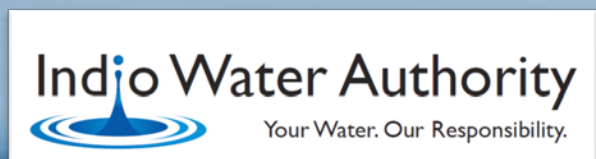




# Indio Water Authority Quarterly Financial Report

**Fiscal Year 2017-18  
Mid-Year Report**

**February 6, 2018**



**Mark Scott**  
Executive Director



**Brian Macy**  
General Manager

February 6, 2018

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

***SUBJECT: FY 2017-18 Mid-Year Budget Report***

Commissioners:

The attached budget report focuses on the financial performance of IWA for the second quarter of FY 2017-18, which runs from October 1, 2017 through December 31, 2017. The 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.

Total water revenues from all sources for the second quarter came in at \$11.7 million, or 43.4 percent of the total revenue budget. When compared to the prior year, revenues from water sales increased by 12.1 percent. Revenues from service fees and charges increased by 18 percent, and revenue from investments increased by \$13,646. The increase in water sales is mostly due to increases in water consumption after the drought, and water rates increases implemented in January 2017. Temperatures reached 90 degrees or above for 25 of the 92 days in the quarter.

Total operating expenditures for the second quarter totaled \$7.7 million, which represents 29 percent of the total expenditure budget. Expenditures from salaries and benefits were on target at 46.7 percent of the budget. Expenditures for services and supplies came in at 34 percent of the budget. Capital outlay and debt service expenditures were at 9 percent and 27.2 percent of the budget respectively.

With a projected budget surplus of \$384,224 for the fiscal year, the IWA will continue to monitor expenditures to manage costs and provide adequate resources to ensure reliable water supply, adequate debt service coverage, and healthy financial reserves. As part of this responsibility IWA also proactively monitors state water supplies. On January 3, 2018, the California Department of Water Resources (DWR) reported that a dry December has produced below average snowpack levels during their annual measurement. The December snowpack levels measured Snow Water Equivalent (SWE) at just 0.4 inches of the expected

11.3 inches. SWE is the depth of water that theoretically would result if the entire snowpack melted instantaneously. The state receives approximately 30 percent of its total water supply from snowpack run off. According to the DWR the measurement is a disappointing start to 2018, but it is far too early to draw conclusions about what kind of wet season the state will experience this year. Historically, December through February is when most snow falls in the state. The IWA will continue to monitor this situation and will update the Board if the need for concern materializes.

To help our customers continue to conserve water where possible, there are still numerous indoor and outdoor rebate opportunities available that customers can take advantage of, including: turf removal, irrigation upgrades, smart controllers, low flow toilets, water efficient washing machines. 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 will be providing audited financial statements for FY 2016-17 at the end of January 2018, which will affirm IWA's robust financial performance and strong internal control structure.

IWA is looking forward to continued sustainable financial growth in the next six months of the fiscal year. An 8 percent water rate increase is effective January 1, 2018; this is the last scheduled increase for the current rate structure adopted in 2014. The rate increase is expected to increase revenue from water sales. IWA management is optimistic that the fiscal year will end with a surplus that will continue to grow operating reserves.

Included attachments:

ATTACHMENT A – FY 2017-18 Mid-Year Revenue and Expenditure Summary

ATTACHMENT B – Mid-Year Budget Recap

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

Respectfully Submitted,



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Mark Scott  
Executive Director



Indio Water Authority  
Quarterly Financial Report

**Fiscal Year 2017-18  
Mid-Year Report**

February 6, 2018  
Prepared by Indio Water Authority

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**A. QUARTERLY FINANCIAL IMPACTS**


As shown in the highlights below, total water revenue from all sources at the end of the second quarter came in at \$11,685,988, which is \$1,192,329 or 11.4% higher than the same period last year. The increase in revenue is mostly due to increases in water consumption and an 8 percent increase in water rates. For comparison purposes \$1,879,910 of drought rates penalties collected in the prior year is excluded. The IWA stopped collecting drought rate penalties in the fourth quarter of FY 2016-17.

This report focuses on the financial performance of IWA for the second quarter of FY 2017-18, which runs from October 1, 2017 through December 31, 2017.

Total operating expenditures came in at \$7,711,636, or 29 percent of the total budget. This amount is 3.8 percent lower than the amount recorded in the previous fiscal year.

Total revenue for the second quarter exceeded expenditures by \$3,974,353. With two quarters of the year complete, we typically expect actuals in both revenue and expenditures to be between 30 to 50 percent of the budget. The revenues are within the projected threshold. The expenditure budget variance is most likely due to the timing of when invoices are received and paid.

**Mid-Year Financial Highlights\***

 FY17/18 Adjusted Budget	FY17/18 2nd Quarter Actual	Percent Earned/ Spent	FY16/17 2nd Quarter Actual	Increase / (Decrease)	% Change	
Total Revenues	\$26,975,275	\$11,685,988	43.3%	\$10,493,659	\$1,192,329	11.4%
Total Expenditures	26,586,052	7,711,636	29.0%	8,015,549	(303,913)	-3.8%
Projected Revenue over Expenditures (+/-)	\$389,223	\$3,974,352		\$2,478,110	\$1,496,242	

\*Drought Rate Penalties collected in FY16-17 are excluded for comparison purposes

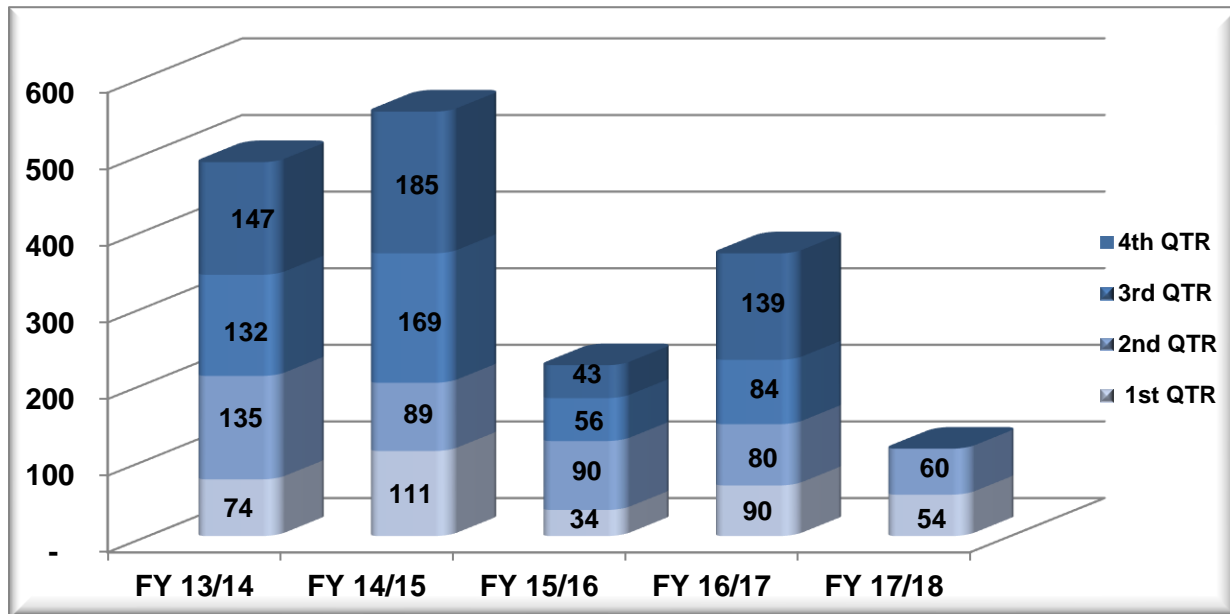
**B. CUSTOMER GROWTH**

At the beginning of FY 2017-18, IWA had 22,737 customers and added 114 new customers for a current total 22,851. The average number of customers added in the second quarter over the last 5 years is 91. 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.

Residential development has been showing some movement recently due to an improving economy and low interest rates. Commercial development is also showing improvement. One example of this growth is the Homewood Suites Hotel that is currently under construction in North Indio. IWA infrastructure is in place to meet ongoing water demands and will continue to be evaluated as demand for water resources increases.

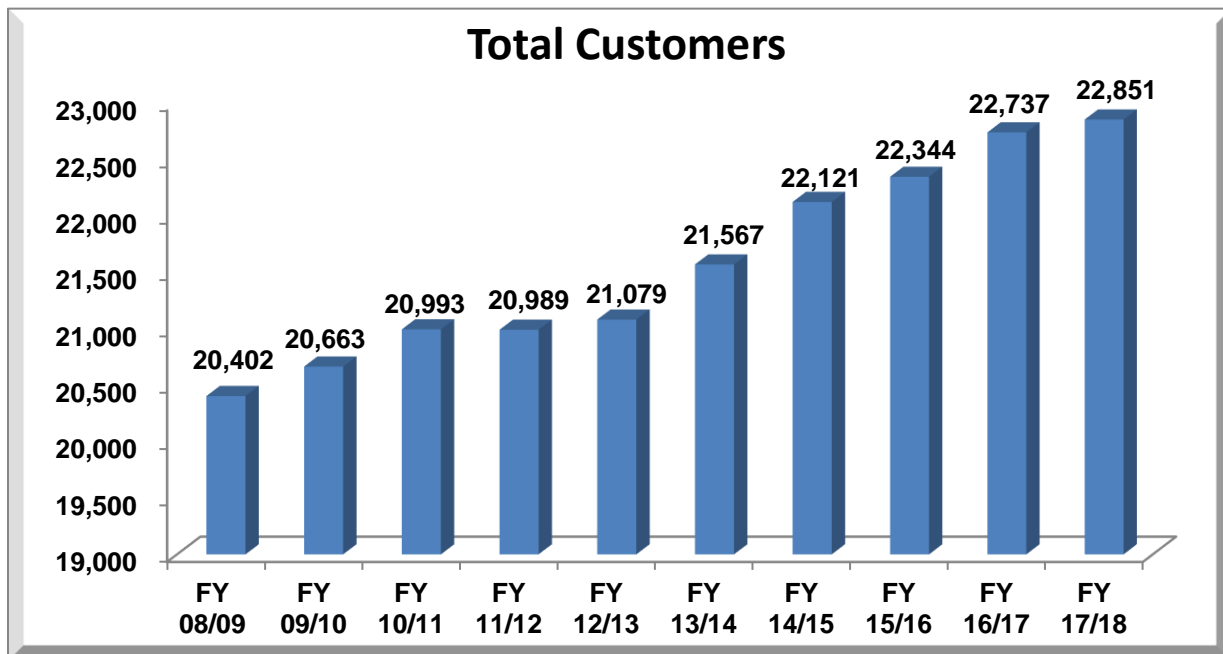
Chart 1 reflects IWA's quarterly customer growth over the past five (5) fiscal years.

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



Over the last ten years, IWA customer base increased by 2,938 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 in the second quarter totaled \$11,685,988 or 43.4 percent of the total revenue budget.

#### *Operating Revenue – Water Sales*

Second quarter operating revenue from water sales, which consists of revenue based on water usage, is \$10,225,428, an increase of \$1,103,229, or 12.1 percent when compared to the second quarter of FY 2016-17 (Attachment B).

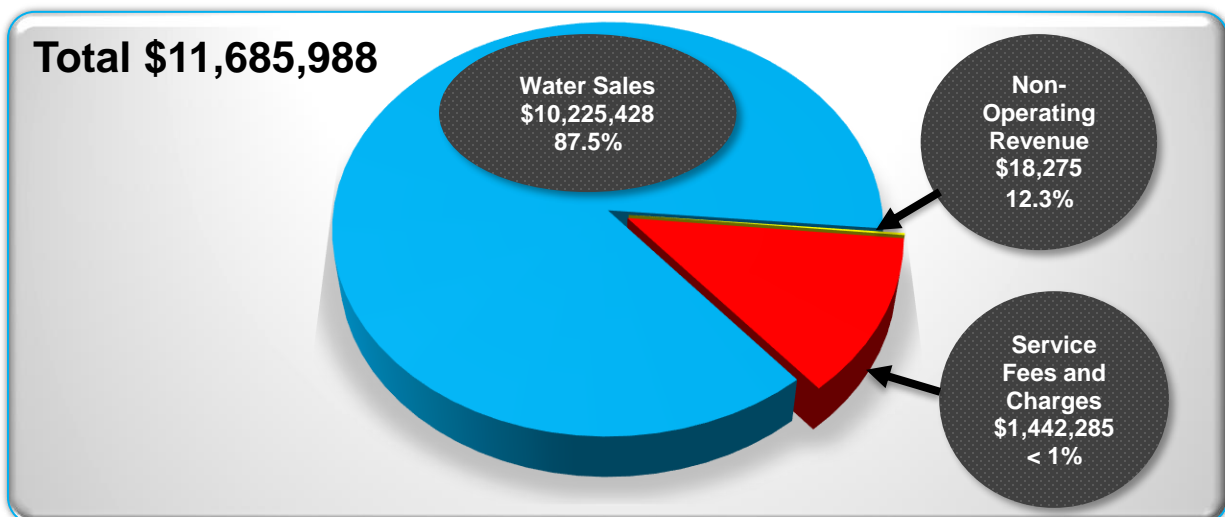
#### *Operating Revenue – Meters and Service Fee Revenue*

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 \$1,442,285, an increase of \$51,621, or 3.8 percent when compared to the second quarter of FY 2016-17 (Attachment B).

#### *Non-Operating Revenue*

In the second quarter investment income yielded \$18,275, an increase of \$13,646 compared to FY 2016-17. The IWA maintains a diversified investment portfolio to limit interest risk. One of the ways that the IWA manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments (Attachment B).

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





There is a direct correlation between water usage and temperature. According to Accuweather.com, temperatures reached 90 degrees or above for 25 of the 92 days in the second quarter.

Chart 4 below lists second quarter water sales over the last five years by month. Water sales for the month of October averaged \$1,345,507 over five consecutive years. October 2017 water sales were \$1,499,927 compared to \$1,445,966 in October 2016. This is a \$53,961, or 3.7 percent increase from the prior year. The average high temperature in October 2017 was 93 degrees, and the average low was 69 degrees.

Water sales for the month of November averaged \$1,392,699 over five consecutive years. The water sales in November 2017 were \$1,670,955 compared to \$1,354,945 in November 2016. This is a \$316,010, or 23.3 percent increase from the prior year. The average high temperature in November 2017 was 82 degrees and the average low was 60 degrees.

Water sales in the month of December averaged \$1,253,380 over five consecutive years. The water sales in December 2017 were \$1,511,407 compared to \$1,319,588 in December 2016. This is a \$191,819, or 14.5 percent increase from the prior year. The average high temperature in December 2017 was 74 degrees and the average low was 49 degrees.

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

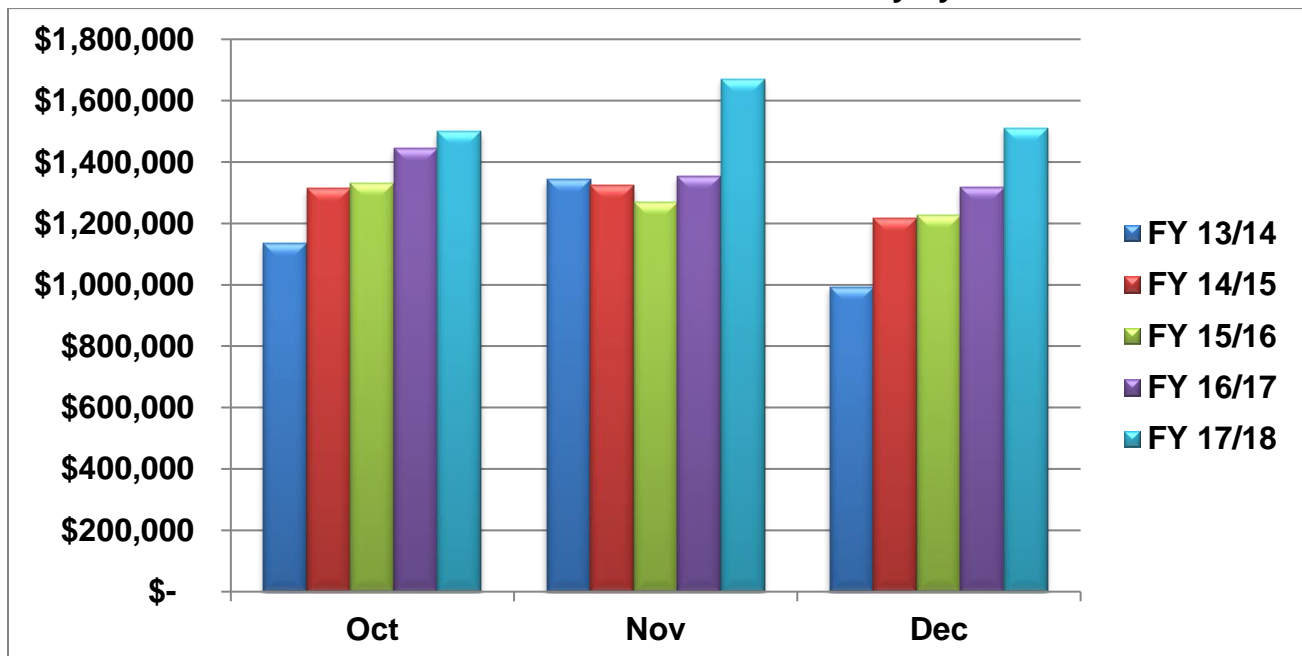
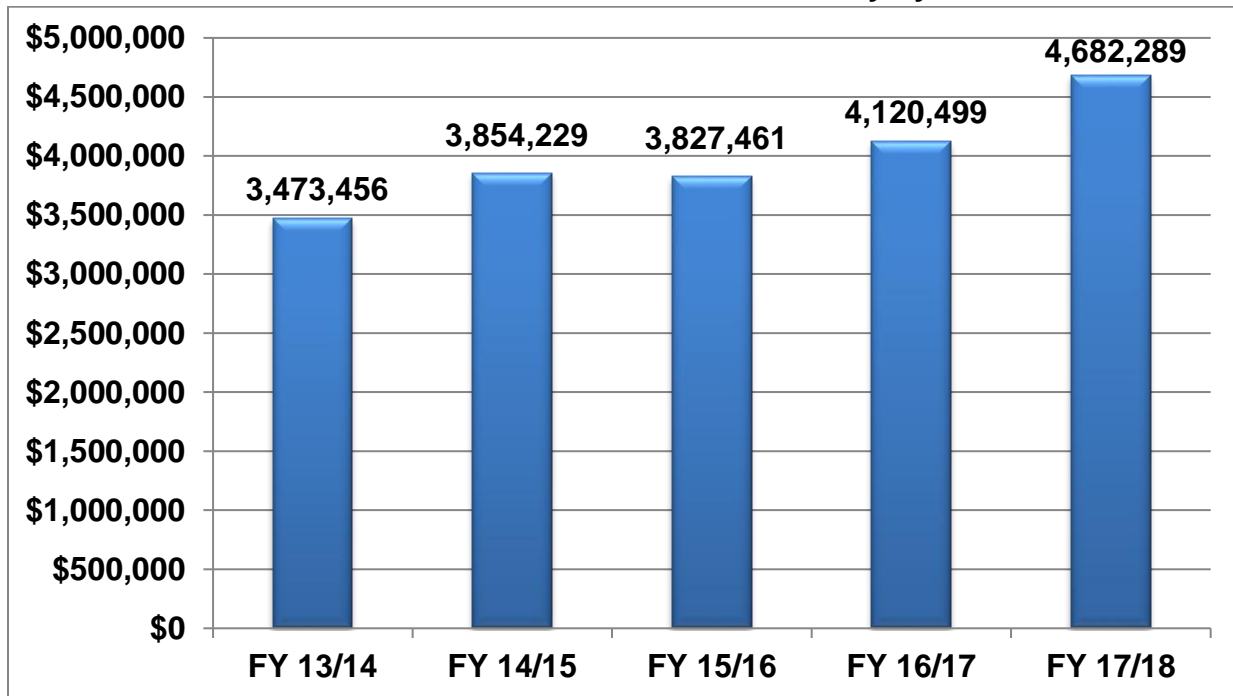


Chart 5 below lists first quarter total water sales over the last five years by year. Water sales in the second quarter over the last five years averaged \$3,991,587. Total water sales for the second quarter were \$4,682,289 compared to \$4,120,499 in the prior fiscal year. This is a \$561,790, or 13.6 percent increase.

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

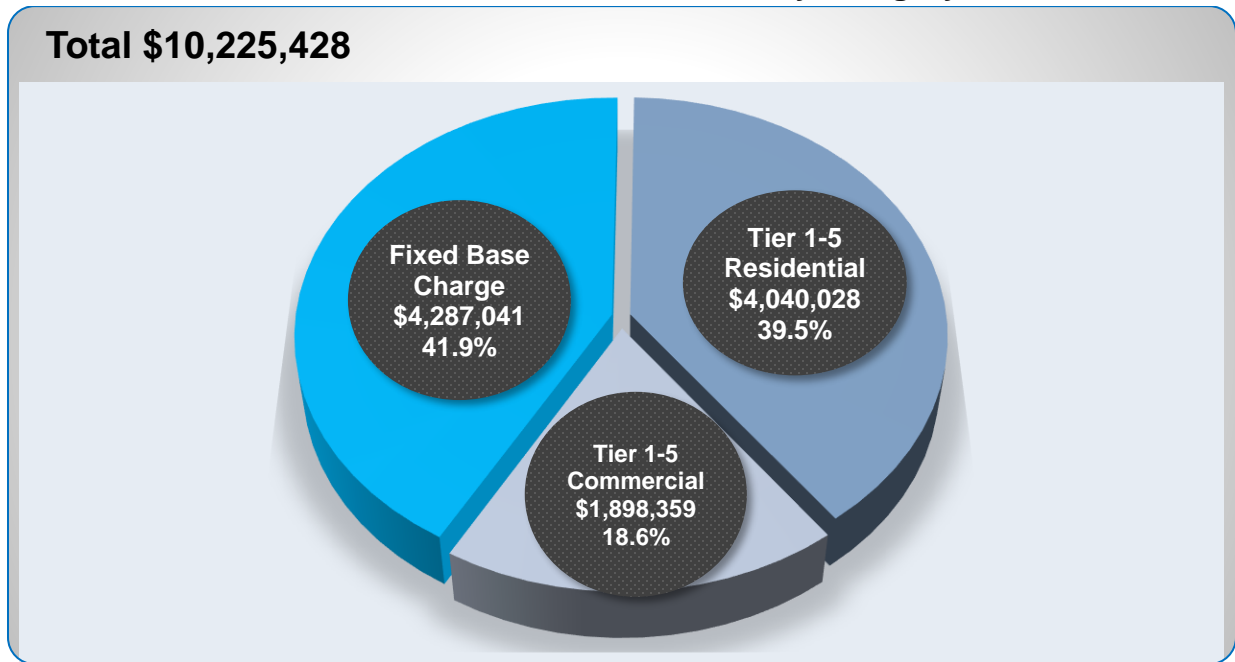


In January 2014, the IWA adopted Budget-tiered Rates for residential and commercial customer classes that range from Tier 1 through Tier 5 and a Fixed Base Charge based on meter size. In January of each year, these rates increase 8 percent until the year 2018.

A budget tiered rate system helps strengthen financial stability while accounting for every IWA customer's unique water needs. Each customer is given a personalized water budget based upon individual factors such lot size, property use and size of household. The rates for customers that remain within their budget will be lower, rewarding customers for using water wisely. Those who exceed their water budgets will pay a slightly higher rate for excess water use.

Chart 6 below second quarter water sales are listed by category. Water revenue earned through fixed based charges totaled \$4,287,041 compared to \$4,103,849 in the prior year. This is a \$183,192, 4.5 percent increase from the prior year. Fixed base charges were 41.9 percent of the total water sales revenue for the second quarter. Fixed base charges are calculated based on meter size. See Table A below for current fixed base rates.

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



Water sales earned through Residential Budget-Tiered Rates 1-5 totaled \$4,040,028 compared to \$3,342,388 in the prior year. This is a \$697,640, or a 21 percent increase from the prior year. Residential Tier Rate 1-5 charges are 39.5 percent of the total water sales revenue for the second quarter. See Table B below for current rates.

Water sales earned through Commercial Budget-Tiered Rates 1-5 totaled \$1,898,359 compared to \$1,675,962 in the prior year. This is a \$222,397 or, a 13 percent increase from the prior year. Commercial Budget Tiered-Rate 1-5 charges are 18.6 percent of the total water sales revenue for the second quarter. See Table B below for current rates.

**Table A.**

Fixed Fee FY 17/18 (dollars per month)									
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"
All Customer Classes	\$19.59	\$19.59	\$48.98	\$97.97	\$156.72	\$293.87	\$489.78	\$979.51	\$1,567.23

**Table B.**

Volumetric Rates FY 17/18 (dollars per HCF)					
Customer Class	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
SFR, SFR+ and MFR	\$0.97	\$1.46	\$1.95	\$2.92	\$3.89
CII, IRR, and SPEC	\$1.31		\$1.95	\$2.92	\$3.89

**D. OPERATING FUND EXPENDITURES**

The FY 2017-18 operating expenditure budget includes \$5,338,440 in salaries and benefits, \$9,376,770 for services and supplies, \$7,499,239 for capital outlay, \$4,149,588 for debt service, and \$222,014 for transfers out to other funds. Table 1 indicates operating fund expenditures were 29 percent of the budget, or \$7,711,635 through the end of the second quarter.

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

Operating Fund Expenditures-By Category	Budget FY 2017-18	Actual 12/31/17	% of Budget
Salaries and Benefits	\$5,338,440	\$2,495,698	46.7%
Services and Supplies	9,376,770	3,190,866	34.0%
Capital Outlay	7,499,239	675,088	9.0%
Debt Service	4,149,588	1,127,969	27.2%
Transfer Out	222,014	222,014	100%
<b>Total Expenditures</b>	<b>\$26,586,051</b>	<b>\$7,711,635</b>	<b>29.0%</b>

Total operating expenditures decreased by a total of \$303,914, or 3.8 percent from FY 2016-17 (see Attachment A). The decrease in expenditures was driven by less capital outlay expenditures than in the prior year.


**Salary and Benefits**

Salary and benefit expenditures through the end of the second quarter were \$2,495,698 or 46.7 percent of the budget as shown in Table 1. The decrease of \$46,633 in salaries and benefits was approximately 1.8 percent less than in the prior year. The decrease can be attributed to unfilled positions.

**Services and Supplies**

Second quarter service and supplies expenditures are \$3,190,866 or 34 percent of the budget. 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 12/31/17	% of Budget
 Commission	\$10,500	-	0.0%
Administration	2,847,491	963,594	33.8%
Production	2,651,672	967,540	36.5%
Transmission & Distribution	1,142,528	474,417	41.5%
Finance & Customer Service	816,152	380,486	46.6%
Information Technology	519,454	267,351	51.5%
Engineering & Water Quality	1,388,973	137,478	9.9%
<b>Total Expenditures</b>	<b>\$9,376,770</b>	<b>\$3,190,866</b>	<b>34.0%</b>

Administration

In the second 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 other divisions. Some of the highlights of the second quarter include:

- Completion and submission of the Annual Water Loss Audit Report to the California Department of Water Resources as required by SB 555
- Internal team-building and strategic planning session to build on the 2015 Strategic Plan and shape the future
- Facilitation of the update process for the Coachella Valley Integrated Regional Water Management Plan and Storm Water Resources Plan
- Engagement and participation in regional water management issues relating to compliance with the Sustainable Groundwater Management Act of 2014

Conservation

While some of the drought restrictions have been relaxed, prohibitions on water waste remain in effect. 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. IWA's 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.

Even in times of no drought, customers are conserving water, which saves money and ensures the long-term health of our aquifer. From October through December 2017, IWA customers saved over 180 million gallons of water compared to the same time in 2013, thereby equating to a 12 percent reduction in water use.

Highlights of the conservation program for October through December 2017 include:

- Rolled out a new Communications and Outreach Plan for the next year
- Created IWA's first Facebook and Twitter accounts
- College and Career Day Speaker at Indio Middle School
- Contract renewed with CV Strategies for one year
- Contract renewed with CineMedia through March 22, 2018
- Facilitated the first Water Counts Academy in partnership with the other local water agencies at UCR-PD Campus
- Facilitated water conservation presentations to hundreds of students within the Desert Sands Unified School District
- 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
- Facilitated a presentation and hosted a booth at the Desert Garden Community Day at UCR-PD
- Hosted a booth at the State of the City and the Tamale Festival
- Facilitated presentations to HOA's regarding the State's permanent restrictions
- Disseminated water conservation posters in every school located in Indio
- Created the first of several videos regarding IWA services

#### 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 collected over 543 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. As part of IWA's backflow program, staff tested 482 backflow prevention devices in IWA's water system including new installations and provided 37 letters to customers as a result of failed backflow inspections.

Provided 2017 Water Quality data for Total Dissolved Solids (TDS) and Nitrates (NO<sub>3</sub>) on IWA wells for the Coachella Valley Salt Nutrient Management Plan as part of the Groundwater Sustainable Agency for the Indio Sub-basin (Coachella). The information will be used in the development of a salt nutrient plan in meeting the requirements of the State Recycled Water Policy.

Assisted Finance/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.

### 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, Finance and Customer Division and external consultants to optimize IWA's Chromium-6 treatment facilities. On October 11, 2017, IWA received an approved permit amendment from the Division of Drinking Water (DDW) permitting IWA to change the operational status of ten wells from standby to active. By ruling dated May 31, 2017, the *Superior Court of Sacramento County* invalidated the MCL of 10 µg/L for Cr VI, stating that the state failed to properly consider the economic feasibility of complying with the MCL. The MCL of 50 µg/L for total chromium remains in effect. Total chromium measures both trivalent and hexavalent chromium in water and does not identify how much of either type exists. IWA staff has activated wells that did not require maintenance, but is currently working with consultants and contractors to perform repairs on two (2) of the ten (10) wells.

### Transmission Distribution

During the second 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.

Quarter Highlights include:

- 3,811 work orders were completed; an average of 317 per week or 63 work orders per day
- 16 water services were repaired and replaced
- 236 valve exercises were performed to maintain water quality
- 4 water main shutdowns were requested for repair work and new connections.
- Staff attended the Water Loss Technical Assistance Program (Water Loss TAP) and participated in technical presentations on subjects to bring urban water suppliers into compliance of California SB555 by submitting annual validated water audit.
- Performed over 9 manual, 26,904 Automated Meter Reading (AMR) and 42,813 Advance Metering Infrastructure (AMI) 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 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.
- Filled open accountant, senior account technician, and account technician I positions through internal recruitment.
- 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.
- Attended vendor presentation on new financial system.
- Completed AB1600 reporting requirements to the Building Industry Association and the Desert Valley Building Association.
- Started design and planning phase of improved customer call center.
- Updated new water rates in the utility module to ensure smooth January 2018 roll-out.



**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 second 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 switch 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
- Database cleanup freeing necessary server space

**Capital Outlay**

Capital Outlay includes the purchase of new capital equipment, and infrastructure maintenance projects not part of the Capital Improvement Program. Currently, there are no reportable financial issues within this department budget group.

The \$7,499,239 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 12/31/17	% of Budget
 Administration	-	-	0.0%
Production	1,130,000	201,458	17.8%
Transmission & Distribution	6,329,239	449,459	7.1%
Finance & Customer Service	-	-	0.0%
Information Technology	40,000	24,171	0.0%
Engineering & Water Quality	-	-	0.0%
<b>Total Expenditures</b>	<b>\$7,499,239</b>	<b>\$675,088</b>	<b>9.0%</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. second quarter internal service expenses total \$657,975, or 44.3 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. Vehicles and equipment are inspected daily and IWA’s Finance staff reviews a comprehensive list of equipment with depreciation schedules and replacement costs monthly. Reliable vehicles and equipment ensure the safety and dependability of IWA’s daily operations for effective emergency response. At the end of the second quarter for FY 2017-18, the balance of this fund is \$283,859. Total budgeted expenses are \$111,925 for FY 2017-18. There has been \$4,140 of expenditures through the second quarter. There is a request to the Board to increase the budget in this fund by \$78,356 in the budget adjustment section of this report listed below.

**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 \$2,863,980 are highlighted in Table 4 below.

**Table 4: Capital Projects Expenditures**

Capital Projects Expenditures		Budget FY 2017-18	Actual 12/31/17	% of Budget
	Water Bond	301,980	-	0.0%
	Supplemental Water Fee	1,292,000	-	0.0%
	Water Development Fee	1,270,000	253,901	20.0%
	<b>Total Expenditures</b>	<b>2,863,980</b>	<b>253,901</b>	<b>8.9%</b>

2015 Water Bond

The Chromium 6 treatment facility project is scheduled to be completed by the end of FY2017-18. Engineering continues to make progress with the completion of this project.

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 development and long-term, water supply development. There was no expenditure activity recorded in this fund for the second 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 second quarter expenditures totaled \$253,901.

**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	\$ 3,649,500	\$ (2,900,500)
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	350,000	-
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>\$ 4,857,845</b>	<b>\$ (10,912,155)</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 fund reserves to projected target levels.

#### **H. BUDGET ADJUSTMENTS**

Staff is recommending an increase in budget appropriations to purchase two 2018 Ford Explorer replacement vehicles. These vehicles will be replacing two 2006 General Motors hybrid pickup trucks. These vehicles continue to break down and parts for the hybrid systems are now becoming obsolete. Considering the age and condition of these vehicles, it has been recommended by the Fleet Services Manager to replace these vehicles.

***Recommended Motion:*** That the Board directs the IWA Finance and Customer Service Department to adjust appropriations as follows:

Increase appropriations:		
011-4713-471.63-10	Capital Outlay/Vehicles	\$78,356
Expected offset:		
011-0000-273.00-00	Assigned Fund Balance	\$78,356

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

Indio Water Authority  
 Revenue & Expenditure Summary-Operating Fund  
 Quarter Ending December 31, 2017

REVENUES	Revenue through		50% of Year Elapsed			
	12/31/2016	12/31/2017	FY	Percentage	Budget	Percentage
			2017 vs. 2018	Change	FY 2018	FY 2017/18
<b>Operating Revenue</b>						
Water Utility Payments	9,122,199	10,225,428	1,103,229	12.1%	19,045,000	53.7%
Drought Rate Penalties	1,879,910	-	(1,879,910)	0.0%	-	0.0%
Other Operating						
Penalties, 10% delinquent fee	160,077	150,356	(9,721)	-6.1%	275,000	54.7%
Water Meters	33,612	61,629	28,017	83.4%	150,000	41.1%
Backflow Charges	154,767	156,068	1,301	0.8%	300,000	52.0%
Fire Protection Charges	72,370	73,910	1,540	2.1%	145,000	51.0%
Replenish Assessment Charge	637,641	702,257	64,616	10.1%	1,254,000	56.0%
Charges for Services	128,212	181,680	53,468	41.7%	249,000	73.0%
Establishment Fee	30,600	30,722	122	0.4%	60,000	51.2%
Reimbursements/Recovery of Labor	153,385	85,663	(67,722)	-44.2%	5,387,275	1.6%
<b>Total Operating Revenue</b>	<b>12,372,773</b>	<b>11,667,713</b>	<b>(705,060)</b>	<b>-5.7%</b>	<b>26,865,275</b>	<b>43.4%</b>
<b>Non-Operating Revenue</b>						
Interest Earnings	4,629	18,275	13,646	294.8%	60,000	30.5%
Transfers In	-	-	-	0%	45,000	0.0%
<b>Total Non-Operating Revenue</b>	<b>4,629</b>	<b>18,275</b>	<b>13,646</b>	<b>294.8%</b>	<b>105,000</b>	<b>17.4%</b>
<b>Total Revenues</b>	<b>12,377,402</b>	<b>11,685,988</b>	<b>(691,414)</b>	<b>-5.6%</b>	<b>26,970,275</b>	<b>43.3%</b>

EXPENDITURES	Expenditures through		Variance			
	12/31/2016	12/31/2017	FY	Percentage	Budget	Percentage
			2017 vs. 2018	Change	FY 2018	FY 2017/18
<b>Personnel</b>						
Salary and Benefits	2,542,330	2,495,697	(46,633)	-1.8%	5,338,440	46.7%
<b>Total Personnel</b>	<b>2,542,330</b>	<b>2,495,697</b>	<b>(46,633)</b>	<b>-1.8%</b>	<b>5,338,440</b>	<b>46.7%</b>
<b>Services and Supplies</b>						
Legal	10,000	12,180	2,180	0.0%	60,000	20.3%
Professional/Contract Services	523,197	399,972	(123,225)	-23.6%	2,186,515	18.3%
Regulatory/Government Agency	580,367	656,720	76,353	13.2%	1,425,000	46.1%
Utilities	638,173	655,010	16,837	2.6%	1,600,000	40.9%
Outside Repair & Maintenance	183,899	82,550	(101,349)	-55.1%	357,625	23.1%
Travel & Training	17,483	37,176	19,693	112.6%	73,600	50.5%
Dues and Subscriptions	27,762	28,714	952	3.4%	38,700	74.2%
Postage Freight	57,702	59,718	2,016	3.5%	126,500	47.2%
Conservation Programs	411,257	95,091	(316,166)	-76.9%	1,000,000	9.5%
Advertising	-	613	613	0.0%	15,000	4.1%
Cell Phones/Pagers	9,130	8,506	(624)	-6.8%	19,500	43.6%
Rents/Leases	8,054	65,217	57,163	709.7%	12,000	543.5%
Printing and Software	12,618	108,596	95,978	760.6%	89,000	122.0%
Water Meters & Small Tools/Equip.	629,159	85,274	(543,885)	-86.4%	595,000	14.3%
Supplies & Safety Equipment	10,724	198,784	188,060	1753.6%	33,800	588.1%
Chemical Lab	38,900	38,770	(130)	-0.3%	160,000	24.2%
Contingency	-	-	-	0.0%	100,000	0.0%
Internal Service Funds	741,271	657,976	(83,295)	-11.2%	1,484,531	44.3%
Transfer Out	154,058	222,014	67,956	0.0%	222,014	100.0%
<b>Total Services and Supplies</b>	<b>4,053,754</b>	<b>3,412,881</b>	<b>(640,873)</b>	<b>-15.8%</b>	<b>9,598,785</b>	<b>35.6%</b>
<b>Total Operations</b>	<b>6,596,084</b>	<b>5,908,578</b>	<b>(687,506)</b>	<b>-10.4%</b>	<b>14,937,225</b>	<b>39.6%</b>

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

Continuation of Report:

50% of Year Elapsed

EXPENDITURES	Expenditures through		Variance			
	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>FY 2017 vs. 2018</u>	<u>Percentage Change</u>	<u>Budget FY 2018</u>	<u>Percentage FY 2017/18</u>
<b>Capital Outlay</b>						
Equipment	281,247	675,088	393,841	140.0%	1,091,580	61.8%
Projects	-	-	-	0.0%	6,407,659	0.0%
<b>Total Capital Outlay</b>	<b>281,247</b>	<b>675,088</b>	<b>393,841</b>	<b>140.0%</b>	<b>7,499,239</b>	<b>9.0%</b>
<b>Total Operations and Capital Outlay</b>	<b>6,877,331</b>	<b>6,583,666</b>	<b>(293,665)</b>	<b>-4.3%</b>	<b>22,436,464</b>	<b>29.3%</b>
<b>Debt Service</b>						
Interest - Revenue Bonds	1,138,218	1,127,969	(10,249)	-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>1,127,969</b>	<b>(10,249)</b>	<b>-0.9%</b>	<b>4,149,588</b>	<b>27%</b>
<b>Total Operations, Capital Outlay and Debt Service</b>	<b>8,015,549</b>	<b>7,711,636</b>	<b>(303,914)</b>	<b>-3.8%</b>	<b>26,586,052</b>	<b>29.0%</b>

**ATTACHMENT B: FIRST QUARTER BUDGET RECAP**

IWA 2nd QUARTER BUDGET RECAP FY 2017-2018  
 THROUGH DECEMBER 31, 2017 (6 MONTHS, 50%)  
 SUMMARY REPORT

50% of Year Elapsed

<b>Revenue</b>	<b>Budget FY 17/18</b>	<b>Through 12/31/2017</b>	<b>% Earned</b>
Water Sales	19,045,000	10,225,428	54%
Meter and Service Fees	7,820,275	1,442,285	18%
Drought Rate Penalites	-	-	0%
Non-Operating Revenue	105,000	18,275	17%
<b>Total Revenue</b>	<b>26,970,275</b>	<b>11,685,988</b>	<b>43.3%</b>

<b>Expenditures</b>	<b>Budget FY 17/18</b>	<b>Through 12/31/2017</b>	<b>% Spent</b>
Salary and Benefits	5,338,440	2,495,697	47%
Legal	60,000	12,180	20%
Professional/Contract Services/Software	2,186,515	399,972	18%
Regulatory/Government Agency	1,425,000	656,720	46%
Utilities	1,600,000	655,010	41%
Outside Repair & Maintenance	357,625	82,550	23%
Travel & Training	73,600	37,176	51%
Dues and Subscriptions	38,700	28,714	74%
Postage Freight	126,500	59,718	47%
Conservation Programs	1,000,000	95,091	10%
Advertising	15,000	613	4%
Cell Phones/Pagers	19,500	8,506	44%
Rents/Leases	12,000	65,217	543%
Printing	89,000	108,596	122%
Water Meters & Small Tools/Equip.	595,000	85,274	14%
Supplies & Safety Equipment	33,800	198,784	588%
Chemical Lab	160,000	38,770	24%
Contingency	100,000	-	0%
<b>Internal Service Funds</b>	<b>1,484,531</b>	<b>657,976</b>	<b>44%</b>
<b>Transfer Out</b>	<b>222,014</b>	<b>222,014</b>	<b>100%</b>
<b>Capital Outlay</b>	<b>7,499,239</b>	<b>675,088</b>	<b>9%</b>
<b>Total Operations &amp; Capital Outlay</b>	<b>22,436,464</b>	<b>6,583,666</b>	<b>29.3%</b>
<b>Debt Service</b>	<b>4,149,588</b>	<b>1,127,969</b>	<b>27.2%</b>
<b>Total Operations, Capital Outlay and Debt Service</b>	<b>26,586,052</b>	<b>7,711,636</b>	<b>29.0%</b>

<b>Projected Revenue Over Expenditures (+/ - )</b>	<b>384,224</b>	<b>3,974,352</b>
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