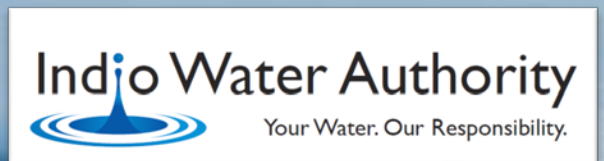




Indio Water Authority Quarterly Financial Report

**Fiscal Year 2018-19
First Quarter Report**

November 6, 2018





Indio Water Authority
Quarterly Financial Report

Fiscal Year 2018-19
First Quarter Report

November 6, 2018
Prepared by Indio Water Authority

Mark Scott
Executive Director



Brian Macy
General Manager

November 6, 2018

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

SUBJECT: FY 2018-19 First Quarter Budget Report

Commissioners:

The attached budget report focuses on the financial performance of IWA for the first quarter of FY 2018-19, which runs from July 1, 2018 through September 30, 2018. 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 first quarter came in at \$6.8 million, or 25 percent of the total revenue budget. When compared to the prior year, revenues from water sales increased by 8.7 percent. Revenues from service fees and charges increased by 10 percent, and revenue from investments increased by \$111. The increase in water sales can be contributed to the following factors:

- Combined residential and commercial account growth of 120 new accounts
- Temperatures reached 100 degrees or above for 83 of the 92 days in the quarter
- More accurate meter reading and less water loss due Advanced Meter Infrastructure (AMI) technology
- Very little measurable rainfall recorded increases outdoor irrigation

Total operating expenditures for the first quarter totaled \$3.9 million, which represents 18.6 percent of the total expenditure budget. Expenditures from salaries and benefits were on target at 17 percent of the budget. Expenditures for services and supplies came in at 19.4 percent of the budget. Capital outlay and debt service expenditures were at 12.5 percent and 27 percent of the budget respectively.

With a projected budget surplus of \$1,077,005 by the end of 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.

IWA is in the process of finalizing the final budget and funding agreement with the State Water Resources Control Board (SWRCB) for the construction of the consolidation of Boe Del Heights and Waller Tract Mutual Water Associations; the funding agreement was signed in June 2018 and it is being finalized with updated cost information. IWA put forth a bidding process for the construction services of both of these water improvements. IWA has informed SWRCB of the winning contractor and provided a preliminary construction schedule, which included a construction start date during November 2018.

Our independent auditing firm, Lance Soll and Lunghard, LLP will be providing audited financial statements for FY 2017-18 at the end of December 2018, which will affirm IWA's robust financial performance and strong internal control structure.

IWA is looking forward to continuing sustainable financial growth during the fiscal year. 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 2018-19 First Quarter Revenue and Expenditure Summary

ATTACHMENT B – First Quarter 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,



Mark Scott
Executive Director

A. QUARTERLY FINANCIAL IMPACTS

For Fiscal Year 2018-19, the Indio Water Authority adopted a \$27,326,470 revenue budget and a \$26,249,465 expenditure budget. This report focuses on the financial performance of IWA for the first quarter, which runs from July 1 through September 30, 2018.

As shown in the highlights below, with the first quarter of the year completed, total revenues came in at \$6,814,914, or 24.9 percent of the total revenue budget. The amount of revenue recorded is 8.7 percent higher than in the previous fiscal year.

Total operating expenditures came in at \$3,866,101 or 14.7 percent of the budget. This amount is 3.8 percent lower than the amount recorded in the previous fiscal year.

Total revenue for the first quarter exceeded expenditures by \$2,948,813. With a quarter of the year complete, we typically expect actuals in both revenue and expenditures to be between 15-25 percent of the budget.

1st Quarter Financial Highlights

	FY18/19 Adopted Budget	FY18/19 1st Quarter Actual	Percent Earned/ Spent	FY17/18 1st Quarter Actual	Increase / (Decrease)	% Change
Total Revenues	\$27,326,470	\$6,814,914	24.9%	\$6,269,493	\$545,421	8.7%
Total Expenditures	26,249,465	3,866,101	14.7%	4,020,865	(154,764)	-3.8%
Projected Revenue over Expenditures (+/-)	\$1,077,005	\$2,948,813		\$2,248,628	\$700,185	

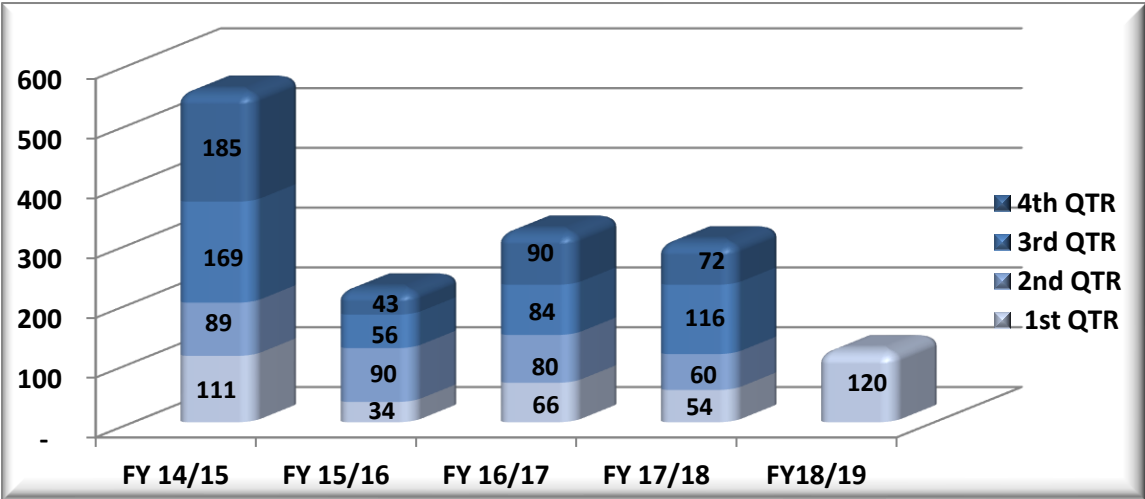
B. CUSTOMER GROWTH

At the beginning of FY 2018-19, IWA had 23,137 customers and added 120 new customers. The average number of customers added in the first quarter over the last 5 years is 92. 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.

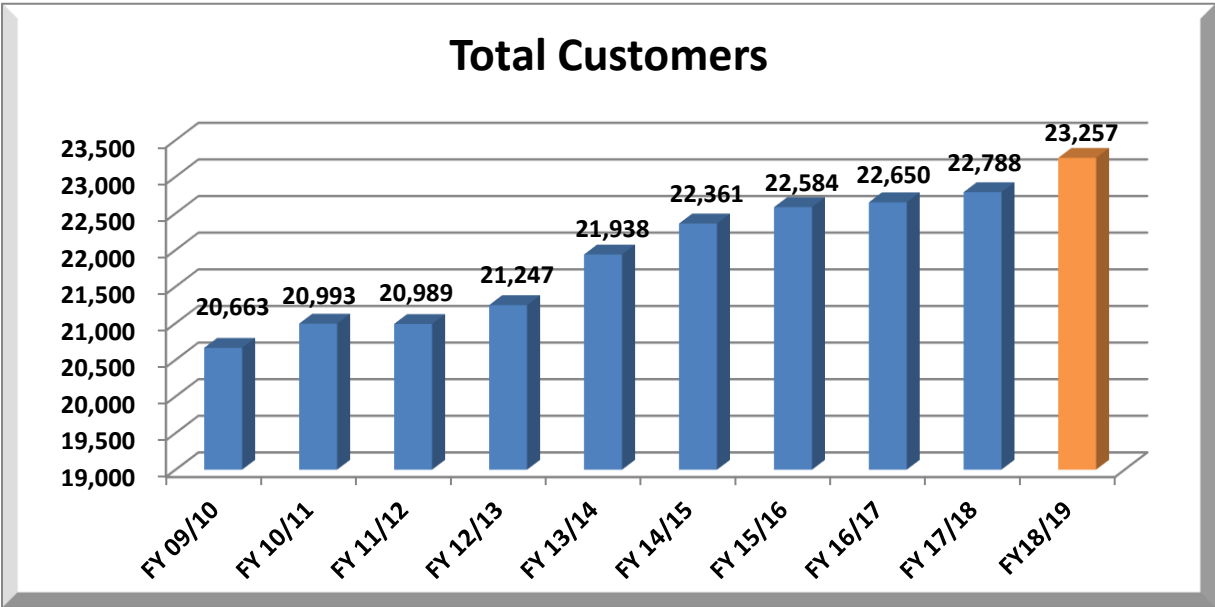
Chart 1 reflects IWA’s quarterly customer growth over the past five (5) fiscal years.

Chart 1: Customer Growth Each Quarter by Fiscal Year



Over the last ten years, IWA customer base increased by 2,855 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 \$6,814,914 or 24.9 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 \$6,011,725, an increase of \$468,586, or 8.5 percent when compared to the first quarter of FY 2017-18 (Attachment B).

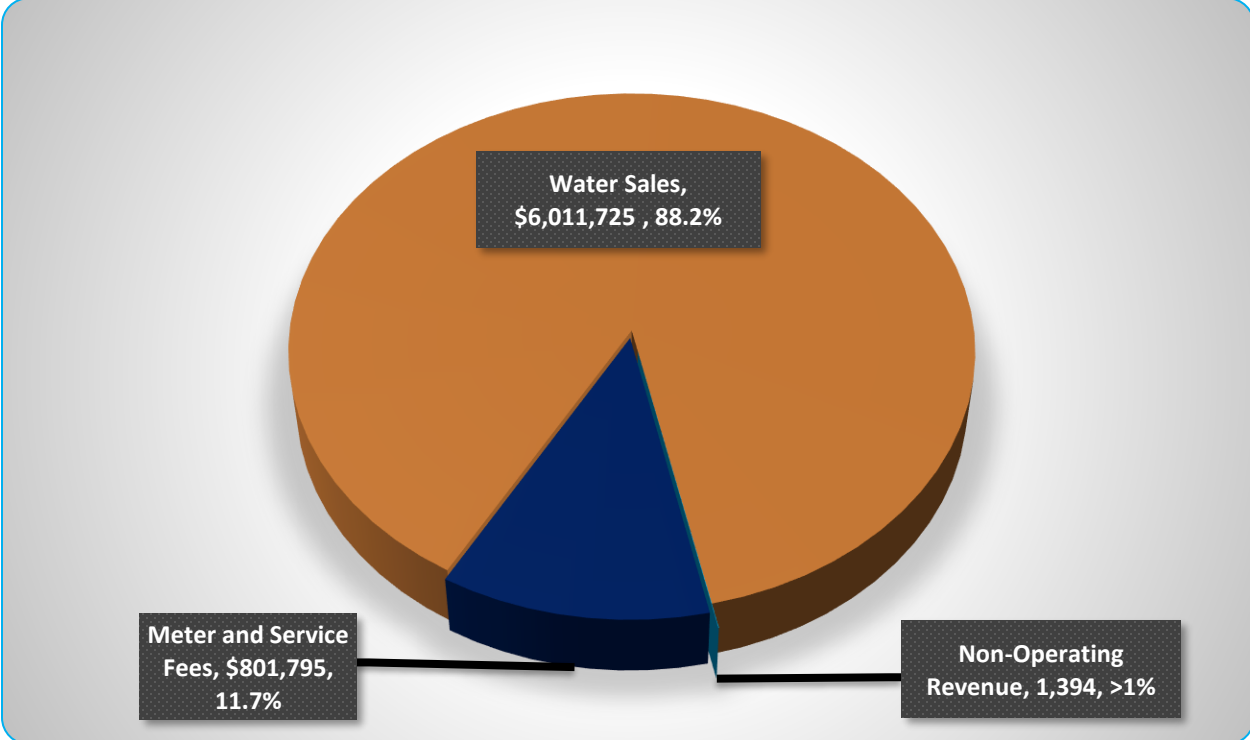
Operating Revenue – Meters and Service Fee Revenue

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 \$801,795, an increase of \$76,724, or 10.9 percent when compared to the first quarter of FY 2017-18 (Attachment B).

Non-Operating Revenue

In the first quarter investment income yielded \$1,394, an increase of \$111, or 8.7 percent when compared to FY 2017-18. 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 83 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 \$1,813,782 over five consecutive years. July 2018 water sales were \$2,296,864 compared to \$2,171,807 in July 2017. This is a \$125,057, or 5.8 percent increase. The average high temperature in July 2018 was 107 degrees, and the average low was 87 degrees.

Water sales for the month of August averaged \$1,793,310 over five consecutive years. The water sales in August 2018 were \$2,228,643 compared to \$1,994,473 in August 2017. This is a \$234,170, or 11.7 percent increase. The average high temperature in August 2018 was 106 degrees and the average low was 85 degrees.

Water sales in the month of September averaged \$1,815,035 over five consecutive years. The water sales in September 2018 were \$2,289,408 compared to \$2,103,213 in September 2017. This is a \$186,195, or 8.9 percent increase. The average high temperature in September 2018 was 103 degrees and the average low was 79 degrees.

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

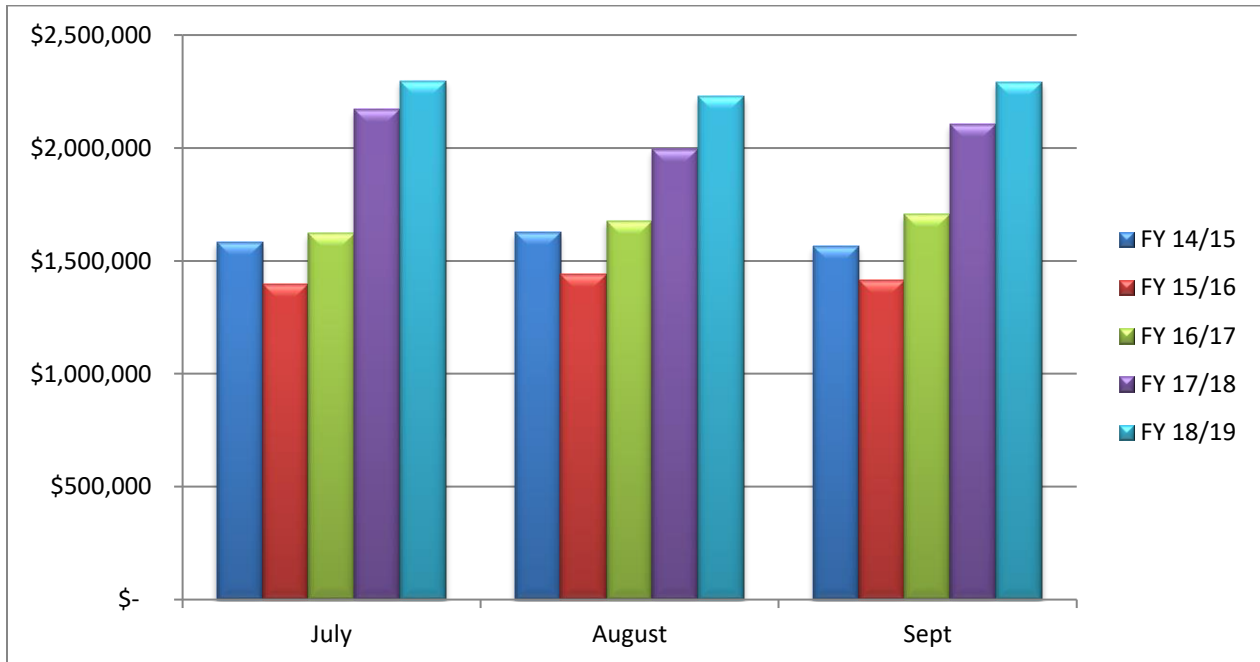
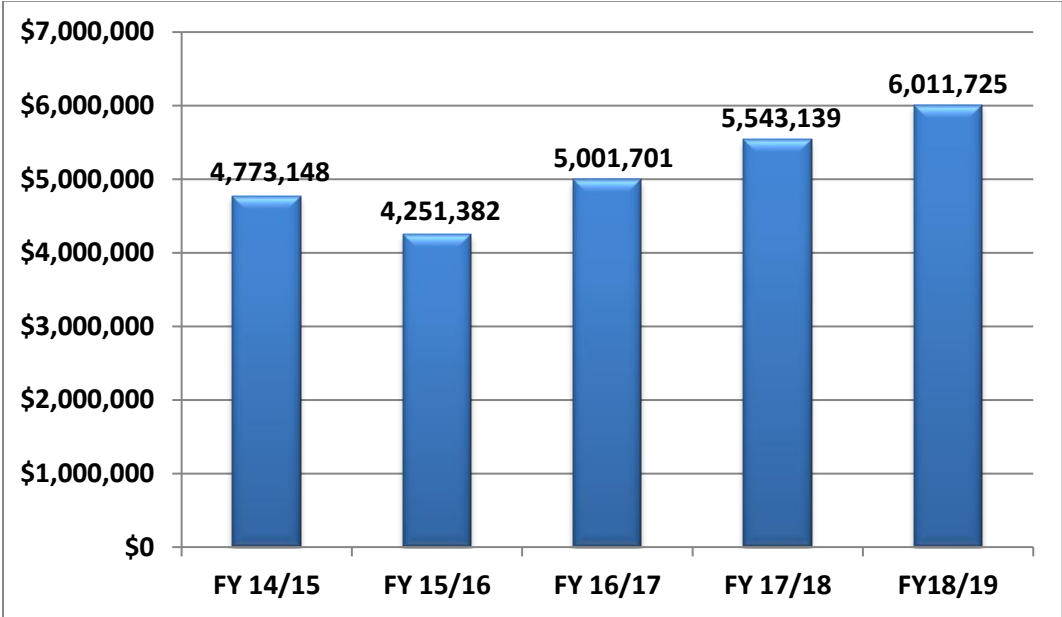


Chart 5 below lists first quarter total water sales over the last five years by year. Water sales in the first quarter over the last five years averaged \$5,116,219. Total water sales

for the first quarter were \$6,011,725 compared to \$5,543,139 in the prior fiscal year. This is a \$468,586, or 8.5 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.

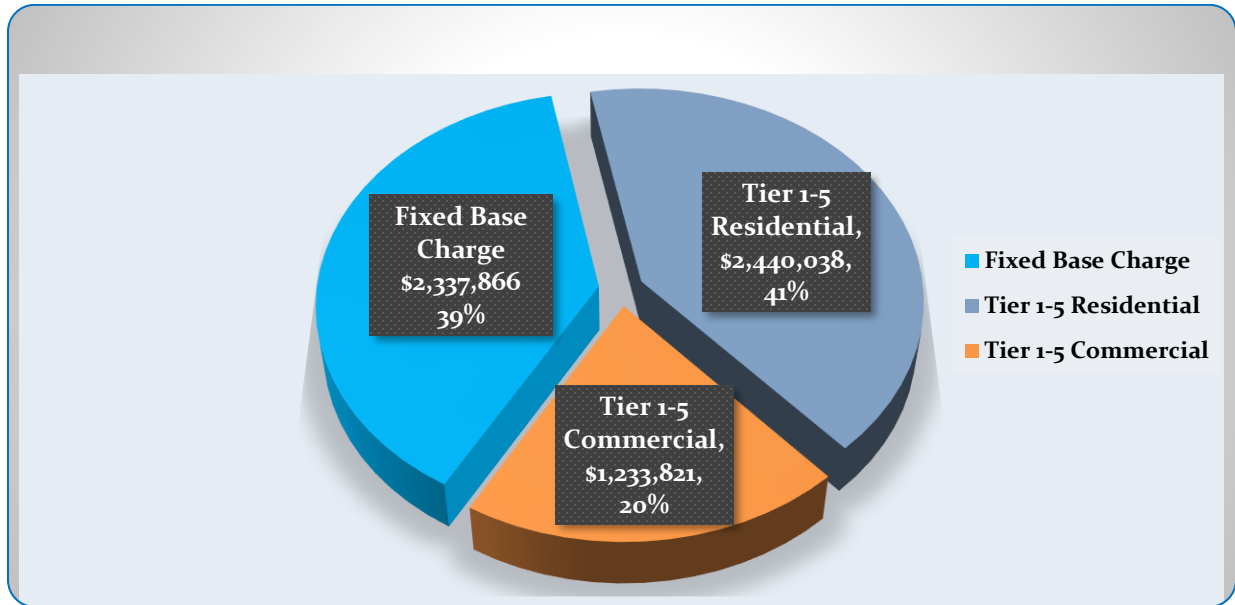
Tier 5 Unsustainable Use
Tier 4 Wasteful Use
Tier 3 Inefficient Use
Tier 2 Efficient Outdoor Use
Tier 1 Efficient Indoor Use

Residential	\$3.89	Per CCF
Commercial	\$3.89	Per CCF
Residential	\$2.92	Per CCF
Commercial	\$2.92	Per CCF
Residential	\$1.95	Per CCF
Commercial	\$1.95	Per CCF
Residential	\$1.46	Per CCF
Commercial	\$1.31	Per CCF
Residential	\$0.97	Per CCF
Commercial	\$1.31	Per CCF

Fixed Based Charges	
<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

In Chart 6 below first quarter water sales are listed by category. Water revenue earned through fixed based charges totaled \$2,337,866 compared to \$2,139,825 in the prior year. This is a \$198,041, 9.3 percent increase from the prior year. Fixed base charges were 38.9 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 \$2,440,038 compared to \$2,292,056 in the prior year. This is a \$147,982, or a 6.5 percent increase from the prior year. Residential Tier Rate 1-5 charges are 40.6 percent of the total water sales revenue for the first quarter.


Water sales earned through Commercial Budget-Tiered Rates 1-5 totaled \$1,233,821 compared to \$1,111,259 in the prior year. This is a \$122,562 or, a 11 percent increase from the prior year. Commercial Budget Tiered-Rate 1-5 charges are 20.5 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.

D. OPERATING FUND EXPENDITURES

The FY 2018-19 operating expenditure budget includes \$5,890,993 in salaries and benefits, \$8,769,087 for services and supplies, \$7,289,335 for capital outlay and \$4,150,050 for debt service. Table 1 indicates operating fund expenditures were 14.7 percent of the budget, or \$3,866,101 through the end of the first quarter.

Table 1: Operating Fund Expenditures - by Category

Operating Fund Expenditures-By Category		Budget FY 2018-19	Actual 9/30/18	% of Budget
	Salaries and Benefits	\$5,890,993	\$1,023,177	17.4%
	Services and Supplies	8,769,087	1,578,067	18.0%
	Capital Outlay	7,289,335	8,870	0.1%
	Debt Service	4,150,050	1,105,987	26.6%
	Transfer Out	150,000	150,000	100%
	Total Expenditures	\$26,249,465	\$3,866,101	14.7%

Total operating expenditures decreased by a total of \$154,764 from FY 2017-18 (see Attachment A). The decreases in expenditures was driven by decreases in salary and benefit costs of \$104,871, decreases in capital outlay expenses of \$263,047 and a decrease in debt service expense of \$22,611. The decrease of expenditures was offset by increases in services and supplies \$79,766 and increases in debt service expenses of \$22,611.


Salary and Benefits

Salary and benefit expenditures through the end of the first quarter were \$1,023,177 or 17.4 percent of the budget as shown in Table 1. The decrease of \$104,871 in salaries and benefits over last fiscal year was approximately 9.3 percent.

Services and Supplies

First quarter service and supplies expenditures are \$1,578,067 or 18 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 2018-19	Actual 9/30/18	% of Budget
 Commission	\$10,500	-	0.0%
Administration	2,702,701	417,501	15.4%
Production	2,682,954	559,866	20.9%
Transmission & Distribution	1,071,570	195,363	18.2%
Finance & Customer Service	900,769	196,641	21.8%
Information Technology	344,059	131,777	38.3%
Engineering & Water Quality	1,056,534	76,919	7.3%
Total Expenditures	\$8,769,087	\$1,578,067	18.0%

Administration

In the first quarter of FY 18-19, 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 quarter include:

- Completion and submission of the Validated Annual Water Loss Audit in compliance with SB 555; IWA’s water loss is 5.5%, which is significantly lower than other water systems in California
- Successful legislative outreach coordinated with Coachella Water Authority, Coachella Valley Water District, Desert Water Agency, and Mission Springs Water District to defeat SB 845 (Statewide water tax)
- Completion of the Request for Qualifications (RFQ) process and selection of three (3) engineering firms to provide as-needed professional engineering services
- Participation in the AB 1668 SB 606 long-term conservation stakeholder listening sessions; provided input on implementation and stakeholder engagement

- Successful bidding and award of the construction contracts for Boe Del Heights and Waller Tract; construction starts in the second quarter
- Conduct of an Organizational Performance Assessment to gauge the effectiveness and efficiency of agency's operations
- Coordinated the interdepartmental response to the Click2Gov data breach and associated legal and public relations issues
- Provided leadership for agency's response to water quality concerns arising from Well U rehabilitation
- Proactive contact and relationship building with homeowner associations to build trust and establish common grounds
- Proactive communication and outreach about hydrant/water mains flushing, wells rehabilitation, and water quality
- Engagement in the update for the Integrated Regional Water Management Plan/Stormwater Resources Plan and the Salt Nutrient Management Plan through the Coachella Valley Regional Water Management Group.

Conservation

The IWA Communications and Outreach Coordinator was vacant throughout the first quarter due to a promotion. Due to this, communications and outreach activities and Conservation, which are overseen by the position are being managed by other Administration staff. Since the drought was declared over by Governor Brown in April 2017, the demand for conservation rebates has declined even though customers keep conserving.

From July through September 2018, IWA customers saved over 186 million gallons of water compared to the same time in 2013, thereby equating to an 8 percent reduction in water use.

Highlights of the conservation program for July through September 2018 include:

- 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 and approved rebates and variance applications – 98 variances; 65 residential toilet and washer rebates; 42 residential irrigation upgrades; 4 commercial irrigation upgrades; and one large-scale irrigation upgrade
- Participated in the planning of 13th Annual Desert Garden Community Day at the University of California Riverside, Palm Desert Campus

Engineering and Water Quality Division

During this quarter, IWA Engineering and Water Quality Division provided engineering services including plan checks, meter sizing and downsizing, monthly reporting to the DDW, CASGEM monitoring, 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.

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 couple of these new developments include the future Barcelona Tract 32411 along Avenue 50 and the Lido at Terra Lago Tract 31601-5 to be incorporated into the IWA distribution once they are built.

The State Water Resources Control Board (SWRCB) has awarded IWA the funding for the construction of the consolidation of Boe Del Heights and Waller Tract Mutual Water Associations per approved design plans and specifications. IWA put forth a bidding process for the construction services of both of these water improvements. IWA has informed SWRCB of the winning contractor and provided a preliminary construction schedule, which included a construction start date during November 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 500 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 445 backflow prevention devices in IWA's water system including new installations and provided 23 letters to customers as a result of failed backflow inspections.

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 and external consultants to optimize IWA's Chromium-6 treatment facilities. In addition, preventative and predictive maintenance projects such as Well Rehabilitation at Well U and 3B enables a highly reliable operation of IWA's facilities and extends the useful life of IWA assets. As a public water purveyor, IWA is required by the State Division of Drinking Water to provide safe drinking water. The Well Rehab project entails the following: Mechanical Cleaning, Chemical Cleaning, Redevelopment by Swabbing and Airlifting, Redevelopment by Pumping and Surging, Post-Rehabilitation Well Testing, Depth-Specific Water Quality Testing, to prolong the life expectancy of the well. In general, preventative maintenance is more cost effective than deferring maintenance until structural repairs and/or complete replacement become necessary.

Transmission Distribution

During the first quarter of FY 18-19, Distribution staff repaired and replaced water services, performed pavement repairs, upgraded water meter registers with V4's, and performed valve exercises.

Quarter Highlights include:

- 4,985 work orders were completed; an average of 383 per week or 77 work orders per day
- 25 water services were repaired and replaced
- 139 valve exercises were performed to maintain water quality
- 7 water main shutdowns were requested for repair work and new connections.
- Performed over 6 manual meter readings, 17,521 Automated Meter Reading (AMR) and 52,856 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 first quarter of FY 18-19, 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 2017-18 Financial Statements, currently being compiled by independent auditors.
- Coordinated the upgrade of the customer web portal to a new version that allows for reoccurring payments.

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 18-19 include:


- Hardware and software upgrades for enterprise applications and workstations at the Corporate Yard to increase reliability and resilience
- Virtual 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 \$7,289,335 capital outlay budget for FY 2018-19 includes; Phase III 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 2018-19	Actual 9/30/18	% of Budget
	Administration	-	-	0.0%
	Production	730,000	-	0.0%
	Transmission & Distribution	6,036,355	3,805	0.1%
	Finance & Customer Service	-	-	0.0%
	Information Technology	221,000	5,065	0.0%
	Engineering & Water Quality	-	-	0.0%
	Total Expenditures	\$6,987,355	\$8,870	0.1%

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 \$1,235,942. First quarter internal service expenses total \$307,267 or 24.9 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 2018-19, the balance of this fund is \$241,645. Total budgeted expenses are \$153,039 for FY 2018-19. 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 2018-19 Budget. Capital improvements are projects that contribute to providing essential water services to customers and meeting regulatory requirements. In FY

2018-19, capital improvements are budgeted from three funds, the Supplemental Water Fee, Water Development Impact Fee, and remaining 2015 Water Bond funds. FY 2018-19 budgeted capital improvements totaling \$2,061,980 are highlighted in Table 4 below.

Table 4: Capital Projects Expenditures

Capital Projects Expenditures		Budget FY 2018-19	Actual 9/30/18	% of Budget
	Water Bond	301,980	-	0.0%
	Supplemental Water Fee	440,000	-	0.0%
	Water Development Fee	1,320,000	14,255	1.1%
	Total Expenditures	2,061,980	14,255	0.7%

2015 Water Bond

The Chromium 6 treatment facility project is scheduled to be completed by the end of FY2018-19. During FY 2017-18, IWA had an open encumbrance of \$301,980 remaining to complete the project.

Supplemental Water Fees

In FY 2018-19 the budget for Supplemental Water Fees Fund budgeted projects totaled \$440,000. 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 2018-19 the budget for Water Development Impact Fees was \$1,320,000. 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 \$14,255.

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	\$ 6,560,000	\$ 3,649,500	\$ (2,910,500)
2	Capital Repair and Replacement/System Improvement Reserve	4,950,000	123,676	(4,826,324)
3	Equipment Replacement Reserve	500,000	91,645	(408,355)
4	Rate Stabilization Reserve	400,000	350,000	(50,000)
5	Water Transfer Reserve	1,750,000	51,154	(1,698,846)
6	Emergency Reserve	4,300,000	545,920	(3,754,080)
	Total	\$ 18,460,000	\$ 4,811,896	\$ (13,648,104)

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 2017-18 with revenues and expenditures consistent with the adopted budget, a \$3,466,147.49 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 Reserve for Capital Repair and Replacement.

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 \$2,910,500

Decrease Fund Balance:

010-0000-273-00-00 Retained Earnings \$2,910,500

Capital Repair and Replacement Reserve

Increase Operating Transfers Out
010-0000-471-81-01 \$ 555,647

Decrease Fund Balance:
010-0000-273-00-00 Retained Earnings \$ 555,647

Increase Operating Transfers In
012-0000-386-81-01 Reserve for Rate Stabilization \$ 555,647

Increase Fund Balance:
012-0000-273-00-00 Retained Earnings \$ 555,647

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Indio Water Authority
 Revenue & Expenditure Summary - Operating Fund
 Quarter Ending September 30, 2018

REVENUES	Revenue through		25% of Year Elapsed			
	9/30/2017	9/30/2018	FY	Percentage	Budget	Percentage
			2018 vs. 2019	Change	FY 2019	FY 2018/19
Operating Revenue						
Water Utility Payments	5,543,139	6,011,725	468,586	8.5%	19,235,470	31.3%
Other Operating						
Penalties, 10% delinquent fee	69,905	112,397	42,492	60.8%	275,000	40.9%
Water Meters	31,984	32,776	792	2.5%	150,000	21.9%
Backflow Charges	77,354	80,677	3,323	4.3%	300,000	26.9%
Fire Protection Charges	36,640	39,120	2,480	6.8%	145,000	27.0%
Replenish Assessment Charge	402,013	399,193	(2,820)	-0.7%	1,460,000	27.3%
Charges for Services	81,832	113,943	32,111	39.2%	309,000	36.9%
Establishment Fee	16,160	16,060	(100)	-0.6%	60,000	26.8%
Reimbursements/Recovery of Labor	9,183	7,628	(1,555)	-16.9%	5,287,000	0.1%
Total Operating Revenue	6,268,210	6,813,520	545,310	8.7%	27,221,470	25.0%
Non-Operating Revenue						
Interest Earnings	1,283	1,394	111	8.7%	60,000	2.3%
Transfers In	-	-	-	0%	45,000	0.0%
Total Non-Operating Revenue	1,283	1,394	111	8.7%	105,000	1.3%
Total Revenues	6,269,493	6,814,914	545,421	8.7%	27,326,470	24.9%
EXPENDITURES	Expenditures through		25% of Year Elapsed			
	9/30/2017	9/30/2018	FY	Percentage	Budget	Percentage
			2018 vs. 2019	Change	FY 2019	FY 2018/19
Personnel						
Salary and Benefits	1,128,048	1,023,177	(104,871)	-9.3%	5,890,993	17.4%
Total Personnel	1,128,048	1,023,177	(104,871)	-9.3%	5,890,993	17.4%
Services and Supplies						
Legal	37	9,808	9,771	0.0%	90,000	10.9%
Professional/Contract Services	151,595	206,376	54,781	36.1%	1,913,019	10.8%
Regulatory/Government Agency	286,767	272,138	(14,629)	-5.1%	1,606,000	16.9%
Utilities	294,684	276,475	(18,209)	-6.2%	1,600,000	17.3%
Outside Repair & Maintenance	88,929	168,004	79,075	88.9%	357,625	47.0%
Travel & Training	12,480	8,616	(3,864)	-31.0%	76,600	11.2%
Dues and Subscriptions	5,173	4,335	(838)	-16.2%	38,700	11.2%
Postage Freight	15,952	26,261	10,309	64.6%	126,500	20.8%
Conservation Programs	52,149	55,917	3,768	7.2%	595,000	9.4%
Advertising	13	-	(13)	0.0%	15,000	0.0%
Cell Phones/Pagers	3,430	3,436	6	0.2%	21,900	15.7%
Rents/Leases	915	70,239	69,324	7576.4%	12,000	585.3%
Printing and Software	25,949	35,432	9,483	36.5%	89,000	39.8%
Water Meters & Small Tools/Equip.	10,093	28,050	17,957	177.9%	250,000	11.2%
Supplies & Safety Equipment	58,064	84,998	26,934	46.4%	481,800	17.6%
Chemical Lab	13,028	20,479	7,451	57.2%	160,000	12.8%
Internal Service Funds	329,043	307,503	(21,540)	-6.5%	1,235,943	24.9%
Transfer Out	150,000	150,000	-	0.0%	150,000	100.0%
Total Services and Supplies	1,498,301	1,728,067	229,766	15.3%	8,919,087	19.4%
Total Operations	2,626,349	2,751,244	124,895	4.8%	14,810,080	18.6%

ATTACHMENT A: REVENUE AND EXPENDITURE SUMMARY - OPERATING FUNDS

Continuation of Report:

25% of Year Elapsed

EXPENDITURES	Expenditures through		Variance			
	9/30/2017	9/30/2018	FY 2018 vs. 2019	Percentage Change	Budget FY 2019	Percentage FY 2018/19
Capital Outlay						
Equipment	51,456	5,065	(46,391)	-90.2%	1,604,560	0.3%
Projects	220,461	3,805	(216,656)	0.0%	5,684,775	0.1%
Total Capital Outlay	271,917	8,870	(263,047)	-90.2%	7,289,335	0.1%
Total Operations and Capital Outlay	2,898,266	2,760,114	(138,152)	-4.8%	22,099,415	12.5%
Debt Service						
Interest - Revenue Bonds	1,122,599	1,105,987	(16,612)	-1%	2,220,050	50%
Principal - Revenue Bonds	-	-	-	0.0%	1,930,000	0%
Total Debt Service	1,122,599	1,105,987	(16,612)	-1.5%	4,150,050	27%
Total Operations, Capital Outlay and Debt Service	4,020,865	3,866,101	(154,764)	-3.8%	26,249,465	14.7%

ATTACHMENT B: FIRST QUARTER BUDGET RECAP

IWA 1st Quarter Budget Recap FY 2018-2019
 Through September 30, 2018 (3 Months, 25%)
 Summary Report

Revenue	Budget FY 18/19	Through 09/30/2018	% Earned
Water Sales	19,235,470	6,011,725	31%
Meter and Service Fees	7,986,000	801,795	10%
Non-Operating Revenue	105,000	1,394	1%
Total Revenue	27,326,470	6,814,914	24.9%

Expenditures	Budget FY 18/19	Through 09/30/2018	% Spent
Salary and Benefits	5,890,993	1,023,177	17%
Legal	90,000	9,808	11%
Professional/Contract Services/Software	1,913,019	206,376	11%
Regulatory/Government Agency	1,606,000	272,138	17%
Utilities	1,600,000	276,475	17%
Outside Repair & Maintenance	357,625	168,004	47%
Travel & Training	76,600	8,616	11%
Dues and Subscriptions	38,700	4,335	11%
Postage Freight	126,500	26,261	21%
Conservation Programs	595,000	55,917	9%
Advertising	15,000	-	0%
Cell Phones/Pagers	21,900	3,436	16%
Rents/Leases	12,000	70,239	585%
Printing	89,000	35,432	40%
Water Meters & Small Tools/Equip.	250,000	28,050	11%
Supplies & Safety Equipment	481,800	84,998	18%
Chemical Lab	160,000	20,479	13%
Contingency	100,000	-	0%
Internal Service Funds	1,235,943	307,503	25%
Transfer Out	150,000	150,000	100%
Capital Outlay	7,289,335	8,870	0%
Total Operations & Capital Outlay	22,099,415	2,760,114	12.5%
Debt Service	4,150,050	1,105,987	26.6%
Total Operations, Capital Outlay and Debt Service	26,249,465	3,866,101	14.7%
Projected Revenue Over Expenditures (+/ -)	1,077,005	2,948,813	