

BOARD OF DIRECTORS  
INDIAN WELLS VALLEY WATER DISTRICT

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FINANCE COMMITTEE  
REGULAR MEETING  
REPORT

TUESDAY, MARCH 5, 2019 – 3:00 PM

BOARD ROOM  
500 W. RIDGECREST BLVD., RIDGECREST

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ATTENDEES: Ron Kicinski, Stan Rajtora, Don Zdeba, Ty Staheli, Jason Lillion, and Renee Morquecho

**1. Call to Order**

The Finance Committee Meeting was called to order at 3:00 pm.

**2. Committee/Public Comments**

None.

**3. Fraud Risk Discussion**

Description: Discuss potential or actual fraud risks within the organization.

None to report.

**4. Cost of Service Study**

Description: Provide responses to GSA Pumping Fee.

GSA Pass Through. The rate study shows on page 22 how the GSA pass through seven cent pumping fee is added to all water units sold to customers. Row 226 of schedule 5 shows a SGMA pass through cost of \$175,873 also added in the conservation cost column. When adding the 41 % admin overhead rate and subtracting for the 20% non-rate revenue this is a \$212,806 conservation cost. If we assume tier 4 accounts for 9% of the total units of water sold, more than 90 cents of the tier 4 water rate is due to the GSA pass through. Question: Why are ratepayers being charged twice for the GSA pass through?

\$175,873 is calculated based on the estimate that the fee will be \$30 / AF and that the district will sell 5,862 AF. That cost is classified in the Cost of Service model as a cost of conservation (because of the nature of the cost). However, since we know that we wanted to collect revenue for that cost as a surcharge to the rates (in the form of the \$0.07 per AF) we had to make sure that we didn't collect those same costs again through other rates. To do this we **\*removed\*** the SGMA costs from the revenue requirement by including it in the "Non-Rate Revenues"(see Table 3-4, the \$175K is imbedded in the \$1.025M). Admittedly the \$0.07 is a rate revenue (not a non-rate revenue), so it's a misnomer in the model, but the result is what we are interested in. Since we credited the costs with the Non-Rate Revenue of \$175k, the Rate Revenue requirement that is shown in Table 3-5 **\*does not\*** include the SGMA costs. This is

further supported by the fact that the \$569,527 revenue requirement for conservation listed in Tale 3-5 is significantly lower than the total costs assigned to conservation (\$714,861, see Row 11 of Schedule 6).

**5. 2018 COP Outcome**

Description: Staff to provide final outcome breakdown of the 2018 COP issuance

**\$26,805,000**  
**INDIAN WELLS VALLEY WATER DISTRICT**  
**Water Revenue Certificates of Participation**  
**Series 2018**

Purchase Price Calculation	
Par Amount	\$26,805,000.00
Reoffering Premium or (Discount)	3,258,032.30
Less Underwriter's Discount (0.80%)	214,440.00
<b>Total Purchase Price</b>	<b><u>\$29,848,592.30</u></b>
Less Certificate Insurance (Wired Directly by Alamo Capital)	45,120.65
<b>Total Amount Wired to Trustee</b>	<b><u>\$29,803,471.65</u></b>

**Sources & Uses of Funds**

Source of Funds	
Par Amount of Certificates	\$26,805,000.00
Reoffering Premium	3,258,032.30
Transfers from Prior Issue DSF	558.71
Transfers from Prior Issue DSRF	1,318,837.50
<b>Total</b>	<b><u>\$31,382,428.51</u></b>

Use of Funds	
Total Underwriter's Discount (0.80%)	\$214,440.00
Costs of Issuance & Rounding Amount	280,428.72
2009 COP Refunding Fund	16,887,559.79
2018 COP Construction Fund	14,000,000.00
<b>Total</b>	<b><u>\$31,382,428.51</u></b>

**Partial Prepayment of 2016 Installment Purchase Agreement with Mission Bank using the Release of the 2016 DSRF:**

**\$556,761.00** from the 2012 RESERVE FD 16 account to Mission Bank as partial prepayment of the installment payments owed by the District under the 2016 Installment Purchase Agreement, without pre-payment penalty.

**Cost of Issuance:**

- (A) Municipal Advisor Fee of **\$65,793.98**
- (B) Bond Counsel Fee, Disclosure Fee & Reimbursable Expenditures of **\$111,000.00**
- (C) Official Statement Printing Fee of **\$1,250.00**
- (D) Underwriter's Counsel Fee of **\$20,000.00**
- (E) Rating Agency of **\$25,000.00**
- (F) Counterparty Fee of **\$2,000.00**
- (G) Counterparty Counsel Fee of **\$1,500.00**
- (H) Trustee Counsel Fee of **\$2,300.00**
- (I) Trustee Fee of **\$1,250.00**
- (J) CDIAC Reporting Fee of **\$5,000.00**
- (K) Assured Guaranty premium of **\$45,120.65**

Committee recommends reporting the outcome during financial report at the next Board meeting.

**6. Financial Statements February 28, 2019 (preliminary)**

Description: Presentation to Committee financial reports and a graph depicting current revenue and expense trends compared to budget and previous fiscal year actuals.

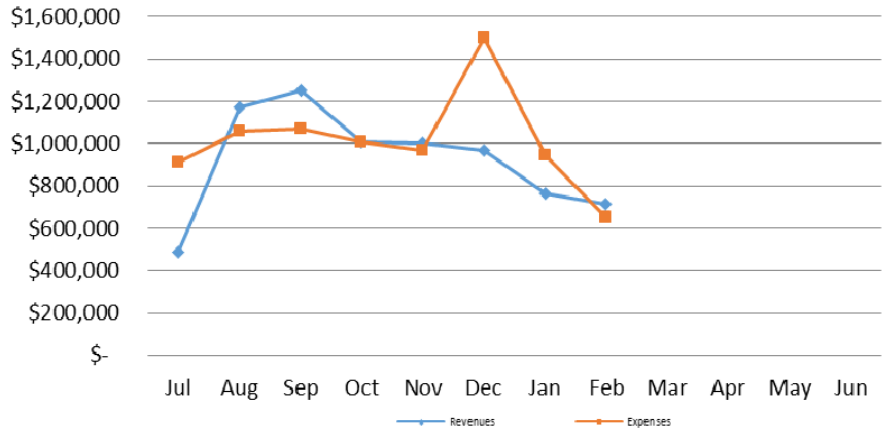
Estimated year to date revenues as of February 28, 2019 are \$7,361,490 and expenses are \$8,117,540, therefore expenses exceeded revenues by \$756,050, which trails budget by \$353,211 due to the cost of issuance expense of the 2018 COPs.

Staff presented the following spreadsheets, which compare February 2019 year-to-date actual to budgeted revenues and expenses by category:

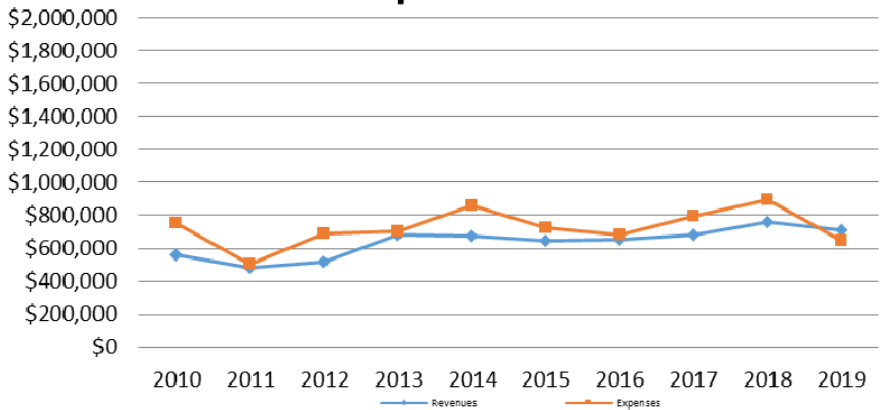
**Indian Wells Valley Water District**  
**Revenues vs. Expense**  
**Actuals & Budget through February 2019 (Preliminary)**

	Budget	Actuals	Δ
<b>Revenues</b>			
Total Water Sales	6,742,050	6,570,151	-171,899
Total Water Service Revenue	179,000	195,105	16,105
Total Non-Operating Income	473,000	363,720	-109,280
Capital Contributions	140,500	232,514	92,014
<b>Total Revenues</b>	<b>7,534,550</b>	<b>7,361,490</b>	<b>-173,060</b>
<b>Expenses</b>			
Water Supply	512,002	705,968	193,966
Arsenic Treatment Plants	161,774	153,634	-8,140
Transmission & Distribution	1,160,662	891,211	-269,451
Engineering	271,926	233,373	-38,553
Customer Service	265,284	235,344	-29,940
Field Services	265,984	352,741	86,757
General & Administration	1,268,720	1,344,941	76,221
Legislative	80,275	76,442	-3,833
Depreciation	2,318,984	2,318,984	0
Non-Operating, Interest	747,360	1,316,226	568,866
Non-Operating, Miscellaneous	178,940	242,054	63,114
Non-Operating, Conservation	289,048	41,235	-247,813
Non-Operating, Alternate Water	416,430	205,387	-211,043
<b>Total Expenses</b>	<b>7,937,389</b>	<b>8,117,540</b>	<b>180,151</b>
<b>Net Revenue Increase (Decrease)</b>	<b>-402,839</b>	<b>-756,050</b>	<b>-353,211</b>

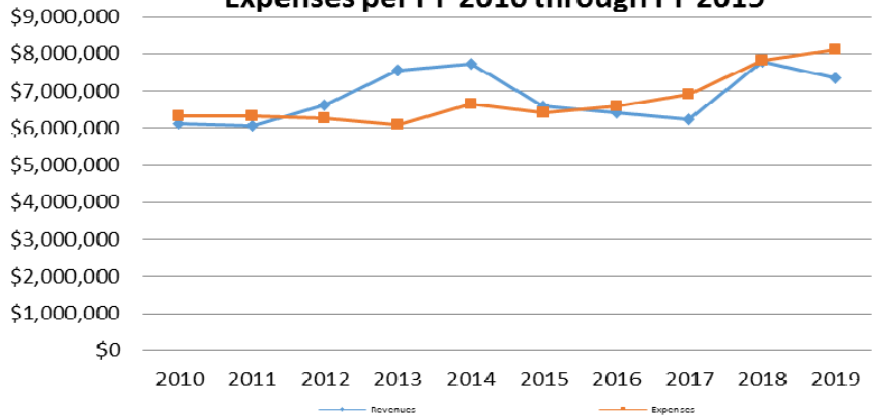
### Comparison of FY 2018-2019 Revenues and Expenses by Month

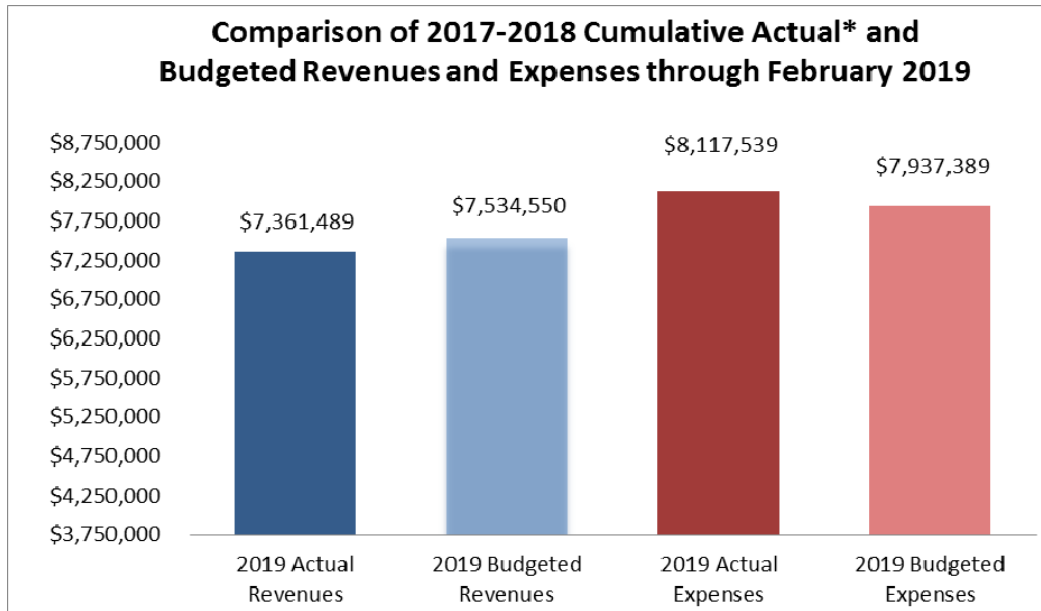


### Comparison of February Revenues and Expenses per Fiscal Year



### Comparison of February Cumulative Revenues and Expenses per FY 2010 through FY 2019\*





*\*Actual Revenues and Expenses are Estimated*

**7. Cash spend on Debt Service Principal and Capital Expenditures**

Description: Discuss inclusion of reporting cash spent on debt service principal and capital expenses at Finance Committee meetings.

Committee agreed to include the year-to-date principal and capital expenditures on the monthly financial report.

**8. Accounts Payable Disbursements**

Description: Presentation to Committee of Accounts Payable Disbursements reports for Board approval.

The Committee recommended approval of accounts payable disbursements totaling \$784,280.55 as follows:

Checks through:	<u>1/27/19</u>	<u>2/10/19</u>
Prepaid	\$ 70,725.75	\$ 33,573.43
Current	352,722.74	65,013.27
Total	<u>\$ 423,548.49</u>	<u>\$ 98,586.70</u>

**9. Future Agenda Items**

None.

**10. Adjournment**

The Committee adjourned at 3:32pm.