

BOARD OF DIRECTORS  
INDIAN WELLS VALLEY WATER DISTRICT

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FINANCE COMMITTEE  
REGULAR MEETING  
REPORT

TUESDAY, JUNE 2, 2020 – 3:00 PM  
VIA WEBEX

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

**1. Call to Order**

The Finance Committee Meeting was called to order at 3:07 pm.

**2. Committee/Public Comments**

None.

**3. Fraud Risk Discussion**

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

None to report.

**4. Customer Accounts Billing Schedule**

Description: Committee asked if it was feasible to change billing for all customers to the first of the month to aid in the accounting and timing of revenue. Staff discussed the time requirements for customer billing. Based on the time requirements of the billing process, Staff recommended remaining on the current billing schedule, and Committee concurred.

**5. First Quarter 2020 Investment Reports**

Description: Presentation to Committee of the quarterly investment earnings of the District's reserves in the Kern County Treasury and the State Treasury's Local Agency Investment Fund (LAIF).

**INDIAN WELLS VALLEY WATER DISTRICT  
 QUARTERLY INVESTMENT REPORT  
 QUARTER ENDING MARCH 2020**

<b>INVESTMENTS</b>	<b>UNRESTRICTED</b>	<b>RESTRICTED</b>	<b>TOTAL</b>
Cash in Bank	\$ 2,265,838	399,375	
Local Agency Investment Fund	1,354,658		
Kern County Treasurer	8,130,989	420,481	
BNY Mellon 2018 COP Project Fund		10,030,443	
Total Water District Investments	<u>\$ 11,751,484</u>	<u>\$ 10,850,300</u>	<u>\$ 22,601,784</u>

<b>RESERVES</b>	<b>DISTRICT DESIGNATED</b>	<b>RESTRICTED</b>	<b>TOTAL</b>
Capital Improvements & Replacements (Committed)	\$ 2,141,333		
Vehicle Replacement (Assigned)	350,000		
Computer Equipment Replacement (Assigned)	100,000		
Emergency Reserve (Committed)	3,036,106		
Alternate Water Supply/Future Source of Supply (Assigned)	944,546		
Miscellaneous Capital (Assigned for projects postponed)	1,250,979		
Customer Deposits & Credits (Nonspendable)	182,081		
Prepaid Connection Fees (Nonspendable)	381,738		
Post-Retirement Health Benefits - Kern County (Assigned)	308,024		
Emergency Reserve (Uncommitted)	3,056,676		
AD 87-1 Reserve Funds (Restricted to pay Prop 55 Loan)		420,473	
2016 Solar Loan Project Funds		399,375	
2018 COP Project Funds		10,030,443	
Prop 55 Loan Reserve Funds		<u>8</u>	
Total Water District Reserves	<u>\$ 11,751,484</u>	<u>\$ 10,850,300</u>	<u>\$ 22,601,784</u>

*In the event of an emergency, the District may be required to use any or all unrestricted funds in Mission Bank, Kern County Treasury and LAIF*

**6. 2020-2021 General Fund and Capital Improvements and Projects Budgets**

Description: Present 2020-2021 proposed General Fund and Capital Improvements and Projects budgets.

The Committee reviewed the 2020-2021 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, and significant capital

projects, the District will not meet all but one of these goals. The District will meet its debt service obligation. The Committee recognized the District acquired \$14 million in debt fiscal year 2019 to invest in the Capital Improvement Plan. The proposal projects revenues at \$11,978,911 and expenses at \$12,841,302 for a difference in which expenses exceed revenues by \$862,392. Specific budget changes compared to the 2019-2020 Fiscal Year General Fund Budget are as follows:

- Total water sales increased by \$99,960 due to implementation of the scheduled 3% rate increase.
- Capital contributions should increase by \$195,000 based on CalOES refunds for the earthquake repairs.
- Non-operating income decreased by \$320,000 due to relocation of the completion of the Cash-for-Grass grant.
- All labor and benefits costs increased due to an estimated 2% COLA, applicable merit raises, and benefit cost increases.
- Field Services increased by \$136,870 primarily due to licensing and implementation for WaterSmart, AMI collector service agreements, Neptune 360 service.
- Administration, Accounting and General increased by \$129,575. Increases include liability insurance, PERS unfunded liability and legal costs.
- Non-Operating Interest expense increased by \$401,000 due to the issuance of the 2018 COPs.
- Non-Operating Conservation expense decreased by \$217,000 due to completion of the Cash-for-Grass grant.

The Committee reviewed the 2020-2021 Capital Improvements Projects and Purchases budget proposal totaling \$11,491,500. High dollar capital projects that were discussed during the meeting include completing Well 35 (\$1.7 million); Springer 16' Line project (\$2 million); 4 Replacement Tanks (\$4.54 million); and Solar at Well 35 (\$480,000).

The 2020-2021 Cash Flow projection indicates the District will meet its debt service coverage obligation, and the emergency reserve will be fully funded. 2020-2021 cash flow is projected to decrease by \$10,027,190 due to \$11,491,500 in capital expenditures.

The 2020-2021 General Fund Budget will be presented to the Board at the June 8 Board Meeting.

#### **7. Financial Statements May 31, 2020 (preliminary)**

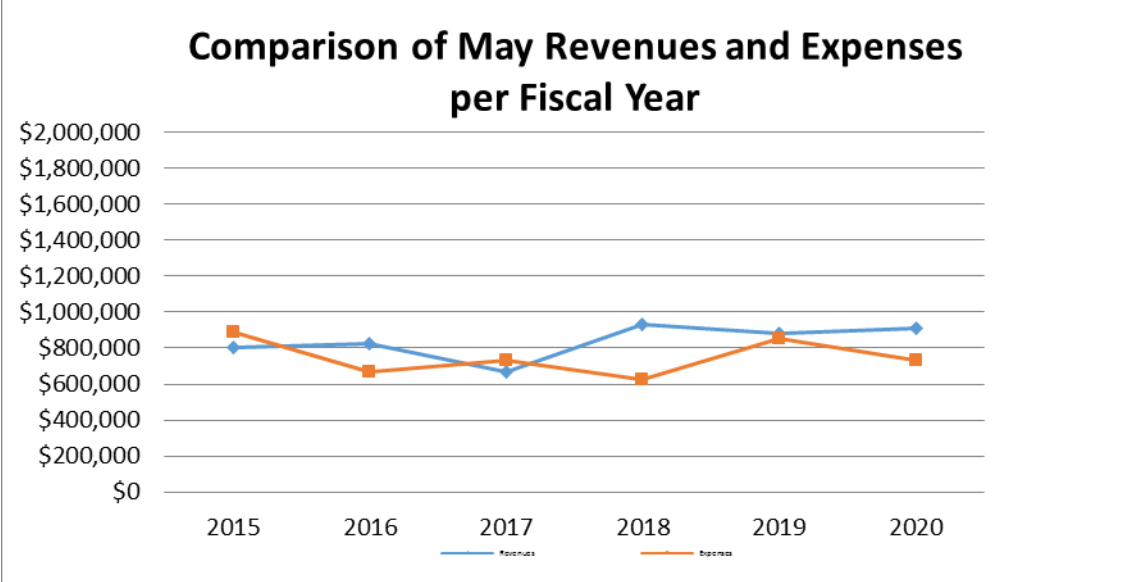
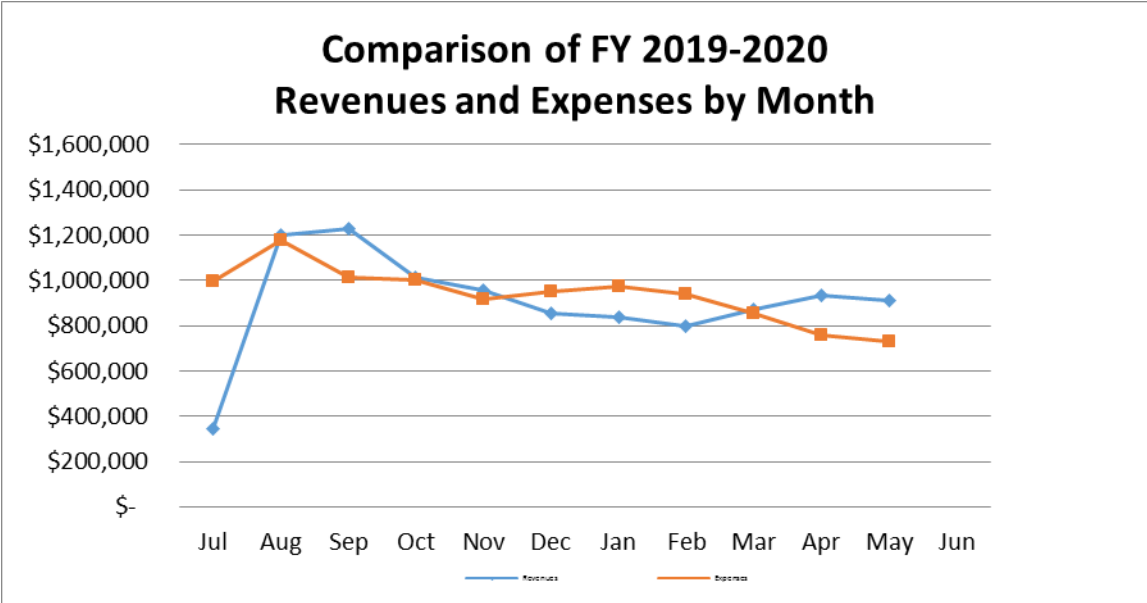
Description: Presentation to Committee financial reports and a graph depicting current revenue and expense trends compared to budget and previous fiscal year actuals.

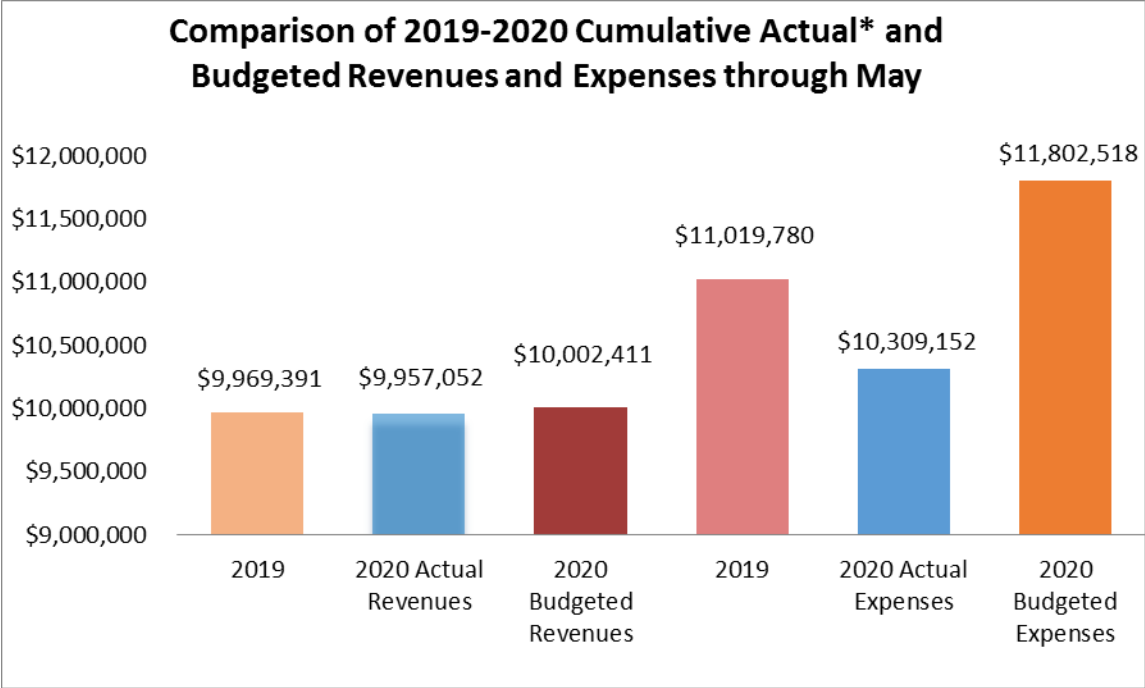
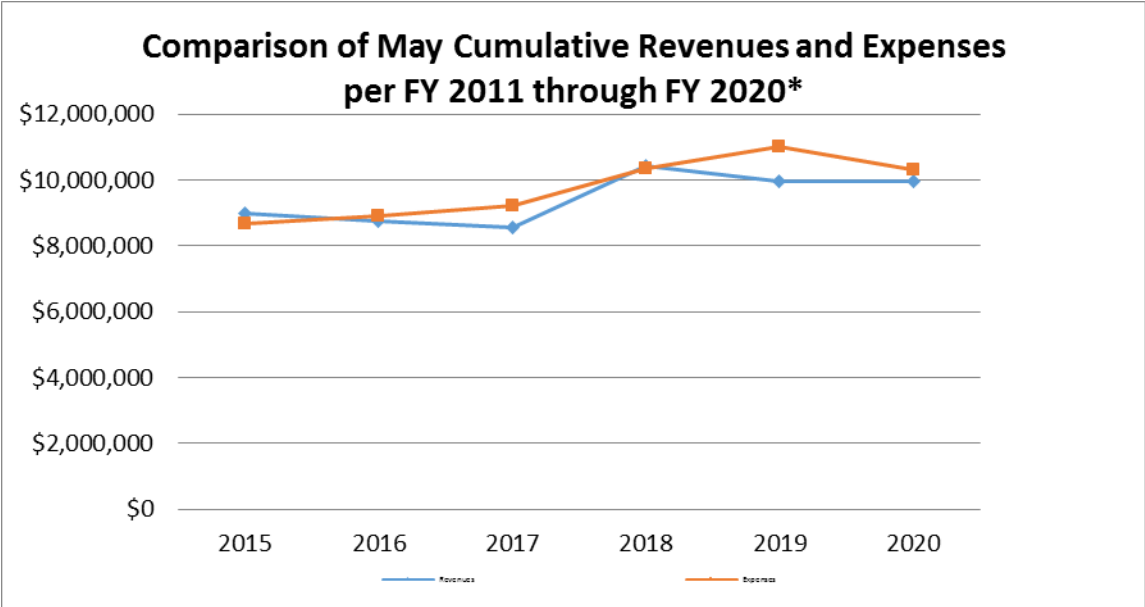
Estimated year-to-date revenues as of May 31, 2020 are \$9,957,052 and expenses are \$10,309,152, therefore expenses exceeded revenues by \$352,099, which is better than budget by \$1,493,366.

Staff presented the following spreadsheets, which compare May 2020 year-to-date actual to budgeted revenues and expenses by category:

**Indian Wells Valley Water District**  
**Revenues vs. Expense**  
**Actuals & Budget through May 2020 (Preliminary)**

	Budget	Actuals	Δ
<b>Revenues</b>			
Total Water Sales	8,859,809	8,773,099	-86,710
Total Water Service Revenue	243,890	266,750	22,860
Total Non-Operating Income	489,346	229,577	-259,769
Capital Contributions	409,367	687,627	278,260
<b>Total Revenues</b>	<b>10,002,411</b>	<b>9,957,052</b>	<b>-45,359</b>
<b>Expenses</b>			
Water Supply	1,012,428	926,944	-85,484
Arsenic Treatment Plants	244,095	155,969	-88,127
Transmission & Distribution	1,633,060	1,252,045	-381,015
Engineering	363,764	337,209	-26,555
Customer Service	373,462	329,338	-44,124
Field Services	400,635	342,956	-57,679
General & Administration	1,735,199	1,853,047	117,848
Legislative	90,850	84,573	-6,276
Depreciation	3,208,333	3,208,333	0
Non-Operating, Interest	1,522,455	1,028,554	-493,901
Non-Operating, Miscellaneous	822,450	695,004	-127,446
Non-Operating, Conservation	317,104	35,786	-281,319
Non-Operating, Alternate Water	78,681	59,394	-19,288
<b>Total Expenses</b>	<b>11,802,518</b>	<b>10,309,152</b>	<b>-1,493,366</b>
<b>Net Revenue Increase (Decrease)</b>	<b>-1,800,107</b>	<b>-352,099</b>	<b>1,448,008</b>
<b>Capital Expenditures</b>		<b>4,870,552</b>	
- COP Funded		3,219,390	
<b>Debt Service Principle</b>		<b>955,508</b>	





\*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 \$665,199 as follows:

Checks through:	<u>5/13/20</u>	<u>5/27/20</u>
Prepaid	\$ 74,936.11	\$ 47,069.83
Current	<u>438,735.39</u>	<u>104,457.67</u>
Total	<u>\$ 513,671.50</u>	<u>\$ 151,527.50</u>

**9. Future Agenda Items**

- Discussion on District GSA costs.

**10. Adjournment**

The Committee adjourned at 4:12pm.