completed, total revenues came in at \$6,269,492, or 23.2 percent of the total revenue budget. The amount of revenue recorded is 4.5 percent lower than in the previous fiscal year due to the removal of drought rate penalties.

Total operating expenditures came in at \$4,020,865, or 15.4 percent of the budget. This amount is 4 percent higher than the amount recorded in the previous fiscal year.

Total revenue for the first quarter exceeded expenditures by \$2,248,627. With a quarter of the year complete, we typically expect actuals in both revenue and expenditures to be between 15-20 percent of the budget.

**1<sup>st</sup> Quarter Financial Highlights**

 FY17/18 Adopted Budget	FY17/18 1st Quarter Actual	Percent Earned/Spent	FY16/17 1st Quarter Actual	Increase / (Decrease)	% Change	
Total Revenues	\$26,970,275	\$6,269,492	23.2%	\$6,568,028	(\$298,536)	-4.5%
Total Expenditures	26,191,154	4,020,865	15.4%	3,865,677	155,188	4.0%
Projected Revenue over Expenditures (+/-)	\$779,121	\$2,248,627		\$2,702,351	(\$453,724)	

**B. CUSTOMER GROWTH**

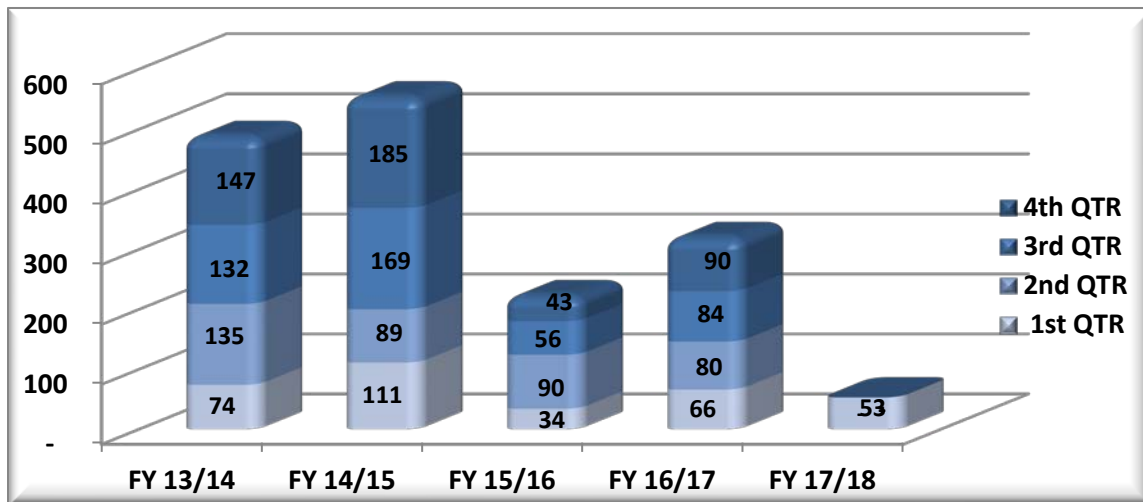
At the beginning of FY 2017-18, IWA had 22,650 customers and added 53 new customers. The average number of customers added in the first quarter over the last 5 years is 82. Approximately 92 percent of the IWA’s customer base is made up of residential customers and approximately 8 percent of the base is made up of commercial customers.

New development drives new residential and commercial accounts. New residential development has been steadily increasing since the Great Recession of 2008, while commercial development has been growing at a slower pace and is below last fiscal year’s growth rate. The modest increases in inspections and plan reviews conducted by IWA Engineering confirms the slower growth rate. However, IWA infrastructure is

in place to meet ongoing demands and will continue to be evaluated as demand for water resources increases.

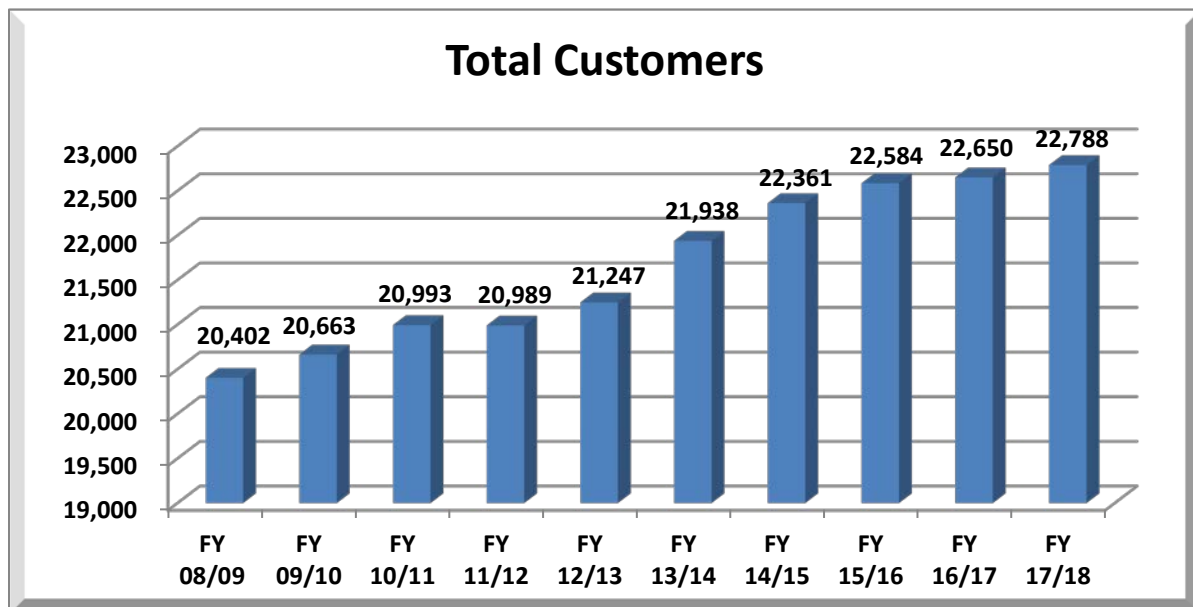
Chart 1 reflects IWA's quarterly customer growth over the past five (5) fiscal years.

**Chart 1: Customer Growth Each Quarter by Fiscal Year**



Over the last ten years, IWA customer base increased by 2,875 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. Operating revenue is defined as revenue that is generated from day-to-day operating activities during the normal course of business. Non-operating revenue is defined as revenue not directly generated from normal everyday business activities. The revenue received for the first quarter totaled \$6,269,492 or 23.2 percent of the total revenue budget.

*Operating Revenue – Water Sales*

First quarter operating revenue from water sales, which consists of revenue based on water usage, is \$5,543,139, an increase of \$541,438, or 29.1 percent when compared to the first quarter of FY 2016-17 (Attachment B).

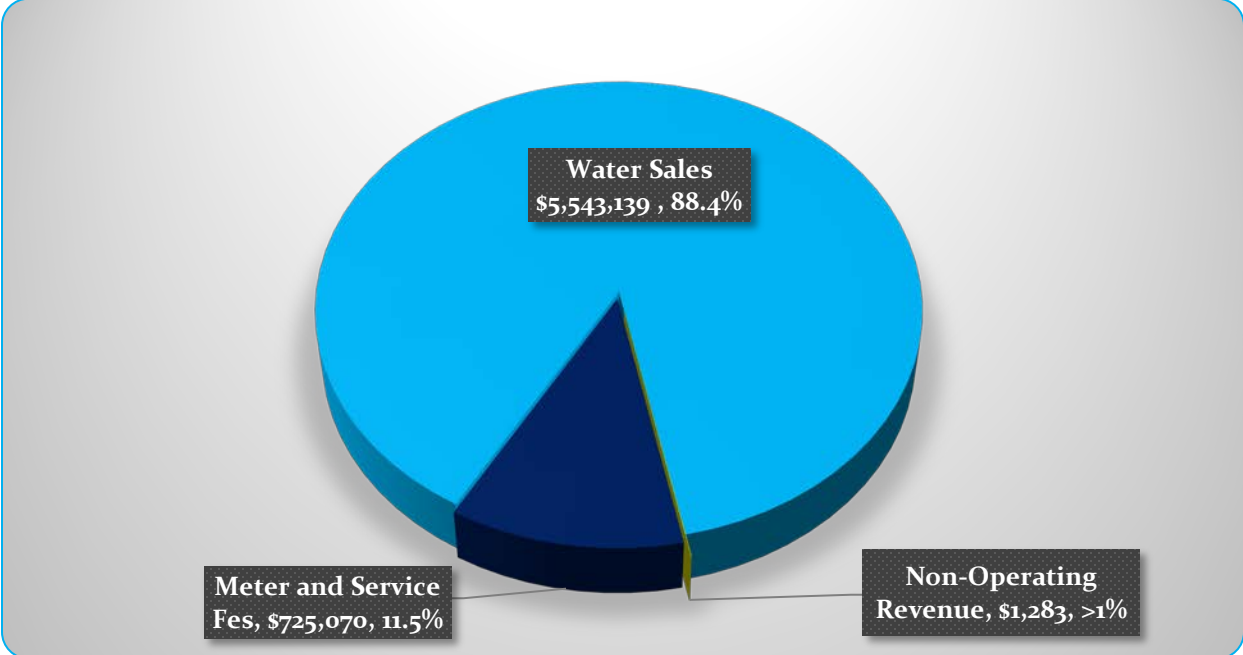
*Operating Revenue – Meters and Service Fee Revenue*

Service fees and charges, are also part of operating revenue, includes fees associated with account establishment, delinquent accounts, inspection, plan checks, and more. Meters and service fee revenue came in at \$725,070, an increase of \$61,704, or 9.3 percent when compared to the first quarter of FY 2016-17 (Attachment B).

*Non-Operating Revenue*

In the first quarter investment income yielded \$1,283, an increase of \$951 compared to FY 2016-17 as a result of higher 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. (Attachment B).

**Chart 3: Water Sales Revenue – Operating and Non-Operating**





We assume a direct correlation between water usage and temperature, and according to Accuweather.com, temperatures reached 100 degrees or above for 69 of the 92 days in the quarter.

Chart 4 below lists first quarter water sales over the last five years by month. Water sales for the month of July averaged \$1,609,375 over five consecutive years. July 2017 water sales were \$1,929,654 compared to \$1,620,404 in July 2016. This is a \$309,250, or 19.1 percent increase. The average high temperature in July 2017 was 107 degrees, and the average low was 86 degrees.

Water sales for the month of August averaged \$1,609,535 over five consecutive years. The water sales in August 2017 were \$1,741,607 compared to \$1,677,207 in August 2016. This is a \$64,490, or 3.8 percent increase. The average high temperature in August 2017 was 107 degrees and the average low was 85 degrees.

Water sales in the month of September averaged \$1,588,784 over five consecutive years. The water sales in September 2017 were \$1,871,788 compared to \$1,704,090 in September 2016. This is a \$167,698, or 9.8 percent increase. The average high temperature in September 2017 was 97 degrees and the average low was 76 degrees.

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

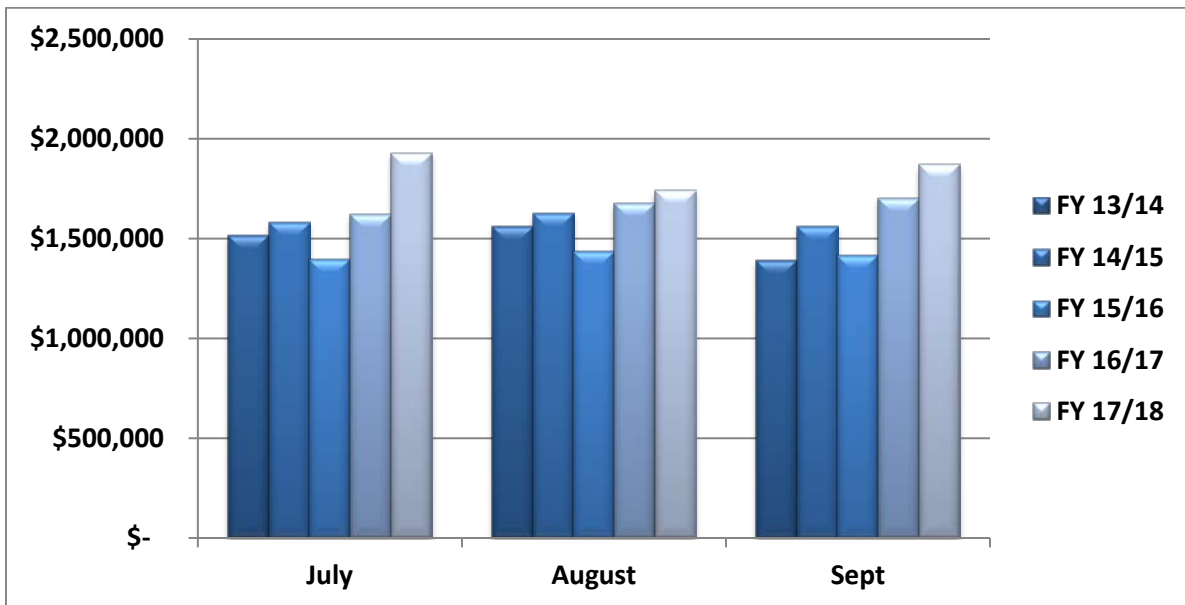
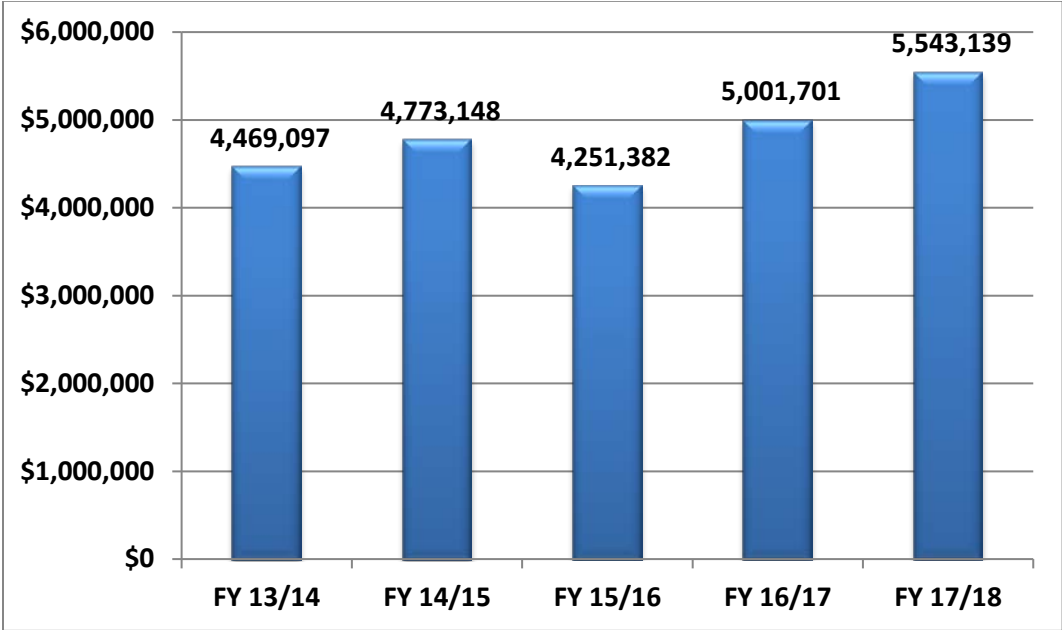


Chart 5 below lists first quarter total water sales over the last five years by year. Water sales in the first quarter over the last five years averaged \$4,807,694. Total water sales

for the first quarter were \$5,543,139 compared to \$5,001,701 in the prior fiscal year. This is a \$541,438, or 10.8 percent increase.

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

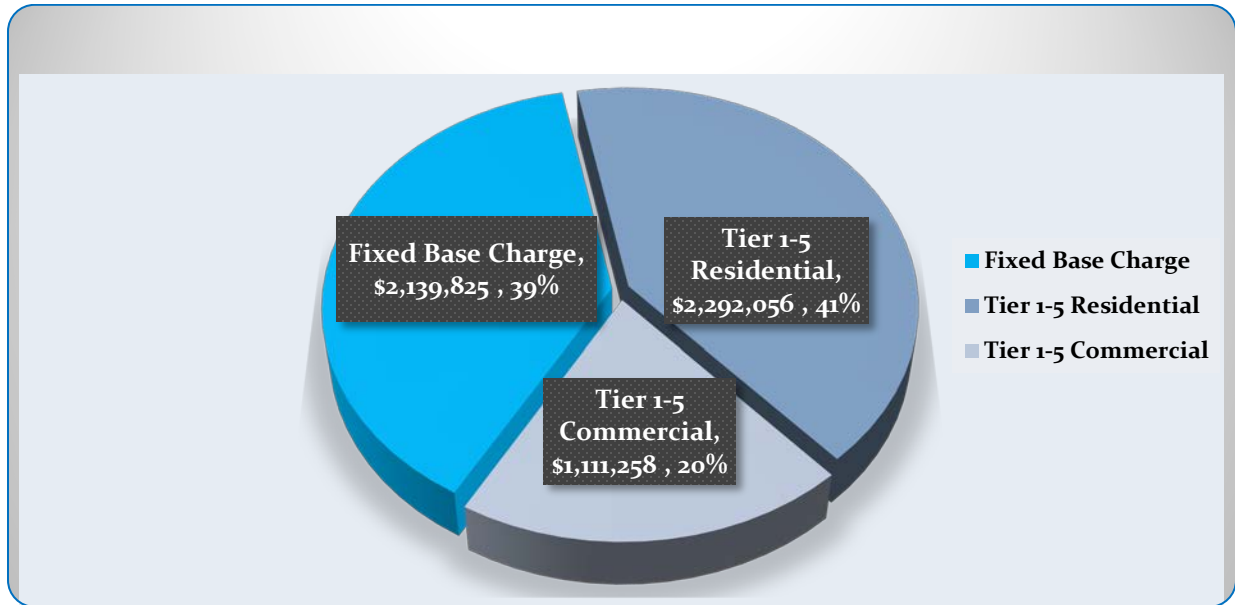


In January 2014 the IWA adopted Budget-tiered Rates for residential and commercial customer classes that range from Tier 1 through Tier 5 and a Fixed Base Charge based on meter size. In January of each year these rates increase 8 percent until the year 2018.

<b>Tier 5</b> Unsustainable Use	Residential      \$3.89    Per CCF Commercial      \$3.89    Per CCF	<b>Fixed Based Charges</b>  <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Residential</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>Meter Size</u></th> </tr> </thead> <tbody> <tr> <td>5/8 " &amp; 3/4</td> <td>\$19.59</td> </tr> <tr> <td>1"</td> <td>\$48.98</td> </tr> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Commercial</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>Meter Size</u></th> </tr> <tr> <td>1 1/2"</td> <td>\$97.97</td> </tr> <tr> <td>2"</td> <td>\$156.72</td> </tr> <tr> <td>3"</td> <td>\$293.87</td> </tr> <tr> <td>4"</td> <td>\$489.78</td> </tr> <tr> <td>6"</td> <td>\$979.51</td> </tr> <tr> <td>8"-12"</td> <td>\$1,567.23</td> </tr> </tbody> </table>	<u>Residential</u>	<u>Meter Size</u>	5/8 " & 3/4	\$19.59	1"	\$48.98	<u>Commercial</u>	<u>Meter Size</u>	1 1/2"	\$97.97	2"	\$156.72	3"	\$293.87	4"	\$489.78	6"	\$979.51	8"-12"	\$1,567.23
<u>Residential</u>	<u>Meter Size</u>																					
5/8 " & 3/4	\$19.59																					
1"	\$48.98																					
<u>Commercial</u>	<u>Meter Size</u>																					
1 1/2"	\$97.97																					
2"	\$156.72																					
3"	\$293.87																					
4"	\$489.78																					
6"	\$979.51																					
8"-12"	\$1,567.23																					
<b>Tier 4</b> Wasteful Use	Residential      \$2.92    Per CCF Commercial      \$2.92    Per CCF																					
<b>Tier 3</b> Inefficient Use	Residential      \$1.95    Per CCF Commercial      \$1.95    Per CCF																					
<b>Tier 2</b> Efficient Outdoor Use	Residential      \$1.46    Per CCF Commercial      \$1.31    Per CCF																					
<b>Tier 1</b> Efficient Indoor Use	Residential      \$0.97    Per CCF Commercial      \$1.31    Per CCF																					

In Chart 6 below first quarter water sales are listed by category. Water revenue earned through fixed based charges totaled \$2,139,825 compared to \$2,131,555 in the prior year. This is a \$8,270, <1 percent increase from the prior year. Fixed base charges were 39 percent of the total water sales revenue for the first quarter. Fixed base charges are calculated based on meter size.

**Chart 6: Water Sales Revenue – By Category**



Water sales earned through Residential Budget-Tiered Rates 1-5 totaled \$2,292,056 compared to \$1,899,234 in the prior year. This is a \$392,822, or a 21 percent increase from the prior year. Residential Tier Rate 1-5 charges are 19 percent of the total water sales revenue for the first quarter.

Water sales earned through Commercial Budget-Tiered Rates 1-5 totaled \$1,111,258 compared to \$970,890 in the prior year. This is a \$140,368 or, a 15 percent increase from the prior year. Commercial Budget Tiered-Rate 1-5 charges are 20 percent of the total water sales revenue for the first quarter.

The IWA stopped collecting the drought rate penalties in the 4th quarter of FY2016-17. The drought rate penalty funds are being used to increase IWA services through conservation outreach, rebates, customer web portal, and advanced metering infrastructure technology. Please see summary below for revenue and expenditure detail.


**Chart 7: 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 FY16-17 (Jul-Sep)	902,629
2nd Quarter FY16-17 (Oct-Dec)	977,281
3rd Quarter FY 16-17 (Jan-Mar)	479,372
4th Quarter FY 16-17 (Apr)-Jun)	146,442
Total Penalties Collected	<b>\$ 3,794,341</b>
Public Out Reach	
Drought Penalty Outreach -Vehicle	22,516
Customer Portal/AMI Outreach	20,919
Water Conservation Education	115,394
Public Outreach Subtotal	158,828
Conservation Rebates	
Flyer Development-Evaporative Coolers	1,110
Evaporative Coolers Rebate Program	1,000
Toilet Rebates	255,605
Washing Machine Rebates	10,950
Landscape Rebate Program	301,665
Conservation Rebates Subtotal	570,330
Customer Portal/Website	
Implementation	42,748
Customer Portal/Website Subtotal	42,748
Advanced Metering Infrastructure	
Implementation (Phases 1 & 2) FY2017	1,217,971
Implementation (Phases 3 & 4) FY2018	1,804,464
Advanced Metering Infrastructure Subtotal	3,022,435
Unappropriated Funds	\$0

**D. OPERATING FUND EXPENDITURES**

The FY 2017-18 operating expenditure budget includes \$5,338,440 in salaries and benefits, \$9,526,771 for services and supplies, \$7,176,355 for capital outlay and \$4,149,588 for debt service. Table 1 indicates operating fund expenditures were 15.4 percent of the budget, or \$4,020,865 through the end of the first quarter.

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

Operating Fund Expenditures-By Category	Budget FY 2017-18	Actual 9/30/17	% of Budget
 Salaries and Benefits	\$5,338,440	\$1,128,048	21.1%
Services and Supplies	9,526,771	1,498,301	15.7%
Capital Outlay	7,176,355	271,917	3.8%
Debt Service	4,149,588	1,128,598	27.2%
<b>Total Expenditures</b>	<b>\$26,191,154</b>	<b>\$4,026,864</b>	<b>15.4%</b>

Total operating expenditures increased by a total of \$159,187 from FY 2016-17 (see Attachment A). The increase in expenditures was driven by an increase in salary and benefit cost of \$22,428, and an increase in capital outlay expense of \$246,435. The increase of expenditures was offset by decreases in services and supplies (\$94,057) and a decrease in debt service of (\$15,620).


**Salary and Benefits**

Salary and benefit expenditures through the end of the first quarter were \$1,128,048 or 21.1 percent of the budget as shown in Table 1. The increase of \$22,428 in salaries and benefits over last fiscal year was approximately 2.0 percent.

**Services and Supplies**

First quarter service and supplies expenditures are \$1,498,301 or 15.7 percent of the budget. After the first 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**

Operating Fund Expenditures Services and Supplies by Division	Budget FY 2017-18	Actual 9/30/17	% of Budget
 Commission	\$10,500	-	0.0%
Administration	2,997,492	566,236	18.9%
Production	2,651,672	439,674	16.6%
Transmission & Distribution	1,142,528	165,086	14.4%
Finance & Customer Service	816,152	175,394	21.5%
Information Technology	519,454	101,351	19.5%
Engineering & Water Quality	1,388,973	50,560	3.6%
<b>Total Expenditures</b>	<b>\$9,526,771</b>	<b>\$1,498,301</b>	<b>15.7%</b>

*Administration*

In the first quarter of FY 17-18, the General Manager and IWA’s administration staff were engaged in providing staff assistance to the Board of Directors and preparing Board and City Council documents, liaising with other government agencies, monitoring federal and state legislation, and overseeing issues dealing with contracts, grants, and other organizational matters not specifically assigned to the other divisions. Some of the highlights of the first quarters include:

- Management and leadership for the next phase of the Web Portal implementation and rollout process
- Completion of two bids for capital improvement projects and a selection process for a public relations firm
- Completion of the reporting requirement for the Boe Del Heights emergency connection and receipt of \$57,088 from the State.
- Facilitation of the contracting and update process for the Proposition 1 Planning Grant in the amount of \$211,982 to update the Coachella Valley Integrated Regional Water Management Plan
- Completion and submission of the first annual water loss audit required under SB 555
- Completion and submission of the Final Report for the Chromium-6 Compliance Project funded under Proposition 84 Round 2

- Reaching the 90 percent mark in the implementation of the \$5.2 million Proposition 84 Regional Water Management Drought at the end of September.

### Conservation

While some of the drought restrictions have been relaxed, prohibitions on water waste remain in effect, forevermore. Wasteful water practices that are permanently banned include watering lawns within 48 hours of a rainstorm, hosing off sidewalks and driveways, washing automobiles with hoses not equipped with a shut-off nozzle, irrigating ornamental turf on public street medians, and overwatering landscaping to the point where water runs into the streets.

As we move forward, we continue to educate customers on water efficiency and the need to protect this precious resource. The IWA water conservation programs are still available for customers to help them do their part and reduce water usage. Individual water budgets are located on monthly billing statements, and allow for efficient indoor and outdoor use; those who exceed their budget will pay the higher rates for top-tier consumption.

Despite the drought being declared over in April 2017, customers are conserving water, which saves money and ensures the long-term health of our aquifer. From July through September 2017, IWA customers saved over 291 million gallons of water compared to the same time in 2013, thereby equating to a 13.2 percent reduction in water use.

Highlights of the conservation program for July through September 2017 include:

- Met with Assembly Member Garcia and his staff regarding long-term water conservation legislation
- Created the first Water Counts Academy in partnership with the other local water agencies
- Entered into a contract with National CineMedia to advertise the web portal
- Facilitated water conservation presentations to over hundreds of elementary students within the Desert Sands Unified School District
- Facilitated presentations to hundreds of youth at the Desert Recreation District's summer camp program
- Submitted monthly reports to the State Water Resources Control Board on conservation statistics (enforcement, restrictions, GPCD, water-use reduction)
- Processed hundreds of variance applications
- Processed hundreds of indoor and outdoor rebate applications
- Presented at Shadow Hills High School's job fair
- Participated in the planning of Desert Garden Community Day at UCR-PD

- Facilitated presentations to HOA's regarding the State's permanent restrictions
- Posted water conservation posters in every school located in Indio
- Selected CV Strategies to assist with IWA's outreach campaign
- Partnered with DSUSD on landscape conversions at several schools contributed \$80,000 to the projects

### *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, 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 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 has continued to work with the Operations Department on the implementation of the Chromium 6 Treatment Improvements to reduce operation and maintenance costs. Also, the Engineering and Water Quality Division has assisted the Finance and Customer Service and Information Technology Divisions with improvements to the IWA's Customer Web Portal, to ensure that both customers and customer service staff have a better user experience.

#### 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. A consultant for IWA Engineering staff finished design plans and specifications on the consolidation of Boe Del Heights and Waller Tract Mutual Water Associations. The design plans and specifications were submitted to the State Water Resources Control Board (SWRCB) for review and have been approved by SWRCB. IWA is awaiting funding from the SWRCB for the construction of these water improvements. Construction for both is expected in summer 2018.

#### 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 SWRCB. 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. The SWRCB invalidated the Chromium-6 Maximum Contaminant Level (MCL) on September 11, 2017, per a court ruling from the Superior Court of Sacramento County. However, IWA continues to monitor for Chromium-6 once a month, as opposed to every week when the MCL was in effect. In addition, as part of IWA's cross-connection program, staff tested 497 backflow prevention devices in IWA's water system including new installations and provided 27 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 first 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, staff coordinated and completed phase II of sulfate return for the treatment facilities which resulted in a significant reduction in the volume of waste arising from the regeneration process.

#### Transmission Distribution

During the first quarter of FY 17-18, Distribution staff repaired and replaced water services, performed pavement repairs, upgraded water meter registers with V4's, and performed valve exercises. In addition, staff completed water service replacements within the community South/West of Dr. Carreon and Arabia Street in anticipation of Public Works capital improvement projects for pavement repairs.

Quarter Highlights include:

- 4,619 work orders were completed; an average of 385 per week or 77 work orders per day
- 19 water services were repaired and replaced
- 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.

#### *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 first quarter of FY 17-18, the Finance and Customer Service Division has worked on the following:

- Timely processing of approximately 60,000 financial transactions to support IWA's core functions.
- Coordinated the auditing of Fiscal Year 2016-17 Financial Statements, currently being compiled by independent auditors.
- Coordinated the development for the Customer Portal/Website to add work orders to the system.

#### *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.

Operational Highlights for the first quarter of FY 17-18 include:

- Hardware and software upgrades for enterprise applications and workstations at the Corporate Yard to increase reliability and resilience
- 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. At this time, there are no reportable financial issues within this department budget group.

The \$7,176,355 capital outlay budget for FY 2017-18 includes; Phase II of the advanced metering infrastructure implementation, the interior coating of two reservoirs, software upgrades, system distribution maintenance, and machinery and equipment to support ongoing operations.

**Table 3: Capital Outlay by Division**

Operating Fund Expenditures Capital Outlay by Division	Budget FY 2017-18	Actual 9/30/17	% of Budget
Administration	-	-	0.0%
Production	1,130,000	51,456	4.6%
Transmission & Distribution	6,006,355	206,956	3.4%
Finance & Customer Service	-	-	0.0%
Information Technology	40,000	13,505	0.0%
Engineering & Water Quality	-	-	0.0%
<b>Total Expenditures</b>	<b>\$7,176,355</b>	<b>\$271,917</b>	<b>3.8%</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 IS current fiscal year's budget is \$1,484,531. First quarter internal service expenses total \$329,043 or 22.2 percent 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 first quarter for FY 2017-18, the balance of this fund is \$137,595. Total budgeted expenses are \$150,000 for FY 2017-18. There have been no expenses through the first quarter due to prolonged use and life of existing equipment and vehicles.

Vehicles and equipment are 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 2017-18 Budget. Capital improvements are projects that contribute to providing essential water services to customers and meeting regulatory requirements. In FY 2017-18, capital improvements are budgeted from three funds, the Supplemental Water Fee, Water Development Impact Fee, and remaining 2015 Water Bond funds. FY 2017-18 budgeted capital improvements totaling \$2,562,000 are highlighted in Table 4 below.

**Table 4: Capital Projects Expenditures**

Capital Projects Expenditures		Budget FY 2017-18	Actual 9/30/17	% of Budget
	Water Bond	-	-	0.0%
	Supplemental Water Fee	1,292,000	-	0.0%
	Water Development Fee	1,270,000	-	0.0%
	<b>Total Expenditures</b>	<b>\$2,562,000</b>	<b>-</b>	<b>0.0%</b>

**2015 Water Bond**

The Chromium 6 treatment facility project is scheduled to be completed by the end of FY2017-18. During FY 2016-17, IWA expended \$251,080 in authorized bond funds and had an open encumbrance of \$301,980 remaining to complete the project.

**Recommended Motion:** *That the Board directs the Finance Department to adjust appropriations as follows:*

Increase appropriations:		
010-4725-534.62-10	Capital Outlay Non-Building	\$301,980
Expected offset:		
010-0000-273.00-00	Assigned Fund Balance	\$301,980

Supplemental Water Fees

In FY 2017-18 the budget for Supplemental Water Fees Fund budgeted projects totaled \$1,292,000. These funds are designated for projects relating to recycled water, water conservation, and water recharge for both non-potable and ground water supplies. There was no expenditure activity recorded in this fund for the first quarter.

Water Development Impact Fees

In FY 2017-18 the budget for Water Development Impact Fees was \$1,270,000. These funds are designated for the Hwy 111 Water Main Project from Oasis Street to Arabia Street, the Avenue 44 Water Main Project from Salpare Place to Dillon Road, and for updates of the Water Master Plan and Hydraulic Model. At the end of the first quarter expenditures totaled \$1,202.

**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. At the beginning of each fiscal year the target level is recalculated by finance staff to meet changing demands.

**Table 5: Reserve Funds**

Priority Ranking	Reserve Fund Description	Target Level (Moderate)	Current Balance	(Deficit)/ Surplus
1	Operating Reserve	\$ 6,550,000	\$ 1,349,500	\$ (5,200,500)
2	Capital Repair and Replacement/System Improvement Reserve	2,150,000	123,676	(2,026,324)
3	Equipment Replacement Reserve	500,000	137,595	(362,405)
4	Rate Stabilization Reserve	350,000	337,833	(12,167)
5	Water Transfer Reserve	1,750,000	51,154	(1,698,846)
6	Emergency Reserve	4,470,000	545,920	(3,924,080)
	<b>Total</b>	<b>\$ 15,770,000</b>	<b>\$ 2,545,678</b>	<b>\$ (13,224,322)</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.

**H. BUDGET ADJUSTMENTS**

IWA finished FY 2016-17 with revenues and expenditures consistent with the adopted budget, a \$2,372,014 surplus. Staff is recommending the transfers of the budget surplus from the Operating Fund balances, excluding Drought Rate Penalties, to the Reserve for Operating Contingency and the Rate Stabilization Fund.

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

Operating Reserve

Increase Fund Balance:  
 010-0000-275-00-00 Reserve for Operating Contingency \$2,300,000

Decrease Fund Balance:  
 010-0000-273-00-00 Retained Earnings \$2,300,000

Rate Stabilization Reserve

Increase Operating Transfers Out  
 010-0000-471-81-01 \$ 72,014

Decrease Fund Balance:  
 010-0000-273-00-00 Retained Earnings \$ 72,014

Increase Operating Transfers In  
 013-0000-386-81-01 Reserve for Rate Stabilization \$ 72,014

Increase Fund Balance:  
 013-0000-273-00-00 Retained Earnings \$ 72,014

**Recommended Motion:** *That the Board directs the Finance Department to adjust appropriations as follows:*

Increase appropriations:		
010-4725-534.62-10	Capital Outlay Non-Building	\$301,980
Expected offset:		
010-0000-273.00-00	Assigned Fund Balance	\$301,980

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

Indio Water Authority  
 Revenue & Expenditure Summary-Operating Fund  
 Quarter Ending September 30, 2017

REVENUES	Revenue through		Variance			
	9/30/2016	9/30/2017	FY 2017 vs. 2018	Percentage Change	Budget FY 2018	Percentage FY 2017/18
<b>Operating Revenue</b>						
Water Utility Payments	5,001,701	5,543,139	541,438	10.8%	19,045,000	29.1%
Drought Rate Penalties	902,629	-	(902,629)	0.0%	-	0.0%
Other Operating						
Penalties, 10% delinquent fee	78,953	69,905	(9,048)	-11.5%	275,000	25.4%
Water Meters	13,184	31,984	18,800	142.6%	150,000	21.3%
Backflow Charges	77,709	77,354	(355)	-0.5%	300,000	25.8%
Fire Protection Charges	36,050	36,640	590	1.6%	140,000	26.2%
Replenish Assessment Charge	366,963	402,012	35,049	9.6%	1,254,000	32.1%
Charges for Services	68,550	81,832	13,282	19.4%	249,000	32.9%
Establishment Fee	16,340	16,160	(180)	-1.1%	60,000	26.9%
Reimbursements/Recovery of Labor	5,617	9,183	3,566	63.5%	5,392,275	0.2%
<b>Total Operating Revenue</b>	<b>6,567,696</b>	<b>6,268,209</b>	<b>(299,487)</b>	<b>-4.6%</b>	<b>26,865,275</b>	<b>23.3%</b>
<b>Non-Operating Revenue</b>						
Interest Earnings	332	1,283	951	286.4%	60,000	2.1%
Transfers In	-	-	-	0%	45,000	0.0%
<b>Total Non-Operating Revenue</b>	<b>332</b>	<b>1,283</b>	<b>951</b>	<b>286.4%</b>	<b>105,000</b>	<b>1.2%</b>
<b>Total Revenues</b>	<b>6,568,028</b>	<b>6,269,492</b>	<b>(298,536)</b>	<b>-4.5%</b>	<b>26,970,275</b>	<b>23.2%</b>
EXPENDITURES	Expenditures through		Variance			
	9/30/2016	9/30/2017	FY 2017 vs. 2018	Percentage Change	Budget FY 2018	Percentage FY 2017/18
<b>Personnel</b>						
Salary and Benefits	1,105,620	1,128,048	22,428	2.0%	5,338,440	21.1%
<b>Total Personnel</b>	<b>1,105,620</b>	<b>1,128,048</b>	<b>22,428</b>	<b>2.0%</b>	<b>5,338,440</b>	<b>21.1%</b>
<b>Services and Supplies</b>						
Legal	-	36	36	0.0%	60,000	0.1%
Professional/Contract Services	153,465	151,595	(1,870)	-1.2%	2,186,515	6.9%
Regulatory/Government Agency	257,811	286,767	28,956	11.2%	1,425,000	20.1%
Utilities	133,540	294,684	161,144	120.7%	1,600,000	18.4%
Outside Repair & Maintenance	104,015	88,929	(15,086)	-14.5%	357,625	24.9%
Travel & Training	2,213	12,480	10,267	463.9%	73,600	17.0%
Dues and Subscriptions	4,571	5,173	602	13.2%	38,700	13.4%
Postage Freight	28,389	15,952	(12,437)	-43.8%	126,500	12.6%
Conservation Programs	232,546	52,149	(180,397)	-77.6%	1,000,000	5.2%
Advertising	-	13	13	#DIV/0!	15,000	0.1%
Cell Phones/Pagers	2,465	3,430	965	39.1%	19,500	17.6%
Taxes	-	-	-		0	0.0%
Rents/Leases	3,339	915	(2,424)	-72.6%	12,000	7.6%
Printing and Software	5,833	25,949	20,116	344.9%	89,000	29.2%
Water Meters & Small Tools/Equip.	267,609	10,093	(257,516)	-96.2%	595,000	1.7%
Supplies & Safety Equipment	4,135	58,064	53,929	1304.2%	33,800	171.8%
Chemical Lab	19,742	13,028	(6,714)	-34.0%	160,000	8.1%
Contingency	-	-	-	0.0%	100,000	0.0%
Internal Service Funds	370,635	329,043	(41,592)	-11.2%	1,484,531	22.2%
Transfer Out	2,050	150,000	147,950	0.0%	150,000	100.0%
<b>Total Services and Supplies</b>	<b>1,592,358</b>	<b>1,498,301</b>	<b>(94,057)</b>	<b>-5.9%</b>	<b>9,526,771</b>	<b>15.7%</b>
<b>Total Operations</b>	<b>2,697,978</b>	<b>2,626,349</b>	<b>(71,629)</b>	<b>-2.7%</b>	<b>14,865,211</b>	<b>17.7%</b>



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

Continuation of Report:

25% of Year Elapsed

EXPENDITURES	Expenditures through		Variance			
	9/30/2016	9/30/2017	FY 2017 vs. 2018	Percentage Change	Budget FY 2018	Percentage FY 2017/18
<b>Capital Outlay</b>						
Equipment	25,482	51,456	25,974	101.9%	1,091,580	4.7%
Projects	-	220,461	220,461	0.0%	6,084,775	3.6%
<b>Total Capital Outlay</b>	<b>25,482</b>	<b>271,917</b>	<b>246,435</b>	<b>101.9%</b>	<b>7,176,355</b>	<b>3.8%</b>
<b>Total Operations and Capital Outlay</b>	<b>2,723,460</b>	<b>2,898,267</b>	<b>174,807</b>	<b>6.4%</b>	<b>22,041,566</b>	<b>13.1%</b>
<b>Debt Service</b>						
Interest - Revenue Bonds	1,138,218	1,122,598	(15,620)	-1%	2,259,588	50%
Principal - Revenue Bonds	-	-	-	0.0%	1,890,000	0%
<b>Total Debt Service</b>	<b>1,138,218</b>	<b>1,122,598</b>	<b>(15,620)</b>	<b>-1.4%</b>	<b>4,149,588</b>	<b>27%</b>
<b>Total Operations, Capital Outlay and Debt Service</b>	<b>3,861,678</b>	<b>4,020,865</b>	<b>159,187</b>	<b>4.1%</b>	<b>26,191,154</b>	<b>15.4%</b>

**ATTACHMENT B: FIRST QUARTER BUDGET RECAP**

IWA 1ST QUARTER BUDGET RECAP FY 2016-2017  
 THROUGH SEPTEMBER 30, 2017 (3 MONTHS, 25%)  
 SUMMARY REPORT

25% of Year Elapsed

<b>Revenue</b>	<b>Budget FY 17/18</b>	<b>Through 9/30/2017</b>	<b>% Earned</b>
Water Sales	19,045,000	5,543,139	29%
Meter and Service Fees	7,820,275	725,070	9%
Drought Rate Penalites	-	-	
Non-Operating Revenue	105,000	1,283	1%
<b>Total Revenue</b>	<b>26,970,275</b>	<b>6,269,492</b>	<b>23.2%</b>

<b>Expenditures</b>	<b>Budget FY 17/18</b>	<b>Through 9/30/2017</b>	<b>% Spent</b>
Salary and Benefits	5,338,440	1,128,048	21%
Legal	60,000	36	0%
Professional/Contract Services/Software	2,186,515	151,595	7%
Regulatory/Government Agency	1,425,000	286,767	20%
Utilities	1,600,000	294,684	18%
Outside Repair & Maintenance	357,625	88,929	25%
Travel & Training	73,600	12,480	17%
Dues and Subscriptions	38,700	5,173	13%
Postage Freight	126,500	15,952	13%
Conservation Programs	1,000,000	52,149	5%
Advertising	15,000	13	0%
Cell Phones/Pagers	19,500	3,430	18%
Rents/Leases	12,000	915	8%
Printing	89,000	25,949	29%
Water Meters & Small Tools/Equip.	595,000	10,093	2%
Supplies & Safety Equipment	33,800	58,064	172%
Chemical Lab	160,000	13,028	8%
Contingency	100,000	-	0%
<b>Internal Service Funds</b>	<b>1,484,531</b>	<b>329,043</b>	<b>22%</b>
<b>Transfer Out</b>	<b>150,000</b>	<b>150,000</b>	<b>100%</b>
<b>Capital Outlay</b>	<b>7,176,355</b>	<b>271,917</b>	<b>4%</b>
<b>Total Operations &amp; Capital Outlay</b>	<b>22,041,566</b>	<b>2,898,267</b>	<b>13.1%</b>
<b>Debt Service</b>	<b>4,149,588</b>	<b>1,122,598</b>	<b>27.1%</b>
<b>Total Operations, Capital Outlay and Debt Service</b>	<b>26,191,154</b>	<b>4,020,865</b>	<b>15.4%</b>

<b>Projected Revenue Over Expenditures (+/ -)</b>	<b>779,122</b>	<b>2,248,627</b>
---	----------------	------------------

**ATTACHMENT C: DROUGHT RATE PENALTIES**

Indio Water Authority  
Drought Rate Penalties  
Quarter Ending September 30, 2017

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
4th Quarter FY 16-17 (Apr-Jun)	146,442
Total Penalties Collected	<u>\$ 3,794,341.00</u>
<b>Public Out Reach</b>	
Drought Penalty Outreach -Vehicle	22,516
Customer Portal/AMI Outreach	20,919
Water Conservation Education	115,394
Public Outreach Subtotal	<u>158,828</u>
<b>Conservation Rebates</b>	
Flyer Development-Evaporative Coolers	1,110
Evaporative Coolers Rebate Program	1,000
Toilet Rebates	255,605
Washing Machine Rebates	10,950
Landscape Rebate Program	301,665
Conservation Rebates Subtotal	<u>570,330</u>
<b>Customer Portal / Website</b>	
Implementation	42,748
Customer Portal/Website Subtotal	<u>42,748</u>
<b>Advanced Metering Infrastructure</b>	
Implementaion (Phases 1 & 2) FY2017	1,217,971
Implementaion (Phases 3 & 4) FY2018	1,804,464
Advanced Metering Infrastructure Subtotal	<u>3,022,435</u>
<b>Unappropriated funds - total</b>	<u><u>\$ (0)</u></u>