

BOARD OF DIRECTORS
INDIAN WELLS VALLEY WATER DISTRICT

FINANCE COMMITTEE
REGULAR MEETING
REPORT

TUESDAY, JUNE 5, 2017 – 3:00 PM

BOARD ROOM
500 W. RIDGECREST BLVD., RIDGECREST

ATTENDEES: Don Cortichiato, Chuck Cordell, Don Zdeba, Jason Lillion, Renee Morquecho and Ty Staheli

1. Call to Order

The Finance Committee Meeting was called to order at 3:05 pm.

2. Committee/Public Comments

Member of the public Stan Rajtora asked that the residential revenues be broken down by quantity used to see at what percentages classes of users are funding the District.

3. Fraud Risk Discussion

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

None to report.

4. Cost of Service Study

Description: Staff update on Cost of Service study.

Stantec continues to develop the rate structure and will discuss their findings with staff during a conference call the morning of June 6th. Stantec will be available to present the rate study at the July board meeting.

5. IWVGA \$500K Advance Status

Description: Discuss the status of the \$500K advance to the IWVGA in order to fill the gap until grant funding is received from the State.

Staff recommended bringing the repayment to the full Board for reconsideration. In the event the repayment delay is approved, there has been discussion of maintaining the pumping fee at \$35 per acre-foot due to cash-flow concerns arising from a delay in implementation. The collection time would also be shortened in conjunction with the \$35 fee.

Committee recommends bringing advance's repayment to the full Board for further discussion and possible action.

6. 2018-2019 General Fund and Capital Improvements and Projects Budgets

Description: Present 2018-2019 proposed General Fund and Capital Improvements and Projects

budgets.

The Committee reviewed the 2018-2019 General Fund and Capital Improvements and Projects budget proposals. The District's financial goals are to have a balanced budget in which revenues exceed expenses, have positive cash flow, meet debt service obligations and not incur new debt. Due to level revenues, standard cost increases of operating expenses, significant capital projects, and new debt for Capital Improvements, the District will not meet any of these goals without incurring new debt. The Committee recognized the District will need to acquire an estimated \$7 million in debt. The proposal projects revenues at \$11,810,400 and expenses at \$11,973,367 for a difference in which expenses exceed revenues of \$162,967. Specific budget changes compared to the 2017-2018 Mid Year General Fund Budget are as follows:

- Total water sales increased by \$569,000.
- Water service revenues are expected to decrease by \$142,000 based on delinquency reduction.
- Capital contributions should decrease by \$384,400 based on decreased construction needs and 2018's receipt of No-Des reimbursement.
- Non-operating income increased by \$337,000 due to anticipation of a pumping fee by the Groundwater Authority.
- All labor and benefits costs increased due to an estimated 2% COLA, applicable merit raises.
- Water Supply decreased by \$160,000 primarily due to the anticipated purchased power savings from the solar plants.
- Arsenic Plant decreased by \$19,000 primarily due to the anticipated purchased power savings from the solar plants.
- T&D increased \$30,000 for additional EE for valve turning approved in FY 2018.
- Engineering increased by \$35,000 for GIS consulting services.
- Administration, Accounting and General increased by \$127,600. Significant increases include PERS unfunded liability and liability insurance.
- Depreciation decreased by \$218,000 to reflect the actual completion of large capital projects including the solar fields.
- Non-Operating Interest expense decreased by \$67,000 per the existing debt amortization schedules.
- Non-Operating Miscellaneous expense increased by \$45,000 for credit card fees, web payment costs and increased sales and use taxes.
- Non-Operating Conservation expense decreased \$61,000 for the Cash for Grass program reflecting the total amount of grant funds to be rebated in FY 2018-2019
- Non-Operating Alternate Water Supply expense decreased \$365,000 for the completion of the SkyTem projects and the reduction in the GSA advance offset by the anticipated Groundwater Sustainability Act (GSA) fees.

The Committee reviewed the 2018-2019 Capital Improvements Projects and Purchases budget proposal totaling \$7,075,308. High dollar capital projects that were discussed during the meeting include completing Well 35 (\$1.7 million); Automated Metering Infrastructure (AMI) project (\$3 million); and SCADA upgrade (\$500,000). Staff reiterated to the Committee the 10-year Capital Improvement Plan (CIP) also projects \$7 million will be spent in FY 2019-2020 and \$1.1 million in FY 2020-2021, so the District will need to incur debt to cover the costs.

The 2018-2019 Cash Flow projection, which includes \$7 million in debt, indicates the District will meet its debt service coverage obligation, and the emergency reserve will be fully funded. 2018-2019 cash flow is projected to increase by over \$3,200,000. This is expected since there are several costly projects scheduled for FY 2018-2019, which will be funded by new debt and cash reserves. The District will still have adequate reserves by the end of the year.

RECOMMENDATION: The Committee recommends approving the 2018-2019 General Fund Budget as presented.

RECOMMENDATION: The Committee recommends approving the 2018-2019 Capital Improvement Projects and Purchases Budget as presented.

7. Financial Statements, April 30, 2018 and May 31, 2018 (preliminary)

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

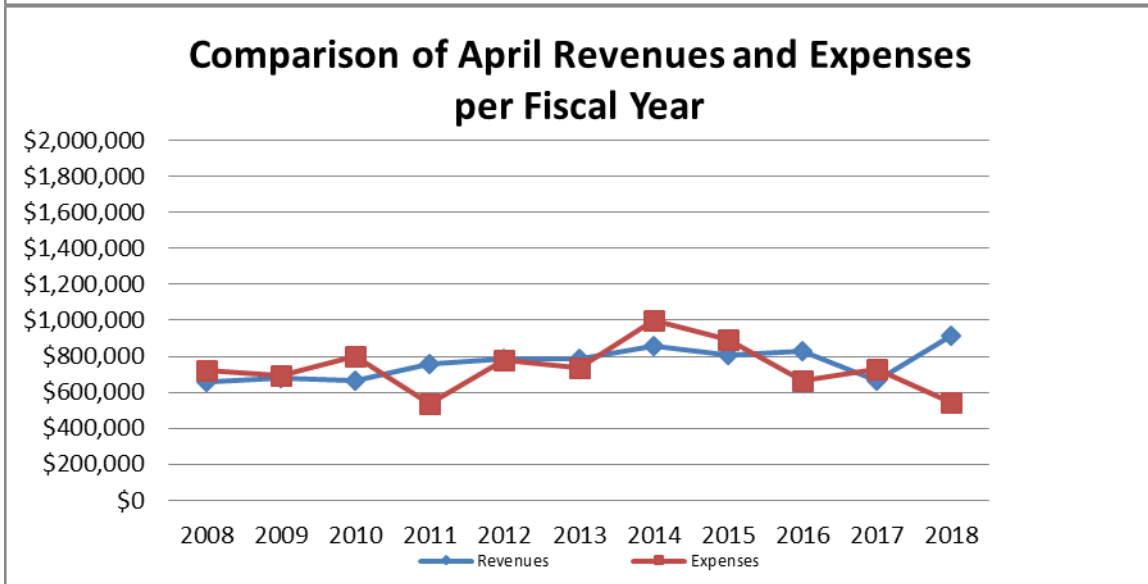
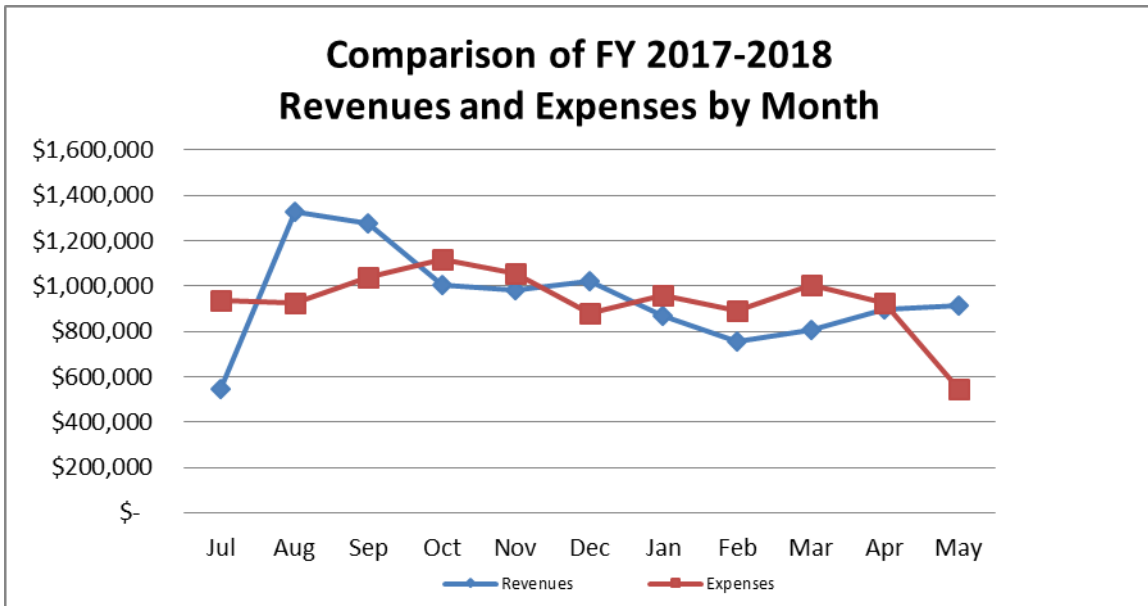
Estimated year to date revenues as of May 31, 2018 are \$10,395,425 and expenses are \$10,284,535, so revenues exceeded expenses by \$110,890, which exceeds budget by \$1,236,949.

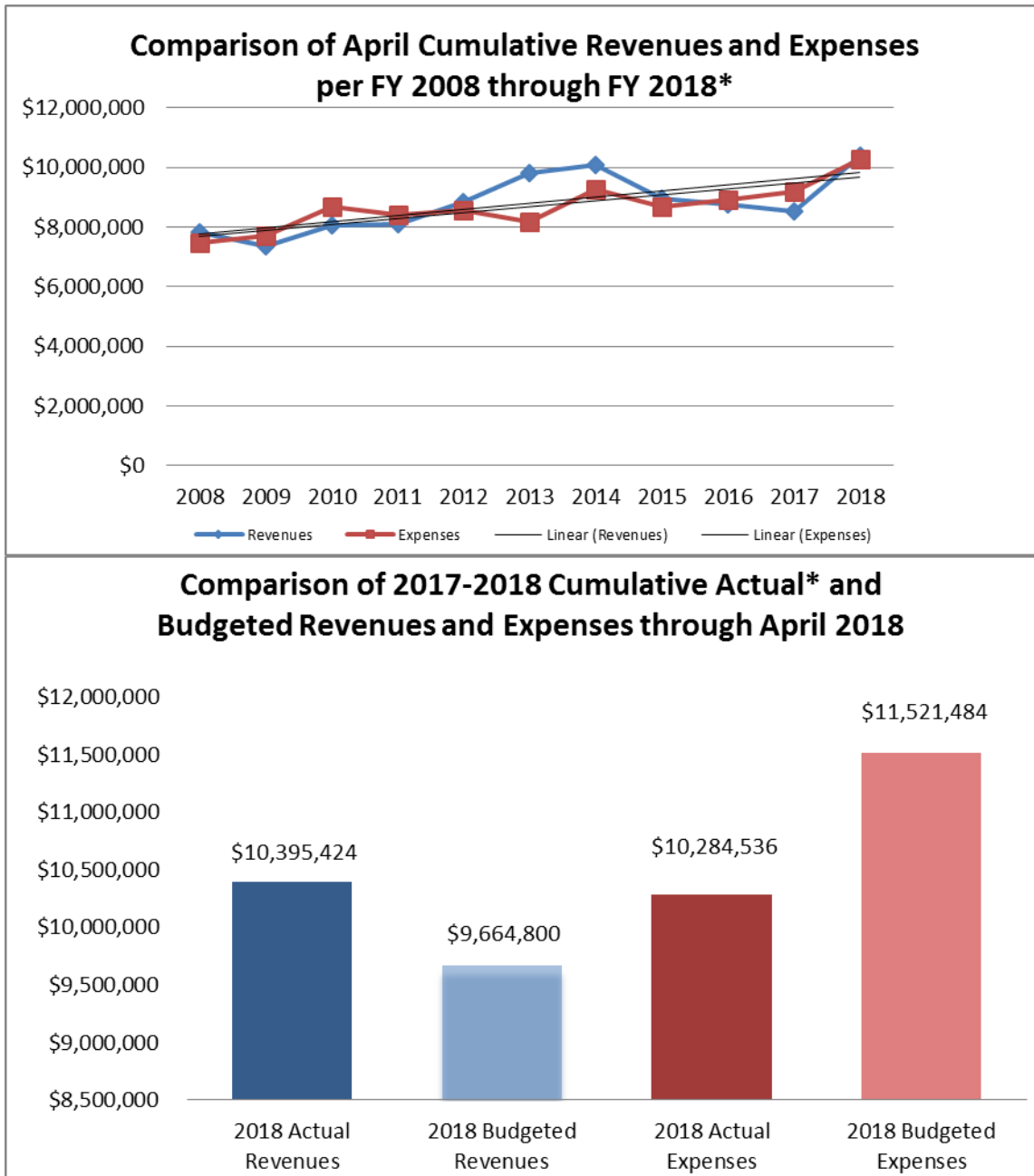
Staff presented the following spreadsheet, which compares May 2018 year to date actual to budgeted revenues and expenses by category.

**Indian Wells Valley Water District
 Revenues vs. Expense
 Actuals & Budget through May 2018 (Preliminary)**

	Budget	Actuals	Δ
Revenues			
Total Water Sales	8,359,500	8,835,783	476,283
Total Water Service Revenue	383,000	267,471	-115,529
Total Non-Operating Income	378,300	516,675	138,375
Capital Contributions	544,000	775,496	231,496
Total Revenues	9,664,800	10,395,425	730,625
Expenses			
Water Supply	872,942	845,753	-27,189
Arsenic Treatment Plants	249,671	212,604	-37,067
Transmission & Distribution	1,580,845	1,274,339	-306,506
Engineering	344,177	276,983	-67,194
Customer Service	353,474	355,912	2,438
Field Services	368,611	453,839	85,228
General & Administration	1,533,229	1,566,009	32,780
Legislative	123,072	115,274	-7,798
Depreciation	3,388,917	3,388,917	0

Non-Operating, Interest	1,089,918	1,073,815	-16,103
Non-Operating, Miscellaneous	729,443	434,586	-294,857
Non-Operating, Conservation	482,255	88,129	-394,126
Non-Operating, Alternate Water	404,930	198,375	-206,555
Total Expenses	11,521,484	10,284,535	-1,236,949
Net Revenue Increase (Decrease)	-1,856,684	110,890	1,967,574





**Actual Revenues and Expenses are Estimated*

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 \$1,084,051.39 as follows:

Checks through:	<u>5/9/18</u>	<u>5/23/18</u>
Prepaid	\$ 119,075.18	\$ 372,210.30
Current	<u>442,490.40</u>	<u>150,275.51</u>
Total	\$ <u>561,565.58</u>	\$ <u>522,485.81</u>

9. Future Agenda Items

None

10. Adjournment

The Committee adjourned at 3:37 pm.