



Indio Water Authority Quarterly Financial Report

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

May 1, 2018



Mark Scott
Executive Director



Brian Macy
General Manager

May 1, 2018

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

SUBJECT: FY 2017-18 Third Quarter Budget Report

Commissioners:

The attached budget report focuses on the financial performance of IWA for the third quarter of FY 2017-18, which runs from January 1, 2018 through March 31, 2018. IWA's annual budget provides a structural balance between revenues and expenditures in order to maintain fiscal stability. The budget also forecast 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 third quarter came in at \$16.7 million, or 62 percent of the total revenue budget. When compared to the prior year, revenues from water sales increased by 16.3 percent. Revenues from service fees and charges increased by 6.7 percent, and revenue from investments increased by \$46,158. The increase in water sales can be attributed to the following factors:

- An 8 percent water rate increase on January 1, 2018
- Combined residential and commercial account growth of 266 new accounts
- More accurate meter reading and less water loss due to Advanced Metering Infrastructure (AMI) implementation and meter replacements
- Increased outdoor irrigation due to very little measurable rainfall and warmer temperatures

Total operating expenditures for the third quarter totaled \$14.6 million, which represents 54.7 percent of the total expenditure budget. Expenditures from salaries and benefits were on target at 70.3 percent of the budget. Expenditures for services and supplies came in at 54.2 percent of the budget. Capital outlay and debt service expenditures were at 17.8 percent and 99.8 percent of the budget respectively. IWA is on target to complete the fiscal year with the projected budget surplus of \$269,223.

There will always be challenges to managing water costs internally and externally for our customers. Despite opposition from water agencies and the majority of Californians, Governor Jerry Brown and the State Legislature are pushing forward with a new statewide drinking water tax to provide funding for noncompliant systems. Formerly in Senate Bill 623, the enacting language is now contained in a Budget Trailer Bill, which will be considered sometime before June 15, 2018, when the state budget will be adopted. If enacted, it will increase the lowest IWA customer bill by about \$1 per month, which IWA will then transfer to Sacramento. Closer home, the Coachella Valley Water District is proposing an increase to the replenishment assessment charge (RAC), effectively July 1, 2018. The RAC is a pass-through charge on IWA bills and if the rate increase is approved, it will add approximately \$0.34 or 34 cents to customer bills per year to a typical residential customer. The legislative and regulatory environment for water is rapidly changing in California along with the cost implications.

IWA is looking forward to continuing sustainable financial growth in the last three months of the fiscal year and Management is optimistic that the fiscal year will end with a surplus that will continue to grow operating reserves. IWA will continue to monitor expenditures to manage costs and provide adequate resources to ensure reliable water supplies, debt service coverage, and the increasing of financial reserves.

Included attachments:

ATTACHMENT A – FY 2017-18 Third Quarter Revenue and Expenditure Summary

ATTACHMENT B – Third Quarter Budget Recap

IT IS RECOMMENDED that the Board receive and file this report along with Attachments A, and B, 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
Third Quarter
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May 1, 2018
Prepared by Indio Water Authority

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A. QUARTERLY FINANCIAL IMPACTS

This report focuses on the financial performance of IWA for the Third quarter of FY 2017-18, which runs from January 1, 2018 through March 31, 2018. For comparison purposes, \$2,359,281 of drought rates penalties collected in the prior fiscal year is excluded; drought rate penalties collection was discontinued in the fourth quarter of FY 2016-17.


As shown in the highlights below, total water revenue from all sources at the end of the third quarter came in at \$16,734,549, which is \$2,224,239 or 15.3% higher than the same period last year. The increase in water sales revenue is mostly attributed to the following factors:

- An 8 percent water rate increase on January 1, 2018
- Combined residential and commercial account growth of 266 new accounts
- Increase in demand and consumption arising from returning seasonal residents
- More accurate meter reading and less water loss due to Advanced Metering Infrastructure (AMI) implementation and meter replacements
- Increased outdoor irrigation due to very little measurable rainfall and warmer temperatures

Total operating expenditures came in at \$14,595,230, or 54.7 percent of the total budget. This amount is 2.3 percent higher than the amount recorded in the previous fiscal year.

Total revenue for the third quarter exceeded expenditures by \$2,139,317. With three quarters of the year complete, we typically expect actuals in both revenue and expenditures to be between 50 to 75 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 3rd Quarter Actual	Percent Earned/ Spent	FY16/17 3rd Quarter Actual	Increase / (Decrease)	% Change
Total Revenues	\$26,975,275	\$16,734,547	62.0%	\$14,510,308	\$2,224,239	15.3%
Total Expenditures	26,706,052	14,595,230	54.7%	14,273,160	322,070	2.3%
Projected Revenue over Expenditures (+/-)	\$269,223	\$2,139,317		\$237,148	\$1,902,169	

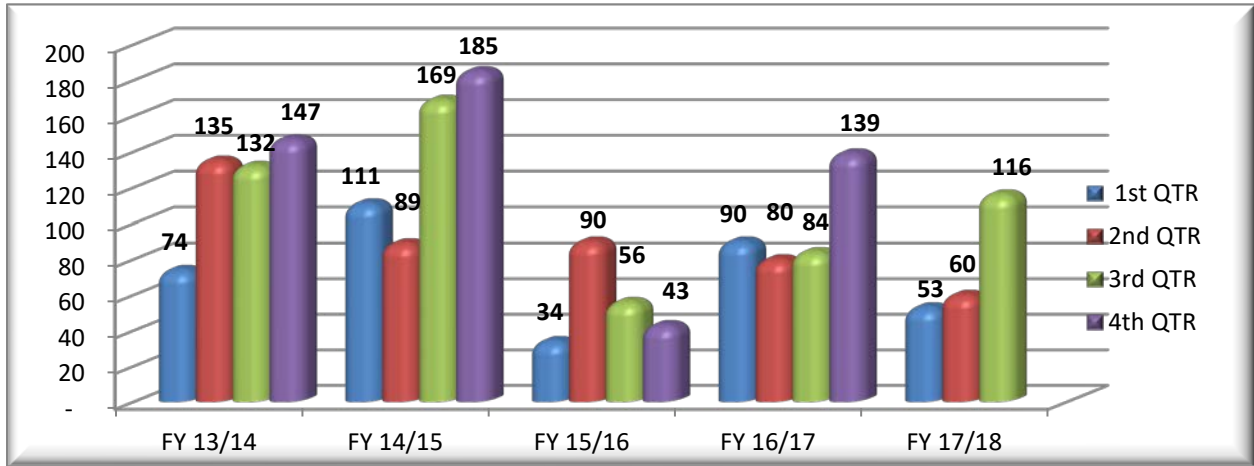
B. CUSTOMER GROWTH

At the beginning of FY 2017-18, IWA had 22,737 customers and added 266 new customers for a current total 23,003. The average number of customers added in the third quarter over the last 5 years is 119. 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.

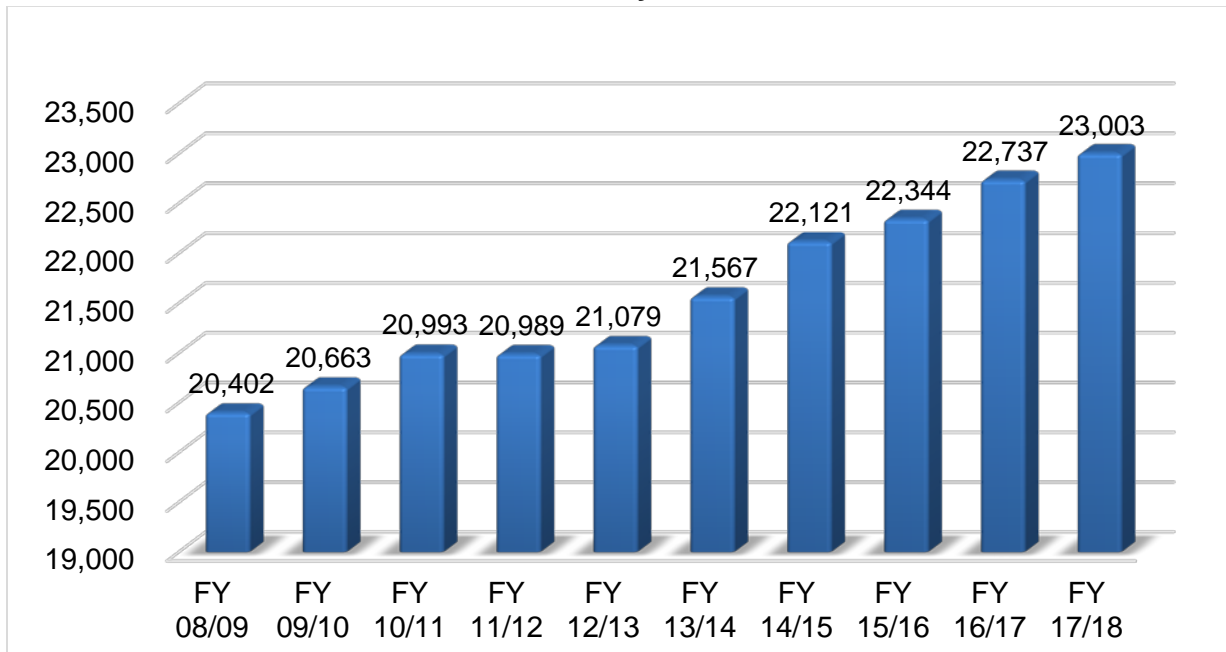
Chart 1 reflects IWA's quarterly customer growth over the past five (5) fiscal years.

Chart 1: Customer Growth Each Quarter by Fiscal Year



Over the last ten years, IWA customer base increased by 3,090 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 first three quarters totaled \$16,734,547 or 62 percent of the total revenue budget.

Operating Revenue – Water Sales

Third quarter operating revenue from water sales, which consists of revenue based on water usage, is \$14,627,099, an increase of \$2,049,503, or 16.3 percent when compared to the first three quarters of FY 2016-17 (Attachment A).

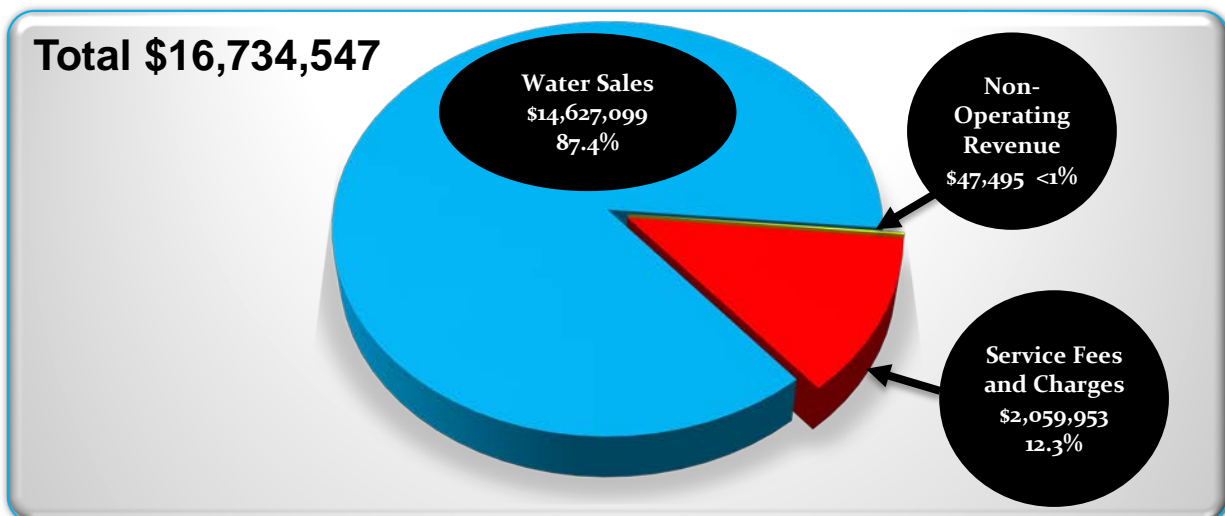
Operating Revenue – Meters and Service Fee Revenue

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 \$2,059,953, an increase of \$128,578, or 6.7 percent when compared to the first three quarters of FY 2016-17 (Attachment A).

Non-Operating Revenue

Over the first three quarters investment income yielded \$47,495, an increase of \$46,158 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

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 4 of the 90 days in the third quarter.

Chart 4 below lists second quarter water sales over the last five years by month. Water sales for the month of January averaged \$1,191,274 over five consecutive years. January 2018 water sales were \$1,442,034 compared to \$1,142,601 in January 2017. This is a \$299,433, or 26.2 percent increase from the prior year. The average high temperature in January 2018 was 76 degrees, and the average low was 51 degrees.

Water sales for the month of February averaged \$1,127,651 over five consecutive years. The water sales in February 2018 were \$1,437,640 compared to \$1,133,792 in February 2017. This is a \$303,848, or 26.8 percent increase from the prior year. The average high temperature in February 2018 was 74 degrees and the average low was 51 degrees.

Water sales in the month of March averaged \$1,266,225 over five consecutive years. The water sales in March 2018 were \$1,521,996 compared to \$1,179,003 in March 2017. This is a \$342,993, or 29.1 percent increase from the prior year. The average high temperature in March 2018 was 79 degrees and the average low was 58 degrees.

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

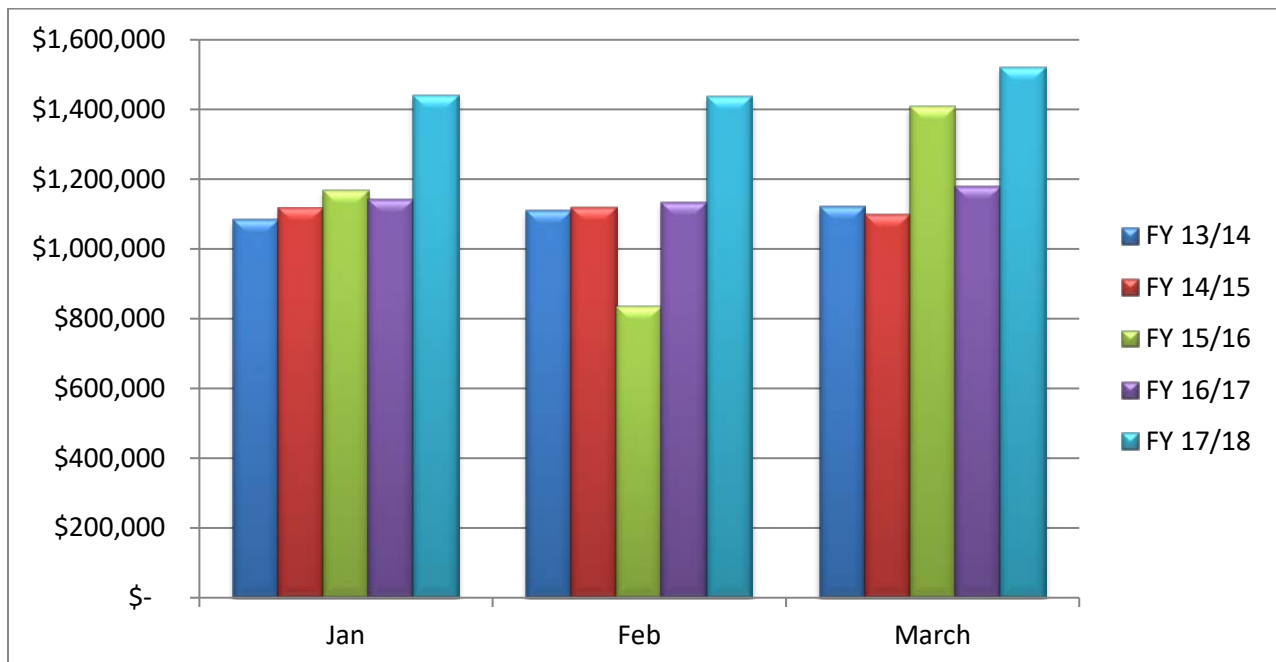
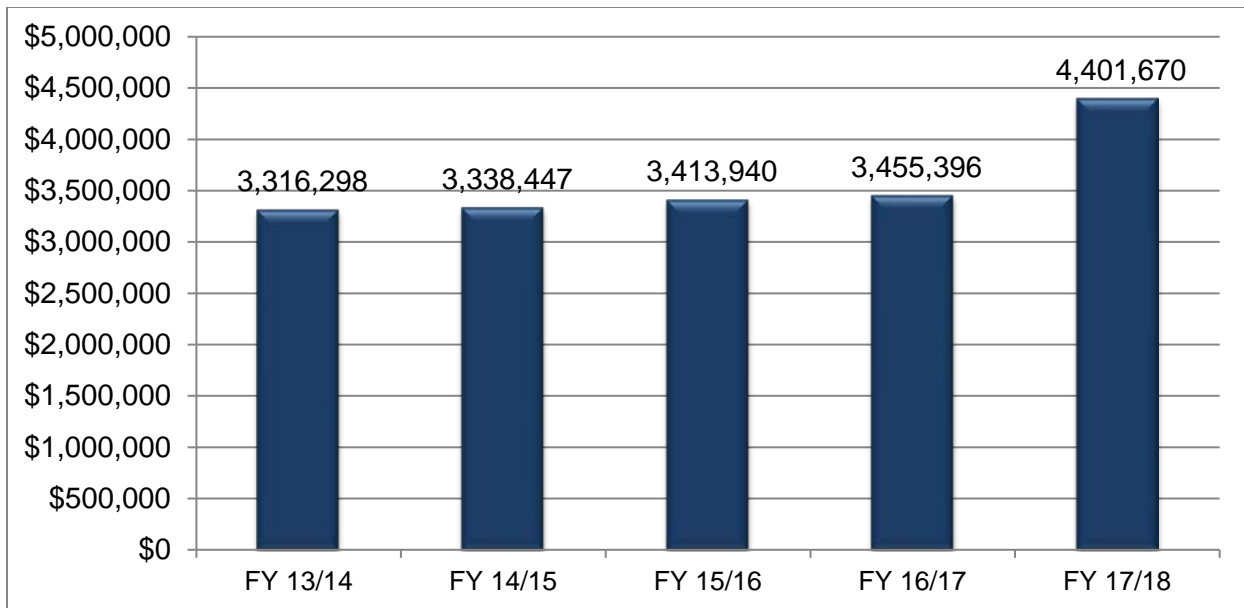


Chart 5 below lists third quarter total water sales over the last five years by year. Water sales in the third quarter over the last five years averaged \$3,585,150. Total water sales for the third quarter were \$4,401,670 compared to \$3,455,396 in the prior fiscal year. This is a \$946,274, or 27.4 percent increase.

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

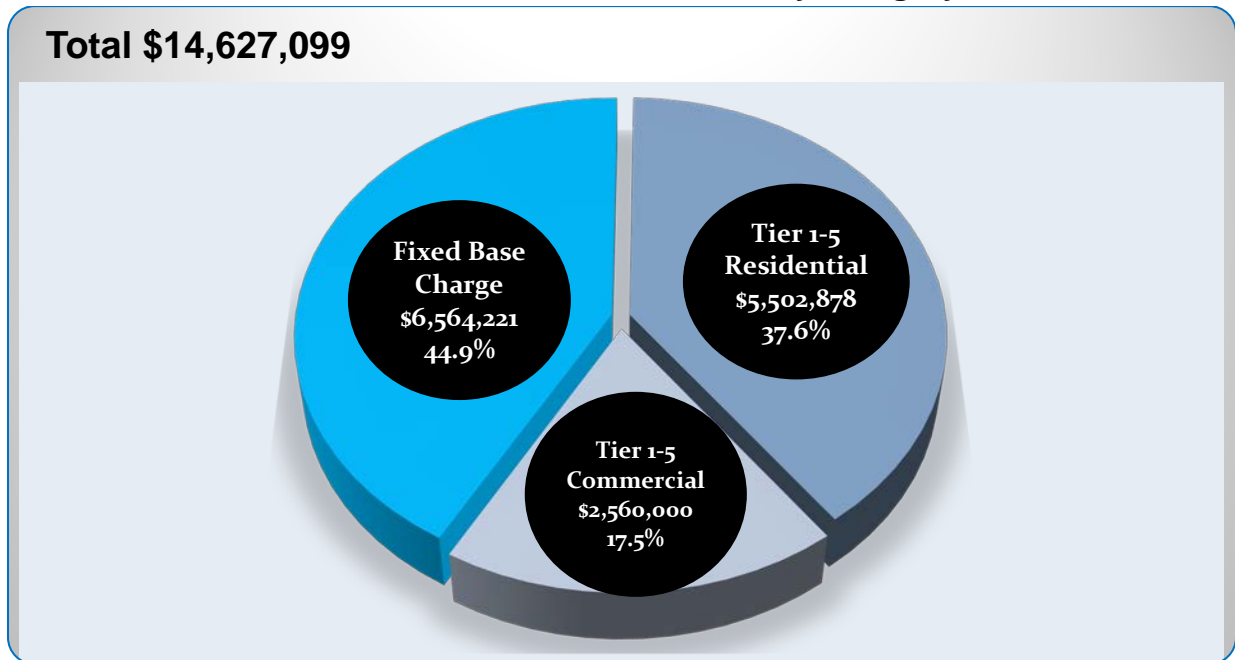


In January 2014, the IWA adopted Budget-tiered Rates for residential and commercial customer classes that range from Tier 1 through Tier 5 and a Fixed Base Charge based on meter size. In January of each year, these rates increase 8 percent until the year 2018.

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 third quarter water sales are listed by category. Water revenue earned through fixed based charges totaled \$6,564,221 compared to \$6,178,318 in the prior year. This is a \$385,903, 6.2 percent increase from the prior year. Fixed base charges were 44.9 percent of the total water sales revenue for the third 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 \$5,502,878 compared to \$4,329,794 in the prior year. This is a \$1,173,084, or a 27 percent increase from the prior year. Residential Tier Rate 1-5 charges are 37.6 percent of the total water sales revenue for the third quarter. See Table B below for current rates.

Water sales earned through Commercial Budget-Tiered Rates 1-5 totaled \$2,560,000 compared to \$2,069,485 in the prior year. This is a \$490,515 or, a 24 percent increase from the prior year. Commercial Budget Tiered-Rate 1-5 charges are 17.5 percent of the total water sales revenue for the third 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, \$9,476,771 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 54.7 percent of the budget, or \$14,595,230 through the end of the third quarter.

Table 1: Operating Fund Expenditures - by Category

Operating Fund Expenditures-By Category		Budget FY 2017-18	Actual 03/31/17	% of Budget
	Salaries and Benefits	\$5,338,440	\$3,754,093	70.3%
	Services and Supplies	9,496,771	5,144,724	54.2%
	Capital Outlay	7,499,239	1,332,636	17.8%
	Debt Service	4,149,588	4,141,763	99.8%
	Transfer Out	222,014	222,014	100%
	Total Expenditures	\$26,706,052	\$14,595,230	54.7%

Total operating expenditures increased by a total of \$322,070, or 2.3 percent from FY 2016-17 (see Attachment A). The increase in expenditures was driven by higher capital outlay expenditures than in the prior year.


Salary and Benefits

Salary and benefit expenditures through the end of the third quarter were \$3,754,093 or 70.3 percent of the budget as shown in Table 1. The increase of \$94,393 in salaries and benefits was approximately 2.6 percent more than in the prior year. The increase can be attributed to merit increases.

Services and Supplies

Third quarter service and supplies expenditures are \$5,144,724 or 54.2 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 03/31/17	% of Budget
 Administration/Commission	2,857,991	1,452,473	50.8%
Production	2,651,672	1,475,452	55.6%
Transmission & Distribution	1,142,528	854,772	74.8%
Finance & Customer Service	816,152	645,178	79.1%
Information Technology	519,454	399,029	76.8%
Engineering & Water Quality	1,388,973	317,820	22.9%
Total Expenditures	\$9,376,770	\$5,144,724	54.9%

Administration

In the third 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 third quarter include:

- Worked with Human Resources to address staffing issues, including the upgrade of the Manager of Engineering and Senior Water Engineer positions and filling several vacancies.
- Internal consultation and planning for employee development and recognition as a continuation of the Strategic Planning process.
- Facilitation of the update process for the Coachella Valley Integrated Regional Water Management Plan and Storm Water Resources Plan under the auspices of the Coachella Valley Regional Water Management Group.
- Preparation of the Annual Report for the Indio Sub-Basin in accordance with the Sustainable Groundwater Management Act (SGMA).
- Legislative engagement to address IWA’s legislative priorities and trip by the Board President and General Manager to Washington D.C. during the week of February 26 for the ACWA DC Legislative Conference.

- Administration of the \$5.2 million Proposition 84, Round 3 grant; at the end of the third, 91% of the grant amount has been billed to the California Department of Water Resources.

Expenditures are within budget at the end of the third quarter and we anticipate ending the fiscal year within budget. The major activities planned for the fourth quarter include the preparation of the FY 18-19 Operating and Capital Improvement Budget and managing the process for the Water Master Plan update and Long Range Financial Planning.

Conservation

Some of the prohibitions on wasteful water use practices that were put in place on a temporary basis during the drought are common sense measures that should apply at all times. After all, water is a precious and finite resource that should never be wasted. California droughts are becoming more frequent and persistent, as warmer winter temperatures driven by climate change reduce water held in the Sierra Nevada snowpack and result in drier soil conditions. To increase our resilience to future droughts, Californians must use water more wisely and efficiently.

A proposed regulation would advance the California Water Action Plan, which laid the roadmap to Make Water Conservation a California Way of Life. Therefore, wasteful water practices that are proposed to be 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 January through March 2018, IWA customers saved over 135 million gallons of water compared to the same time in 2013, thereby equating to a 10 percent reduction in water use.

Highlights of the conservation program for January through March 2018 include:

- Created lobby cards for groundwater and the web portal
- Created pocket guides for leaks, web portal, groundwater, and tap water

- Facilitated the second 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 presentations to HOA's on various topics
- Produced and finalized four videos regarding: the web portal, valve turning, main replacement, and hydrant flushing
- Assisted and approved DSUSD's landscape projects
- Created bill inserts
- Facilitated the CV Water Counts contract

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 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 several backflow prevention devices in IWA's water system including new installations and provided letters to customers for failed backflow inspections.

Provided 2017 Water Quality data for Total Dissolved Solids (TDS) and Nitrates (NO₃) 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.

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, Finance and Customer Division and external consultants to optimize IWA's Chromium-6 treatment facilities. In addition, the Relining Plant 2 and Plant 3A Reservoir project is 90% complete. The project entails; coating the interior of the steel tanks, design, fabrication and installation of 36-inch by 72-inch flush cleanouts at each reservoir so the reservoirs can easily be flushed out during future maintenance. Preventative and predictive maintenance projects such as this enable a highly reliable operation of IWA's facilities and extend the useful life of assets. As a public water purveyor, IWA is required by the State Division of Drinking Water to maintain its reservoirs in good condition, and clean and inspect all its water storage tanks at least once every 5-years. For the steel reservoirs, the primary method of preventing steel corrosion is epoxy coating; in addition, cathodic protection is used as secondary means to control corrosion. In general, preventative maintenance is more cost effective than deferring maintenance until structural repairs and/or complete replacement become necessary. Furthermore, IWA continues to work with consultants and contractors to perform repairs on two (2) wells.

Transmission Distribution

During the third 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:

- 2,816 work orders were completed; an average of 317 per week or 63 work orders per day
- 29 water services were repaired and replaced
- 401 valve exercises were performed to maintain water quality
- 5 water main shutdowns were requested for repair work and new connections.
- Performed over 9 manual, 25,343 Automated Meter Reading (AMR) and 44,565 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 third 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 two Accounting Technician II positions through internal recruitment.
- Filled two Customer Service Technician positions.
- Completed first phase of new customer service area.
- Completed RFP for Long-Range Financial Plan.
- Completed policy on how to process uncashed checks

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 third quarter of FY 17-18 include:


- Improvements of server backup systems to ensure data integrity and availability.
- Support for plant and well site video surveillance systems.
- Updates to server and network monitoring systems to improve alerting and trend analysis capabilities on critical IT systems.
- Continued work on virtual infrastructure to improve performance and provide capacity for immediate needs.
- Provide support for various IT projects including the new web portal and Advanced Metering Infrastructure.

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 (AMI) 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 03/31/17	% of Budget
 Administration	-	-	0.0%
Production	1,130,000	789,096	69.8%
Transmission & Distribution	6,329,239	509,736	8.1%
Finance & Customer Service	-	1,907	0.0%
Information Technology	40,000	31,897	79.7%
Engineering & Water Quality	-	-	0.0%
Total Expenditures	\$7,499,239	\$1,332,636	17.8%

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. Third quarter internal service expenses total \$1,315,950, or 88.6 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. Total budgeted expenses are \$190,281 for FY 2017-18. There has been \$190,277 of expenditures through the third quarter.

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 03/31/17	% 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%
	Total Expenditures	2,863,980	253,901	8.9%

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. A prior year purchase order for \$306,758 was not approved in the current budget. There is a request to the Board to increase the budget in this fund to cover the unbudgeted purchase order.

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 third 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 requirements.

Table 5: Reserve Funds

Priority Ranking	Reserve Fund Description	Target Level (Moderate)	Current Balance	(Deficit)/ Surplus
1	Operating Reserve	\$ 6,550,000	\$ 3,709,347	\$ (2,840,653)
2	Capital Repair and Replacement/System Improvement Reserve	2,150,000	98,318	(2,051,682)
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)
	Total	\$ 15,770,000	\$ 4,892,334	\$ (10,877,666)

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 cover an unbudgeted purchase order for geological mapping services at Posse Park. The funds required to cover this purchase order are available from Supplemental Water Supply fund balance.

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

Increase appropriations:		
015-4713-400.22-90	Contractual Services	\$306,758
Expected offset:		
015-0000-273.00-00	Assigned Fund Balance	\$306,758

Staff reviews the balances in the various reserve funds on a periodic basis to ensure that progress is being made towards each calculated target level. It was noted during

the periodic review that the Rate Stabilization Reserve was over funded by \$59,847. Staff would like to transfer the excess amount to Fund 10 Operating Reserves.

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

Increase appropriations:

013-0000-400.81-01	Transfer Out	\$59,847
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Expected offset:

013-0000-273-0000	Reserved Fund Balance	\$59,847
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Increase estimated revenue:

010-0000-386-8101	Transfer In	\$59,847
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Expected offset:

010-0000-274-0000	Reserved Fund Balance	\$59,847
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ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Indio Water Authority
 Revenue & Expenditure Summary - Operating Fund
 Quarter Ending March 31, 2018

REVENUES	Revenue through		75% of Year Elapsed Variance			
	3/31/2017	3/31/2018	FY 2017 vs. 2018	Percentage Change	Budget FY 2018	Percentage FY 2017/18
Operating Revenue						
Water Utility Payments	12,577,596	14,627,099	2,049,503	16.3%	19,045,000	76.8%
Drought Rate Penalties	2,359,281	-	(2,359,281)	0.0%	-	0.0%
Other Operating						
Penalties, 10% delinquent fee	217,345	225,238	7,893	3.6%	275,000	81.9%
Water Meters	56,843	101,843	45,000	79.2%	150,000	67.9%
Backflow Charges	232,540	234,363	1,823	0.8%	300,000	78.1%
Fire Protection Charges	108,690	111,750	3,060	2.8%	145,000	77.1%
Replenish Assessment Charge	819,918	949,007	129,089	15.7%	1,254,000	75.7%
Charges for Services	199,076	289,694	90,618	45.5%	249,000	116.3%
Establishment Fee	44,440	45,700	1,260	2.8%	60,000	76.2%
Reimbursements/Recovery of Labor	252,523	102,358	(150,165)	-59.5%	5,392,275	1.9%
Total Operating Revenue	16,868,252	16,687,052	(181,200)	-1.1%	26,870,275	62.1%
Non-Operating Revenue						
Interest Earnings	1,337	47,495	46,158	3452.4%	60,000	79.2%
Transfers In	-	-	-	0%	45,000	0.0%
Total Non-Operating Revenue	1,337	47,495	46,158	3452.4%	105,000	45.2%
Total Revenues	16,869,589	16,734,547	(135,042)	-0.8%	26,975,275	62.0%
Total Revenues excluding DRP	14,510,308	16,734,547				
EXPENDITURES	Expenditures through		Variance			
	3/31/2017	3/31/2018	FY 2017 vs. 2018	Percentage Change	Budget FY 2018	Percentage FY 2017/18
Personnel						
Salary and Benefits	3,659,700	3,754,093	94,393	2.6%	5,338,440	70.3%
Total Personnel	3,659,700	3,754,093	94,393	2.6%	5,338,440	70.3%
Services and Supplies						
Legal	17,511	18,782	1,271	0.0%	60,000	31.3%
Professional/Contract Services	826,598	749,448	(77,150)	-9.3%	2,306,515	32.5%
Regulatory/Government Agency	796,419	866,113	69,694	8.8%	1,425,000	60.8%
Utilities	783,299	897,110	113,811	14.5%	1,600,000	56.1%
Outside Repair & Maintenance	230,196	158,520	(71,676)	-31.1%	357,625	44.3%
Travel & Training	27,991	52,249	24,258	86.7%	73,600	71.0%
Dues and Subscriptions	28,851	29,884	1,033	3.6%	38,700	77.2%
Postage Freight	87,969	94,523	6,554	7.4%	126,500	74.7%
Conservation Programs	558,092	205,443	(352,649)	-63.2%	1,000,000	20.5%
Advertising	-	613	613	0.0%	15,000	4.1%
Cell Phones/Pagers	16,496	14,555	(1,941)	-11.8%	19,500	74.6%
Rents/Leases	11,233	66,962	55,729	496.1%	12,000	558.0%
Printing and Software	19,042	151,384	132,342	695.0%	89,000	170.1%
Water Meters & Small Tools/Equip.	802,160	470,248	(331,912)	-41.4%	595,000	79.0%
Supplies & Safety Equipment	13,878	3,740	(10,138)	-73.1%	33,800	11.1%
Chemical Lab	68,261	49,199	(19,062)	-27.9%	160,000	30.7%
Contingency	-	-	-	0.0%	100,000	0.0%
Internal Service Funds	1,483,542	1,315,950	(167,592)	-11.3%	1,484,531	88.6%
Transfer Out	154,831	222,014	67,183	0.0%	222,014	100.0%
Total Services and Supplies	5,926,369	5,366,737	(559,632)	-9.4%	9,718,785	55.2%
Total Operations	9,586,069	9,120,830	(465,239)	-4.9%	15,057,225	60.6%

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Continuation of Report:

75% of Year Elapsed

EXPENDITURES	Expenditures through		Variance			
	3/31/2017	3/31/2018	FY 2017 vs. 2018	Percentage Change	Budget FY 2018	Percentage FY 2017/18
Capital Outlay						
Equipment	550,782	543,628	(7,154)	-1.3%	1,091,580	49.8%
Projects	-	789,008	789,008	0.0%	6,407,659	12.3%
Total Capital Outlay	550,782	1,332,636	781,854	-1.3%	7,499,239	17.8%
Total Operations and Capital Outlay	10,136,851	10,453,466	316,615	3.1%	22,556,464	46.3%
Debt Service						
Interest - Revenue Bonds	2,276,309	2,251,763	(24,546)	-1%	2,259,588	100%
Principal - Revenue Bonds	1,860,000	1,890,000	30,000	0.0%	1,890,000	100%
Total Debt Service	4,136,309	4,141,763	5,454	0.1%	4,149,588	100%
Total Operations, Capital Outlay and Debt Service	14,273,160	14,595,230	322,070	2.3%	26,706,052	54.7%

ATTACHMENT B: FIRST QUARTER BUDGET RECAP

IWA 3rd Quarter Budget Recap FY 2017-2018
 Through March 31, 2018 (9 Months, 75%)
 Summary Report

1

Revenue	Budget FY 17/18	Through 03/31/2018	% Earned
Water Sales	19,045,000	14,627,099	77%
Meter and Service Fees	7,825,275	2,059,953	26%
Drought Rate Penalites	-	-	0%
Non-Operating Revenue	105,000	47,495	45%
Total Revenue	26,975,275	16,734,547	62.0%

Expenditures	Budget FY 17/18	Through 03/31/2018	% Spent
Salary and Benefits	5,338,440	3,754,093	70%
Legal	60,000	18,782	31%
Professional/Contract Services/Software	2,306,515	749,448	32%
Regulatory/Government Agency	1,425,000	866,113	61%
Utilities	1,600,000	897,110	56%
Outside Repair & Maintenance	357,625	158,520	44%
Travel & Training	73,600	52,249	71%
Dues and Subscriptions	38,700	29,884	77%
Postage Freight	126,500	94,523	75%
Conservation Programs	1,000,000	205,443	21%
Advertising	15,000	613	4%
Cell Phones/Pagers	19,500	14,555	75%
Rents/Leases	12,000	66,962	558%
Printing	89,000	151,384	170%
Water Meters & Small Tools/Equip.	595,000	470,248	79%
Supplies & Safety Equipment	33,800	3,740	11%
Chemical Lab	160,000	49,199	31%
Contingency	100,000	-	0%
Internal Service Funds	1,484,531	1,315,950	89%
Transfer Out	222,014	222,014	100%
Capital Outlay	7,499,239	1,332,636	18%
Total Operations & Capital Outlay	22,556,464	10,453,466	46.3%
Debt Service	4,149,588	4,141,763	99.8%
Total Operations, Capital Outlay and Debt Service	26,706,052	14,595,230	54.7%
Projected Revenue Over Expenditures (+/ -)	269,224	2,139,317	