

BOARD OF DIRECTORS
INDIAN WELLS VALLEY WATER DISTRICT

FINANCE COMMITTEE
REGULAR MEETING
REPORT

TUESDAY, SEPTEMBER 4, 2018 – 3:00 PM

BOARD ROOM
500 W. RIDGECREST BLVD., RIDGECREST

ATTENDEES: Ron Kicinski, Chuck Cordell, Ty Staheli, and Renee Morquecho

1. Call to Order

The Finance Committee Meeting was called to order at 3:01 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: Staff update on Cost of Service study.

Stantec presented the results of the Cost of Service study. This included a review of a 4 tier, 3 tier, 2 tier and uniform rate. All tiers included the recommended 3% rate increase for 5 years, as well as, a reduction in fixed revenue from 67% to approximately 61%.

The 4 Tier structure was the same as presented at the July 9th meeting.

The 3 Tier expanded the tier width of Tier 1 to 24 hcf, Tier 2 to an additional 45 hcf and Tier 3 anything above that. Commodity rates are based on: Tier 1 – Peak Hour Capacity, Tier 2 Arsenic Treatment, and Tier 3 Conservation Program

The 2 Tier expanded the tier width of Tier 1 to 24 hcf, Tier 2 to anything above that. Commodity rates are based on: Tier 1 – Peak Hour Capacity and Conservation Program, Tier 2 Arsenic Treatment.

The Uniform Rate has no hcf limit and includes all costs.

After discussion, the committee recommended bringing the 3 Tier, 2 Tier and Uniform Rate options to the full Board and maintaining the fixed cost ratio of at least 60% for financial stability.

5. Customer Portal

Description: Staff update on Customer Portal.

Staff, with legal input, has reviewed and finalized a contract with WaterSmart Software, Inc. for Board approval at the September 10th Board meeting.

6. 2009 COP Refinancing

Description: Staff to present to Committee the option of Refinancing the 2009 COP for debt service savings and issuing new debt for capital improvement per 2019 Budget.

Due to the high rates being paid on the 2009 COP's vs. current market rates for "AA-" rated tax-exempt bonds and the favorable optional redemption provision, the 2009 COP's are an excellent refunding candidate.

Alamo Capital ran the preliminary refunding and new water system projects financing with an underlying S & P Rating of "AA-" and no Debt Service Relief Fund that are summarized in the proposal and highlighted below:

- Annual net debt service savings-\$233,000, per year thru maturity on 10/1/39.
- Gross Net Debt Service Savings of \$4,690,633 thru 10/1/38.
- Est. All Inclusive Cost (AIC) of 3.389% vs. rates being paid on the 2009 COP's ranging from 5.00% to 5.25%.
- The est. annual debt service savings of \$233,000 per year from refunding the 2009 COP's can be used to offset on a "dollar for dollar" basis, the annual debt service on the approximately \$14M of new water system projects.

Bill Fawell of W. J. Fawell Co., Public Finance, has presented the District with an experienced financing team in his proposal consisting of Jerry Liang of Alamo Capital (based in Walnut Creek, CA) as municipal bond underwriter, James Wawrzyniak, Jr. of Jones Hall (based in San Francisco) as bond and disclosure counsel and Bill Fawell of W. J. Fawell Co., Public Finance as financial advisor.

Other than reimbursement for authorized expenses, the professional fees payable to financing team members is contingent on closing. If the proposed financing does not close for any reason, no professional fees would be owed by the District to financing team members.

The Committee recommended approval of the resolution to refinance and issue additional debt for capital improvements and appointment of the financing team.

7. Financial Statements August 31, 2018 (preliminary)

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

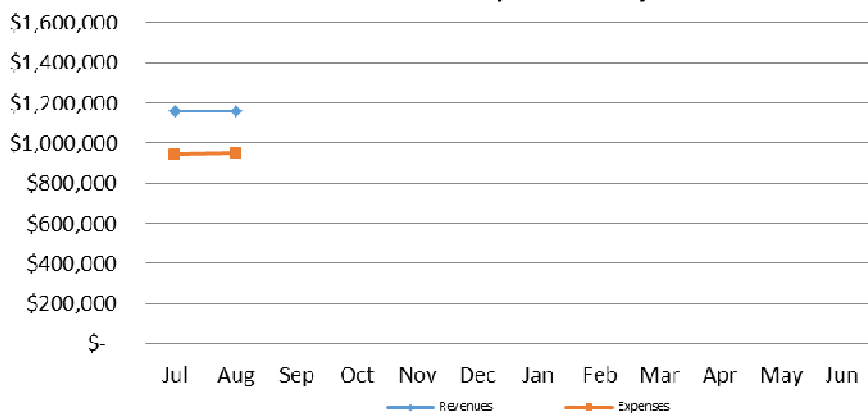
Estimated year to date revenues as of July 31, 2018 are \$2,318,926 and expenses are \$1,898,148, therefore revenues exceeded expenses by \$420,778, which exceeds budget by \$24,685.

Staff presented the following spreadsheets, which compare August 2018 year-to-date actual to budgeted revenues and expenses by category:

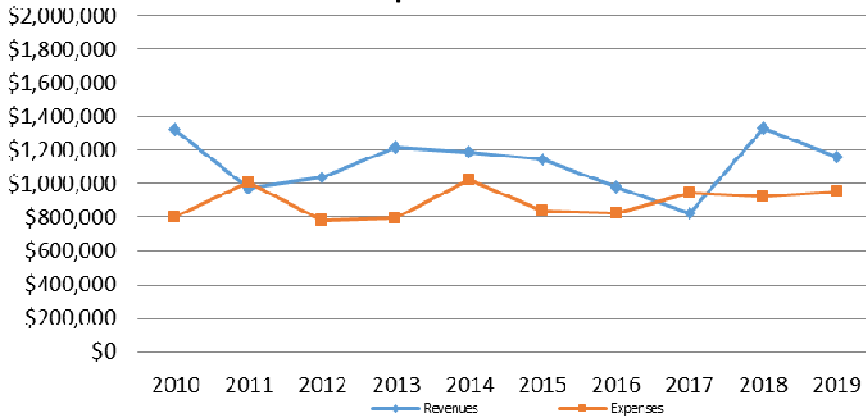
Indian Wells Valley Water District
Revenues vs. Expense
Actuals & Budget through August 2018 (Preliminary)

	Budget	Actuals	Δ
Revenues			
Total Water Sales	2,336,600	2,184,924	-151,676
Total Water Service Revenue	43,000	47,723	4,723
Total Non-Operating Income	18,000	31,876	13,876
Capital Contributions	19,600	54,404	34,804
Total Revenues	2,417,200	2,318,926	-98,274
Expenses			
Water Supply	121,357	131,590	10,233
Arsenic Treatment Plants	61,776	47,684	-14,092
Transmission & Distribution	294,502	192,323	-102,179
Engineering	74,932	62,123	-12,809
Customer Service	20,374	59,299	38,925
Field Services	64,874	104,765	39,891
General & Administration	397,902	395,662	-2,240
Legislative	15,782	23,137	7,355
Depreciation	579,746	579,746	0
Non-Operating, Interest	184,190	169,675	-14,515
Non-Operating, Miscellaneous	33,244	97,694	64,450
Non-Operating, Conservation	59,262	13,104	-46,158
Non-Operating, Alternate Water	113,166	21,346	-91,820
Total Expenses	2,021,107	1,898,148	-122,959
Net Revenue Increase (Decrease)	396,093	420,778	24,685

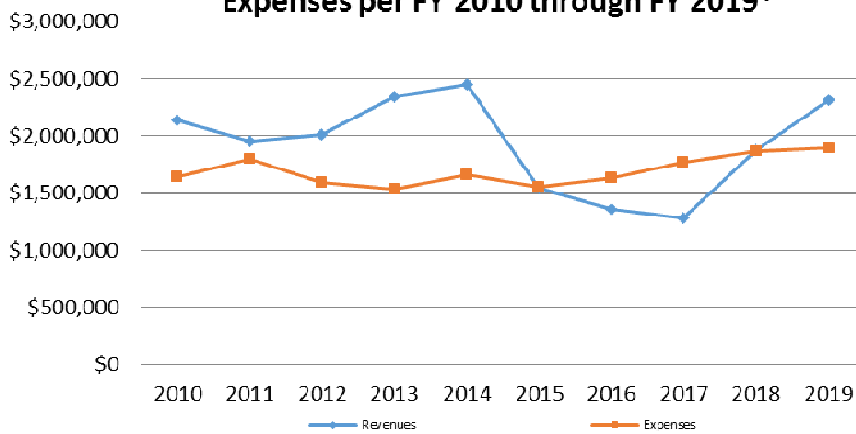
Comparison of FY 2018-2019
Revenues and Expenses by Month



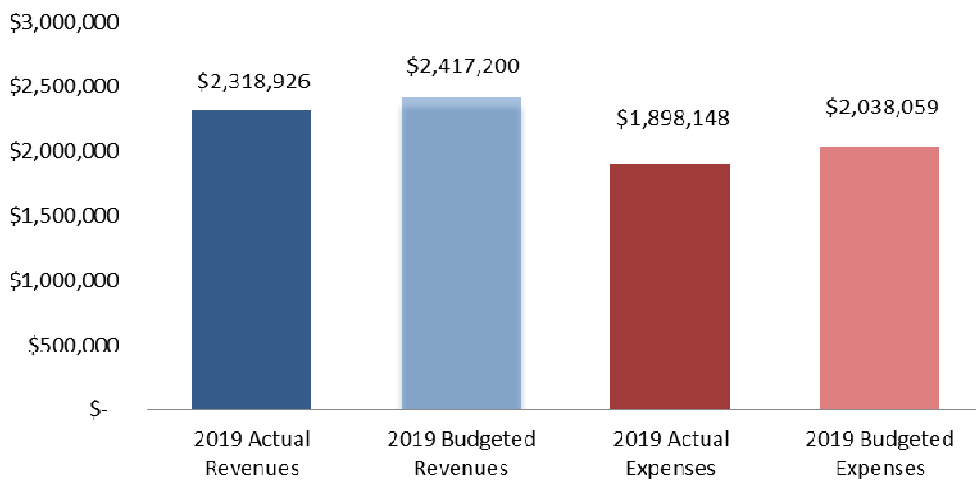
Comparison of August Revenues and Expenses per Fiscal Year



Comparison of August Cumulative Revenues and Expenses per FY 2010 through FY 2019*



Comparison of 2017-2018 Cumulative Actual* and Budgeted Revenues and Expenses through August 2018



**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 \$842,976.31 as follows:

Checks through:	<u>7/29/18</u>	<u>8/12/18</u>
Prepaid	\$ 155,600.77	\$ 49,049.53
Current	<u>295,061.90</u>	<u>343,264.11</u>
Total	<u>\$ 450,662.67</u>	<u>\$ 392,313.64</u>

9. Future Agenda Items

Solar savings.

10. Adjournment

The Committee adjourned at 4:14 pm.