

BOARD OF DIRECTORS  
INDIAN WELLS VALLEY WATER DISTRICT

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FINANCE COMMITTEE  
REGULAR MEETING

REPORT

TUESDAY, JUNE 8, 2021 – 3:00 PM

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ATTENDEES: Mallory Boyd, Stan Rajtora, Ty Staheli, Jason Lillion, and Renee Morquecho

**1. Call to Order**

The Finance Committee Meeting was called to order at 3:03 pm.

**2. Committee/Public Comments**

None.

**3. Fraud Risk Discussion**

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

None to report.

**4. First Quarter 2021 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 2021**

<b>INVESTMENTS</b>	<b>UNRESTRICTED</b>	<b>RESTRICTED</b>	<b>TOTAL</b>
Cash in Bank	\$ 3,212,471	399,575	
Local Agency Investment Fund	1,371,510		
Kern County Treasurer	8,835,021	446,399	
BNY Mellon 2018 COP Project Fund		6,834,974	
Total Water District Investments	<u>\$ 13,419,002</u>	<u>\$ 7,680,948</u>	<u>\$ 21,099,950</u>

<b>RESERVES</b>	<b>DISTRICT DESIGNATED</b>	<b>RESTRICTED</b>	<b>TOTAL</b>
Capital Improvements & Replacements (Committed)	\$ 2,182,210		
Vehicle Replacement (Assigned)	356,777		
Computer Equipment Replacement (Assigned)	101,936		
Emergency Reserve (Committed)	3,093,940		
Alternate Water Supply/Future Source of Supply (Assigned)	1,511,394		
Miscellaneous Capital (Assigned for projects postponed)	1,274,860		
Customer Deposits & Credits (Nonspendable)	372,924		
Prepaid Connection Fees (Nonspendable)	400,910		
Post-Retirement Health Benefits - Kern County (Assigned)	313,904		
Emergency Reserve (Uncommitted)	3,810,148		
AD 87-1 Reserve Funds (Restricted to pay Prop 55 Loan)		446,392	
2016 Solar Loan Project Funds		399,575	
2018 COP Project Funds		6,834,974	
Capital Facility Fees		<u>7</u>	
Total Water District Reserves	<u>\$ 13,419,002</u>	<u>\$ 7,680,948</u>	<u>\$ 21,099,950</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*

**5. Financial Statements May 31, 2021 (preliminary)**

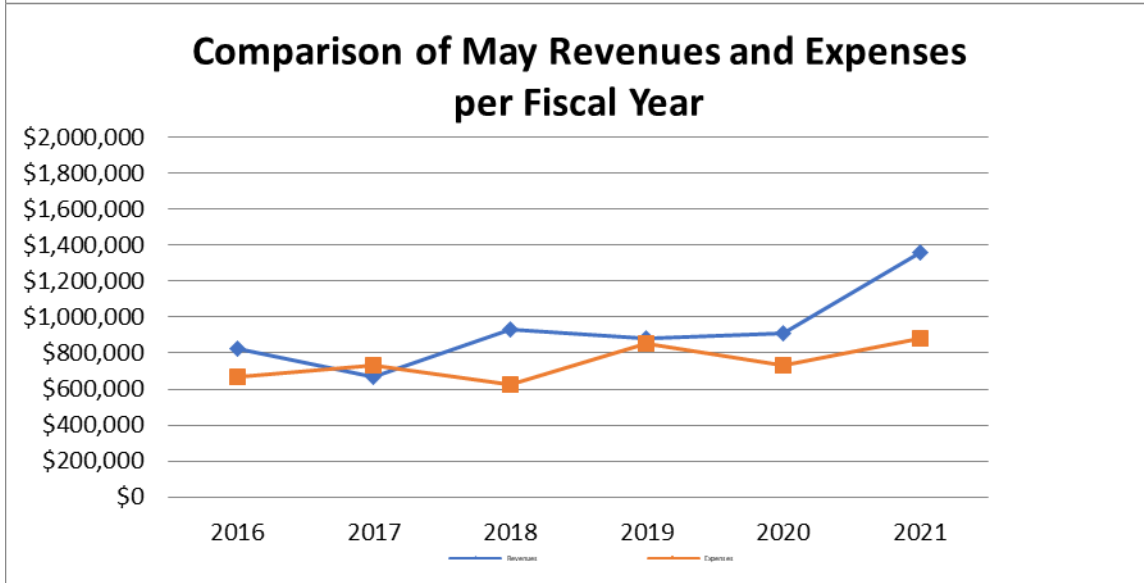
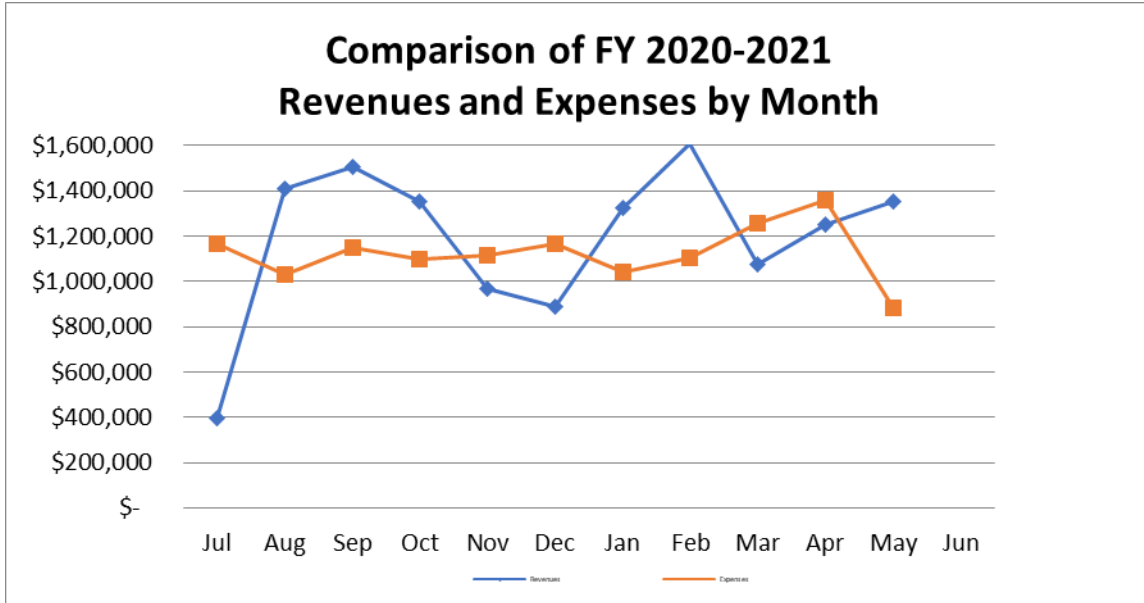
Description: Presentation to Committee financial reports and a graph depicting current revenue and expense trends compared to budget and previous fiscal year actuals.

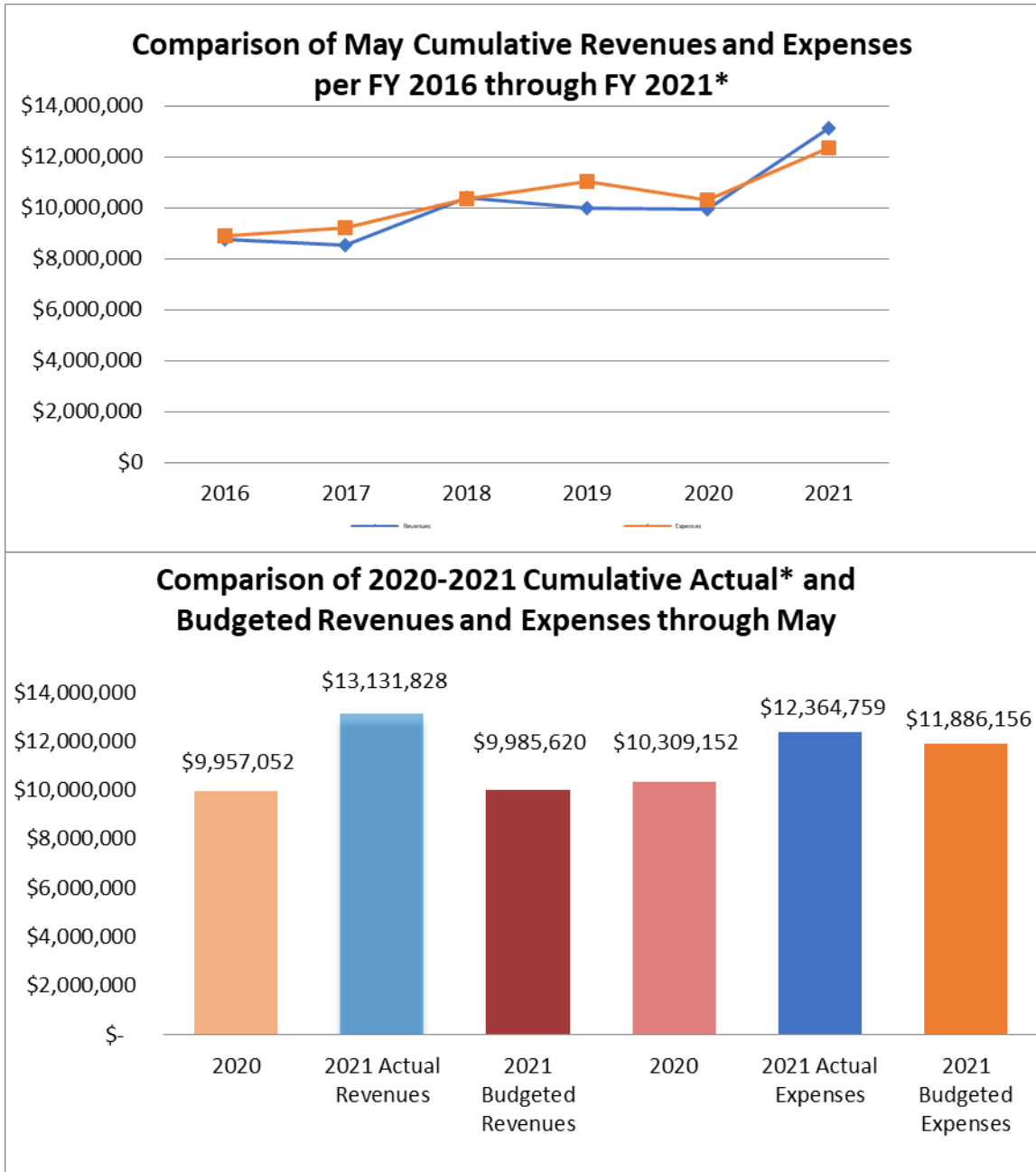
Estimated year-to-date revenues as of May 31, 2021, are \$13,131,828 and expenses are \$12,364,759, therefore revenues exceeded expenditures by \$767,068, which exceeds budget by \$2,667,604.

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

**Indian Wells Valley Water District**  
**Revenues vs. Expense**  
**Actuals & Budget through May 2021 (Preliminary)**

	Budget	Actuals	Δ
<b>Revenues</b>			
Total Water Sales	8,961,090	9,126,609	165,518
GSA Fees	150,000	1,535,085	1,385,085
Total Water Service Revenue	245,912	357,314	111,402
Total Non-Operating Income	139,295	194,487	55,193
Capital Contributions	489,323	1,918,333	1,429,009
<b>Total Revenues</b>	<b>9,985,620</b>	<b>13,131,828</b>	<b>3,146,207</b>
<b>Expenses</b>			
Water Supply	1,030,318	943,908	-86,410
Arsenic Treatment Plants	256,390	155,395	-100,995
Transmission & Distribution	1,662,641	1,495,161	-167,480
Engineering	357,007	348,804	-8,203
Customer Service	365,148	286,642	-78,506
Field Services	525,742	378,289	-147,453
General & Administration	1,986,676	2,223,488	236,813
Legislative	102,446	99,727	-2,719
Depreciation	3,208,333	3,208,333	0
Non-Operating, Interest	1,430,652	1,217,484	-213,168
Non-Operating, Miscellaneous	545,721	529,299	-16,422
GSA Fees	150,000	1,360,860	1,210,860
Non-Operating, Conservation	118,545	11,929	-106,616
Non-Operating, Alternate Water	146,535	105,439	-41,096
<b>Total Expenses</b>	<b>11,886,156</b>	<b>12,364,759</b>	<b>478,604</b>
<b>Net Revenue Increase (Decrease)</b>	<b>-1,900,535</b>	<b>767,068</b>	<b>2,667,604</b>
<b>Capital Expenditures</b>		<b>4,156,240</b>	
- COP Funded		2,086,562	
<b>Debt Service Principle</b>		<b>901,390</b>	





\*Actual Revenues and Expenses are Estimated

## **6. 2021-2022 General Fund and Capital Improvements and Projects Budgets**

Description: Present 2021-2022 proposed General Fund and Capital Improvements and Projects budgets.

The Committee reviewed the 2021-2022 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 outside of the GA Fees, 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 \$17,016,509 and expenses at \$17,694,955 for a difference in which expenses exceed revenues by \$678,445. Specific budget changes compared to the 2020-2021 Fiscal Year General Fund Budget are as follows:

- Total water sales decreased by \$182,141 due to budgeting a 6% reduction due to GA fee conservation with implementation of the scheduled 3% rate increase.
- Capital contributions should increase by \$581,500 based on anticipated new construction.
- Non-operating income decreased by \$49,600 due to completion of the Cash-for-Grass grant and lower interest rates.
- All labor and benefits costs increased due to an estimated 6% COLA, applicable merit raises, and benefit cost increases.
- Customer Service increased by \$29,000 primarily due to anticipation of increased bad debt delinquencies when the Governor lifts the shut-off moratorium.
- Administration, Accounting and General increased by \$1,457,190. Increases include liability insurance, PERS unfunded liability and legal costs.
- GSA Fee Pass-through expense increased by \$4,610,000 due to the GA's implementation of the Replenishment Fee.
- Reductions across many departments to maintain the debt service coverage of 1.20.

## **7. Delinquent Accounts Report**

Description: Status report on delinquent accounts including financial impact.

Staff provided a delinquent account update as of May 4, 217 accounts, for a total of \$125,800.75, would be shut-off in the absence of the Governor's executive order. This represents a decrease of 3 accounts and an increase of \$1,416.40 past due over April, that number is a significant decrease over the last 9 months due to increased outreach of the District to include flow restrictor letters, door hangers, customer account conversations.

## **8. Future Rate Study Objectives:**

Description: Committee to discuss rate study objectives to be incorporated in the District's next rate study.

Deferred to next Committee meeting due to time.

**9. Accounts Payable Disbursements**

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

The Committee recommended approval of accounts payable disbursements totaling \$418,000.37 as follows:

Checks through:	<u>5/11/21</u>	<u>5/26/21</u>
Prepaid	\$ 377,670.45	\$ 40,329.92
Current	<u>471,844.06</u>	<u>93,247.79</u>
Total	<u>\$ 849,514.51</u>	<u>\$ 133,577.71</u>

**10. Future Agenda Items**

- Will-Serve Letters

**11. Adjournment**

The Committee adjourned at 4:35pm.