



Lompoc Utility Commission Item

DATE: May 8, 2017

TO: Utility Commissioners
Larry Bean, Utility Director

FROM: Melinda Wall, Financial Services Manager
m_wall@ci.lompoc.ca.us

SUBJECT: Utility Enterprise Financial Activity Reporting as of January 31, 2017 and requesting the Utility Commission's recommendation to implement approved rate changes effective July 1, 2017

Recommendation:

Staff recommends the receipt of the attached financial activity reports for the City's major utility functions through January 31, 2017. This report summarizes financial activity, by Division, for Water, Electric, Wastewater, Broadband and Solid Waste for the seven month period of July 1, 2016 to January 31, 2017.

No action is required for the receipt of this report, however staff is requesting the Utility Commission make a recommend to the City Council to implement approved charges for the upcoming 2017-2018 Fiscal Year (FY) for:

- The water service charge rates as adopted in Resolution No. 5859(13) effective July 1, 2017.
- The wastewater service charge rates as adopted in Resolution No. 5858(13) effective July 1, 2017.
- The solid waste collections and landfill rates as adopted in Resolution No. 5920(14) effective July 1, 2017.

The utility service charge adjustments approved by City Council for July 1, 2017 are as follows:

Water

- 15% increase for all customer classes and meter sizes, (plus implementing the remainder of the FY 2015-16 increase in the consumption rate).
- The approved Water Utility rate adjustments were scheduled over a five year period and are a uniform 15% increase per year effective July 1 of each year between 2014 and 2017. The recommended adjustment schedule as originally presented by the rate study consultants at the January 8, 2013 City Council

meeting, had it been implemented, would not have required any adjustment to water service charges beyond those for the 2013-2016 periods. The recommended, approved, and actual adjustments under the current approved rate structure are shown in Table 1 below.

Table 1

| Water Rates | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------|-------------|-------------|-------------|--|-------------|
| Recommended | 19% | 18% | 17% | 15% | 0% |
| Approved | 15% | 15% | 15% | 15% | 15% |
| Affirmed | 15% | 15% | 7.5% | Meter chrg 15% & 7.5% prior YR (Volumetric 0%) | - |

Wastewater –

- 10.5% increase per unit based on customer water consumption formula
- Table 2 below shows the Wastewater recommended, approved and affirmed rates.

Table 2

| Wastewater Rates | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Recommended | 21% | 17% | 11% | 11% | 11% |
| Approved | 21% | 10.5% | 10.5% | 10.5% | 10.5% |
| Affirmed | 21% | 10.5% | 10.5% | 10.5% | - |

- The proposed Wastewater utility revenues generated by the rate structure are anticipated to achieve certain goals outlined in the 2013 rate study and, by design, would achieve all the goals with a subsequent rate setting authority beyond June 30, 2018.

Solid Waste – Collections

- 3.6% increase for all categories of collection
- Table 3 below shows the Solid Waste recommended, approved and affirmed rates.

Table 3

| Solid Waste | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| Recommended | 3.6% | 3.6% | 3.6% | 3.6% | 3.6% |
| Approved | 3.6% | 3.6% | 3.6% | 3.6% | 3.6% |
| Affirmed | 3.6% | 3.6% | 3.6% | - | - |

Electric

Electric rates were scheduled for a 3% increase in 2012, however the City was able to reduce the rates by an additional 3% in August 2012. No adjustments are recommended at this time, in spite of increased regulatory compliance and reporting requirements necessitating a request for a dedicated new position in the division for regulatory compliance and reporting in the FY 2017-19 biennial budget.

FY 2017-19 biennial budget recommendations

The 2017-19 Biennial Budget includes recommendations for cost analysis studies be performed on each of the four major utilities separately to determine the revenue requirements for each utility, and, if necessary, recommendations for rate adjustments.

Background:

Each division’s financial information is presented in the format presented in the table below. This consistent presentation provides a clear and concise summary of the financial results for each utility.

| | <u>Full Fiscal Year Budget</u> | <u>Year to Date</u> | | <u>Positive/ (Negative) Variance</u> | |
|----------|--|---------------------|---------------|--|--------------------------------|
| | | <u>Expected</u> | <u>Actual</u> | <u>Year to Date</u> | <u>Projected Full Year</u> |
| Category | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 |

The following index is provided to you to explain the makeup of the information presented on each separate utility summary.

Column 1 of the report shows the revised budget for the division for the FY for the indicated category (revenue, expenditures, etc). The revised budget includes the current approved budget plus any prior year carryovers, prior year encumbrances and any supplemental appropriations approved for the various funds in the current FY.

Column 2 of the report shows the cumulative monthly totals for the FY. In this case, the amount represents 7 of 12 months for the FY since the report is as of January 31, 2017. As requested, this column has been revised from the original report to reflect the fact that debt service has a designated payment period, a majority of those payments hit semi-annually rather than equally every month. Personnel services are recorded on a monthly basis while payments for services and supplies usually are processed after the expenditures have occurred.

Column 3 represents the actual year to date activity by category (revenue, expenditures, compensation, debt service, etc).

Columns 4 and 5 show the variance between budgeted and actual either for the monthly year to date (column 4) or the annual projected results (Column 5 - the annualized monthly year to date).

While not fully represented in the table above, highlights of the various categories are more fully described below:

Revenues reflect the operational charges received by each division for the services provided. Water, electric, solid waste and broadband revenues are based on current services provided. Revenues for a majority of wastewater accounts are based on a six year winter averaging of water usage and reflect lower water usages from customers.

Expenses and Expenditure Detail show, in total and major categories, the individual division's costs including salary and benefits, services and supplies (operations), capital outlay, debt service, and other sources/(uses). Because of the timing of vendor payments, many operating supplies or services purchased and used in a month are not reflected in the expenditure detail until paid and will ordinarily be reflected in the following month's activity. As part of the ordinary yearend closing process in June, the City accrues payables for 45 days so that all purchases are recorded in the proper FY.

Utility by Utility Highlights:

Operating expenditures such as salaries and maintenance in all divisions are within their budgeted amounts and are under the control of the managers of their divisions.

Capital outlay projects often take planning, engineer reviews and going through a bid process prior to the actual acquisition or the start of construction of a project. While these projects are approved in a current budget cycle, often the project will require significant planning up front and could span multiple years before the project is completed. It may take a number of years before all the funds allocated for those projects are expended. This typically results in a positive variance for capital expenditures as the project completion lags the decision to budget for the project.

The figures and amounts presented in this report are based on seven months of the FY (58.3% of the year) without any adjustment for cyclical consumption patterns.

Additional highlights for individual funds are presented below:

- Water fund
 - Revenues
 - Actual revenues for the seven months ending January 31, 2017 are \$7.27 million; this reflects the rate increase that went into effect on July 1, 2016 that was reflected in revenues starting in August and September. This is 55% of the anticipated total for the year. In the rate study, it was anticipated that the revenue fees collected with the

- 15% increase for the 2016-17 FY would be \$14.23 million, while FY 15-17 Budget projected anticipated revenues of \$13.23 million.
- Year to date revenues are 5.36% higher for the 7 month period ending January 31, 2017 than for the same 6 month period ending January 31, 2016.
 - The fourth year rate adjustment implemented on July 1, 2016 adjusted the meter charge by both the remaining approved amount from the 2015 rate of the 7.5% approved rates and the approved 15% rate for 2016. There was no adjustment on the consumption rate effective July 1, 2016 compared to the 7.5% increase approved in 2015 on the consumption component of the rate.
- Expenditures
 - Salaries and operational costs were within the projected ranges at 62% (with 16 of 27 payroll cycles complete) and 51% (7 of 12 months complete) respectively.
 - Scheduled bond debt service interest only payments of \$280,206 were made in August 2016. Other debt payments of \$78,466 have been paid through December 31, 2016. A majority of debt service is paid twice a year, in August and in February; February bond debt service payments will be \$942,107 including principal repayments.
 - Capital improvement and outlay costs typically lag appropriations due to the timing of the projects as most of the capital items have a lead time to get the projects started. To date, 3.3% of the anticipated costs have been spent towards capital projects.
 - Cash balances
 - Operational cash at July 1, 2016 was a positive \$1.10 million in comparison with \$0.1 million at July 1, 2015. Operational cash at January 31, 2017 was \$2.8 million after considering current year appropriations for capital project restricting the use of the funds held.
 - In this current year, capital outlay and capital projects funds that are approved, but haven't been completed yet are estimated at \$4 million representing a restriction on the overall gross operational cash resources of \$2.5 million. To achieve a 15% cash reserve, a balance of \$1.4 million in unrestricted operating cash would be required. To achieve a 25% (of budgeted operating costs) or 90 day cash reserve (as per City Council policy), there would need to be \$2.3 million in unrestricted operating cash.
 - Stated goals of the water rate adjustments are:
 - Ensure compliance with bond covenants in the first year of implementation by June 30, 2014. Bond covenants require Net Revenues (monthly service charges plus any additional qualifying revenues), to be at least equal to 1.25 of Maximum Annual Debt Service (MADS). In 2014, Net Revenues were at 2.11 of the water revenue bonds MADS. This goal has been achieved each

throughout the five year rate setting authority beginning June 30, 2014 as summarized in Table 4 below.

Table 4

| Ensure compliance with Bond Covenants | | | | | | |
|---|---------------------------|---------------------------|------------------------------|--|--|--|
| Water | Actual 2015 FY | Actual 2016 FY | Projected 2017 FY | Projected Adopted Rate 15% + PY 2018 FY | Projected with No Rate Adjustment 2018 FY | Projected Adopted Rate 7.5% 2018 FY |
| Revenues | \$ 10,938,885 | \$ 11,317,086 | \$ 12,463,637 | \$ 14,718,487 | \$ 12,463,637 | \$ 13,398,410 |
| Operating Expenses: | | | | | | |
| Personnel Costs | \$ 3,033,810 | \$ 2,808,714 | \$ 3,030,114 | \$ 3,259,279 | \$ 3,259,279 | \$ 3,259,279 |
| Operations | 4,870,393 | 5,046,607 | 5,818,716 | 5,848,982 | 5,848,982 | 5,848,982 |
| Subtotal | \$ 7,904,203 | \$ 7,855,321 | \$ 8,848,830 | \$ 9,108,261 | \$ 9,108,261 | \$ 9,108,261 |
| Amount Available: | \$ 3,034,682 | \$ 3,461,765 | \$ 3,614,807 | \$ 5,610,226 | \$ 3,355,376 | \$ 4,290,149 |
| Debt Service | \$ 1,229,213 | \$ 1,225,165 | \$ 1,225,165 | \$ 1,222,760 | \$ 1,222,760 | \$ 1,222,760 |
| Debt Ratio requirement | | | | | | |
| 1.25: | 2.47 | 2.83 | 2.95 | 4.59 | 2.74 | 3.51 |
| Information gather from the City's Financial Statement Goal: Achieved in Year 1 (No depreciation or capital outlay is included in this calculation) | | | | | | |

- Provide a positive net income by the second year of implementation or by June 30, 2015. This goal was achieved in the 2013-14 FY and is summarized in Table 5 below.

Table 5

| Generate positive net income in the second year | | | | | |
|--|---------------------------|---------------------------|---|--|---|
| City Financial Statement Water | Actual 2016 FY | Projected 2017 | Projected with Rate 15% + PY 2018 FY | Projected With No Rate Adjustment 2018 FY | Projected with 7.5% Rate 2018 FY |
| Operating revenues | \$11,317,086 | \$ 12,450,523 | \$ 14,705,867 | \$ 12,450,523 | \$ 13,385,313 |
| Operating expenditures | 9,335,275 | 10,374,043 | 10,658,613 | 10,658,613 | 10,658,613 |
| Operating income (loss) | 1,981,811 | 2,076,480 | 4,047,254 | 1,791,910 | 2,726,700 |
| Nonoperating rev. & exp. | (474,074) | (616,790) | (520,467) | (520,467) | (520,467) |
| Net income (loss) | \$ 1,507,737 | \$ 1,459,690 | \$ 3,526,787 | \$ 1,271,443 | \$ 2,206,233 |

- Eliminate the Water Utility’s operating cash reserve deficit during the fourth year of implementation. This goal was achieved by June 30, 2015 and is summarized in Table 6 below.

Table 6

| Generate positive net income in the second year | | | | | | |
|--|----------------|------------------|-------------------------------------|--|---------------------------------|--------------------------------|
| City Financial Statement | Actual | Projected | Projected with 15% + PY Rate | Projected With No Rate Adjustment | Projected with 7.5% Rate | Projected with 15% Rate |
| Water | 2016 FY | 2017 | 2018 FY | 2018 FY | 2018 FY | 2018 FY |
| Operating rev: | \$ 11,317,086 | \$ 12,450,523 | \$ - | \$ 12,450,523 | \$ 13,398,410 | \$ 14,320,086 |
| Operating exp: | 9,335,275 | 10,374,043 | 9,178,659 | 9,178,659 | 9,178,659 | 9,178,659 |
| Operating in: | 1,981,811 | 2,076,480 | (9,178,659) | 3,271,864 | 4,219,751 | 5,141,427 |
| Nonoperating | (474,074) | (616,790) | (520,467) | (520,467) | (520,467) | (520,467) |
| Net income (lo | \$ 1,507,737 | \$ 1,459,690 | \$ (9,699,126) | \$ 2,751,397 | \$ 3,699,284 | \$ 4,620,960 |

- Provide a 25% or 90-day operating reserve by the fifth year of implementation in accordance with City Council policy.
- Allow adequate funding for the water utility’s capital repair and replacement program (R & R Reserve) by the end of the fifth year of implementation.

Electric fund

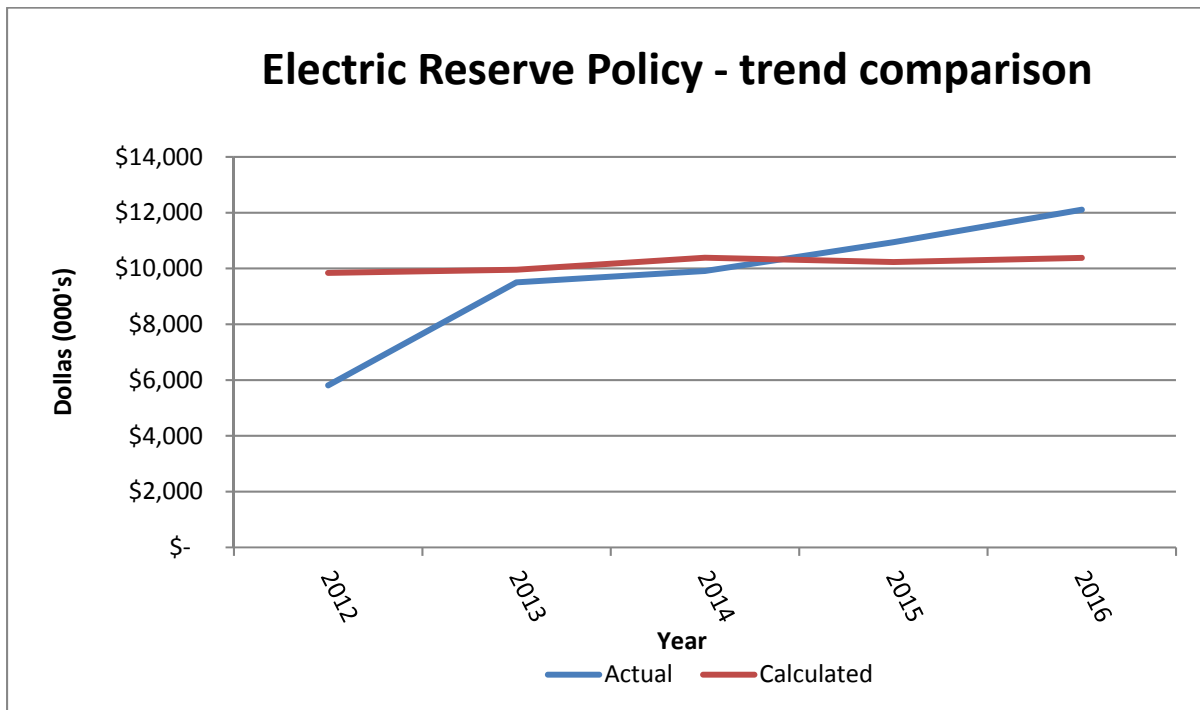
- Revenues
 - Actual revenues through January 31, 2017 were \$14.16 million and were within the estimated range at 57% of total estimated revenues for the 2016-17 FY. In comparison, \$14.65 million of revenues were received through January 31, 2016.
 - In August 2012, the City Council approved a temporary 3% reduction of rates in anticipation of a return of cash reserves policy levels prior to the estimated return (in 2009 reserves were anticipated to be at policy levels by 2019). Reserves met our policy levels as of June 2016.
 - A cost of service study is planned for the FY 2017-19 budget cycle to evaluate all rate classes for possible adjustment to identify separate base costs and consumption costs and to insure one class doesn’t subsidize another.
- Expenditures
 - Salaries and operational costs were 51% and 48% respectively for a total of \$11.5 million, inside the expected range of \$12.97 million.

Purchased power costs represent \$6.45 million of operational cost and is at 52% of its estimated budgeted.

- Capital additions of \$477,599 reflect \$440,524 expended for the 4Kv conversion project.
- Cash balance
 - Operating cash balance at January 31, 2017 was \$12.52 million in comparison with \$12.11 million at June 30, 2016.
 - The cash amount of the operating reserve policy set by the City Council is \$10.38 million at June 30, 2016. The balance meets the reserve policy requirements of the following:
 - 60 day operating expense reserve,
 - a reserve for employee benefits,
 - a stabilization reserve, and
 - a major disaster reserve set at 6.5% of un-depreciated plant & equipment costs.

Below is a historical graph (Graph 1) comparison of the Electric fund's operating reserves and the reserve requirement for the period of June 2013 to June 2016.

Graph 1
 Electric Fund Operating Reserves and Reserve Requirements



Wastewater fund

- Revenues
 - Revenues received for the six months through January 2017 are \$8.4 million in comparison with \$7.8 million through January 2016 and represent 7.7% increase from last year.
 - The approved and affirmed rate increase of 10.5% effective July 1, 2016 was lower than recommended in the 2013 rate study.
 - The Wastewater treatment partners, Vandenberg Village Community Service District (VVCSD) and Vandenberg Air Force Base (VAFB), are charged for their direct usage in proportion to the overall plant costs in relationship to the City's usage. The plant's capital costs are paid in proportion their capacity rights of the plant which is 16.18% for VVCSD and 28.20% for VAFB.
- Expenditures
 - Salaries and operational costs of \$4.2 million were within projected ranges of 56% and 40% respectively.
 - Capital outlays of \$474 is 0.02% of budgeted appropriations of \$3,058,216.
 - \$5.0 million in debt service payments were made in August 2016 for the State Revolving Fund (SRF), and the 1998, 2005, and 2007 bond issues. A majority of the debt service payments are in August and February. February 2017's debt service obligation is approximately \$1 million.
- Cash balance
 - Operating cash reserve balances at the end of January 2017 were a negative \$2.1 million for the Wastewater Utility. Restricted reserve balances for obligations related to the annual SRF payment as of January 31, 2017 is \$1.9 million.
 - Operating cash reserve balances improved by \$1.46 million between June 30, 2016 and January 31, 2017.
 - Unspent budgeted capital commitments for Wastewater equate to \$1.8 million, which will be paid from available operating cash reserves as the projects are constructed.
 - This June, the amount set aside for the VVCSD will for the 2007 Bond Principal will be paid down in the amount of \$1.8 million.
- Stated goals of the wastewater rate adjustments are:
 - Ensure compliance with bond covenants in the first year of implementation or by June 30, 2014. This goal was achieved.
 - Because the revenue bonds have seniority over the State Revolving Fund (SRF) loan, the bond covenants were met for their requirements. The SRF loan, funded in 2007 by the State Water Resources Control Board, relates solely to the Wastewater Utility, and requires similar covenants as the Revenue Bonds. Payment of the SRF loan is subordinate to the Revenue Bond payments.

- A requirement of the SRF is the creation of a payment reserve equal to the annual SRF payment over the first 10 years of the 20-year loan. Payback for the SRF loan started in August of 2010 and the reserve should be in place in the year 2020. Information concerning the Wastewater bond covenants are reflected on Table 7 below.

Table 7

| Ensure compliance with Bond Covenants | | | | | |
|---|---------------------------|---------------------------|------------------------------|---|--|
| Wastewater | Actual 2015 FY | Actual 2016 FY | Projected 2017 FY | Projected Adopted Rate 10.5% 2018 FY | With No Rate Adjustment 2018 FY |
| Revenues | \$ 12,357,864 | \$ 14,975,556 | \$ 14,422,081 | \$ 15,792,189 | \$ 14,422,081 |
| Operating Expenses: | | | | | |
| Personnel Costs | \$ 2,352,728 | \$ 2,442,540 | \$ 2,688,152 | \$ 2,844,689 | \$ 2,844,689 |
| Operations | 3,800,213 | 4,682,456 | 5,192,209 | 4,935,210 | 4,935,210 |
| Subtotal | \$ 6,152,941 | \$ 7,124,996 | \$ 7,880,361 | \$ 7,779,899 | \$ 7,779,899 |
| Amount Available: | \$ 6,204,923 | \$ 7,850,560 | \$ 6,541,720 | \$ 8,012,290 | \$ 6,642,182 |
| Debt Service for Bonds | \$ 1,483,483 | \$ 1,482,550 | \$ 1,494,743 | \$ 1,495,100 | \$ 1,495,100 |
| Debt Ratio req.1.25: | 4.00 | 5.30 | 4.38 | 5.36 | 4.44 |
| Available Balance | 4,721,440 | 6,368,010 | 5,046,977 | 6,517,190 | 5,147,082 |
| SRF Debt req: 1.00 | \$4,580,079 | \$4,580,291 | \$4,580,291 | \$4,580,291 | 4,580,291 |
| Available Bal. after SRF | \$141,361 | \$1,787,719 | \$466,686 | \$1,936,899 | 566,791 |
| (No capital outlay or depreciation is included in this calculation) | | | | | |

- Provide a positive net income by the second year of implementation. This goal was met at June 30, 2015 and is shown by Table 8 below.

Table 8

| Generate positive net income | | | | |
|--|-------------------|----------------------|--|---------------------------------------|
| City Financial Statement Wastewater | Actual 2016 FY | Projected 2017 FY | Projected Adopted Rate Adj. 2018 FY | With No Rate Adjustment 2018 FY |
| Operating revenues | \$ 14,975,556 | \$ 14,422,081 | \$ 15,792,189 | \$ 14,422,081 |
| Operating expenditures | 10,988,632 | 12,426,283 | 12,325,821 | 12,325,821 |
| Operating income (loss) | 3,986,924 | 1,995,798 | 3,466,368 | 2,096,260 |
| Nonoperating rev. & exp. | (2,027,335) | (1,929,142) | (1,751,679) | (1,751,679) |
| Net income (loss) | \$ 1,959,589 | \$ 66,656 | \$ 1,714,689 | \$ 344,581 |
| Goal: Fiscal Year 2018-19 | | | | |

- Eliminate the Wastewater Utility operating cash reserve deficit by the fourth year of implementation or by June 30, 2017.
- Provide a 25% or 90-day operating reserve by the fifth year of implementation or by June 30, 2018, the operating reserve calculations are shown by Table 9 below.

Table 9

| Build up Operation Reserve to 90-days of O&M expenses | | | | | |
|--|-------------------|-------------------|----------------------|--|--|
| Wastewater | Actual 2015 FY | Actual 2016 FY | Projected 2017 FY | Projected Adopted Rate Adj. 2018 FY | With No Rate Adjustment 2018 FY |
| Estimated 90 Day Reserve Requirement (25%): | \$ 3,171,265 | \$ 3,171,265 | \$ 3,106,571 | \$ 3,081,455 | \$ 3,081,455 |
| Operating Cash Balance | \$ (5,946,699) | \$ (3,661,624) | \$ (1,665,826) | \$ 1,800,542 | \$ 430,434 |
| Needed to meet 90 day reserve: | (9,117,964) | (6,832,889) | (4,772,397) | (1,280,913) | (2,651,021) |
| Days of reserves available: | (259) | (194) | (138) | (37) | (77) |

- Allow for the funding of the SRF's payment reserve by June 20, 2021.
- Allow funding for the Wastewater Utility's capital repair and replacement program by the end of the tenth year of implementation.
- Broadband fund
 - Revenues
 - Revenue of external subscriptions of \$72,867 was received through January 31, 2017.
 - Expenditures
 - Salaries, operations, and debt service were within the projected range in the amount of \$97,572 as of January 31, 2017.
 - Cash balance
 - Broadband's cash balance at January 31, 2017 was \$25,846. At June 30, 2016, the cash balance was \$39,072.
 - Any available cash balances will be applied toward the payment of the external startup loan annually.
- Solid Waste fund
 - Revenues
 - The annual rate increase adopted by City Council on June 3, 2014 was 3.6% per year over a five year period. Each of the first 3 increases were affirmed annually by the City Council.
 - Revenues are \$4.95 million to date. This reflects the rate adjustments that were approved in June 2014 and reflected in revenues starting in August 2016 and is 58% of the anticipated revenues.
 - Year to date revenues recognized through January 2017 are approximately 5.3% greater than revenue received through January 2016.
 - Financing proceeds up to \$1 million will be paid to the City on a reimbursement basis for the Landfill Gas Collection (LGCCS) system once the project is under construction. After the City has met its required local match, loan proceeds will be recognized upon reimbursement.
 - Expenditures
 - Salaries are at 59% and operations were at 51% of the budget through January 2017 and are within the projected range.
 - Capital outlays reflecting a positive variance is due to unexpected delays of the LGCCS project. The LGCCS project was originally budgeted at \$1.2 million in FY 2013-14 and has been carried over into this year. The project is currently underway and \$58,408 has been spent on the project as of January 31, 2017.
 - Debt service had a positive variance due to refinancing of existing lease financing instruments with financing with lower interest rates.

The debt service for the State's financing of the LGCCS begins one year following the effective date of the financing. The financing has been approved as March 1, 2017 with a 0.599% rate per annum with the first of ten payments due March 1, 2018.

- Cash balance
 - Solid Waste's total cash balance was \$3.3 million at January 31, 2017. While this meets the interim 90 day operating expense reserve target of \$2.0 million, if operating cash was reduced for restricted needs such as budgeted capital outlay appropriations of \$1.6 million (including the estimated construction cost of the LGCCS budgeted at \$1.4 million) would leave a cash balance of \$1.9 million.
 - The rate increases adopted in July 2014 provide for:
 - The repayment of the remaining balance of the operating loan to the insurance fund approved in 2010. This repayment has been completed in FY 2017.
 - the City's cost share of the landfill gas collection system
 - Necessary requirements to comply with operational needs, accrued benefit costs, and capital outlay costs.
 - The operating loan approved in 2010 has been fully repaid.
- Goals set during the public hearing in July 2014 included:
 - Available funds for operational needs and capital costs
 - Provide funding to meet the City Council's reserve policy of 25% or 90 days of operating expenses by June 30, 2019.
 - Funding for the City's share of the landfill gas collection and control system. Please see table 10 and Table 11 below.

Table 10

| Solid Waste | Actual 2015 FY | Actual 2016 FY | Projected 2017 FY | Projected 3.6% Adopted Rate 2018 FY | With No Rate Adjustment 2018 FY |
|--|---------------------------|---------------------------|------------------------------|--|--|
| Revenues | \$ 7,867,897 | \$ 8,247,578 | \$ 8,479,846 | \$ 9,832,764 | \$ 9,491,085 |
| Operating Expenses: | | | | | |
| Personnel Costs | \$ 2,333,766 | \$ 2,532,265 | \$ 2,921,924 | \$ 2,950,528 | \$ 2,950,528 |
| Operations | \$ 4,121,026 | \$ 5,729,259 | \$ 5,179,566 | \$ 5,539,934 | \$ 5,539,934 |
| Debt Service | 213,002 | 199,139 | 209,317 | 209,139 | 209,139 |
| Subtotal | \$ 6,667,794 | \$ 8,460,663 | \$ 8,310,807 | \$ 8,699,601 | \$ 8,699,601 |
| Amount Available: | \$ 1,200,103 | \$ (213,085) | \$ 169,039 | \$ 1,133,163 | \$ 791,484 |
| Capital Outlay | \$ 52,203 | \$ 52,203 | \$ 1,637,016 | \$ 938,921 | \$ 938,921 |
| Amount applied towards operating cash balance | 1,147,900 | (265,288) | (1,467,977) | 194,242 | (147,437) |
| Operating Cash Balance | \$2,712,017 | \$2,446,729 | 978,752 | 1,172,994 | 831,315 |
| (1) Revenues do not reflect anticipated loan or use of reserves. | | | | | |
| (2) Expenditures do not reflect capital financed by the Calrecycle loan. | | | | | |

Table 11

| Build up Operation Reserve to 90-days of O&M expenses | | | | | |
|--|------------------------|---------------------------|------------------------------|--|-------------------------------------|
| Solid Waste | Actual 2015 | Actual 2016 FY | Projected 2017 FY | Projected Adopted 2018 FY | With No Rate 2018 FY |
| Estimated 90 Day Reserve Req. (25%): | \$ 1,628,101 | \$ 2,024,938 | \$ 2,499,993 | \$2,174,900 | \$2,174,900 |
| Op. Cash Bal. Yr End | \$ 2,712,017 | \$ 2,935,163 | \$ 1,488,138 | \$2,621,301 | \$2,304,641 |
| Needed to meet 90 days Days of reserves available: | \$ 1,083,916 | \$ 910,225 | \$(1,011,855) | \$ 446,401 | \$ 129,741 |
| | 150 | 130 | 54 | 108 | 95 |

Conclusion:

This report summarizes the financial activity of the major utility enterprises of the City for the seven months ending January 31, 2017 and as of January 31, 2017.

By reviewing the financial information and future outlook of the Enterprise funds, responsible fiscal decisions can be made to continue to support the approved rates for water, wastewater, and solid waste. These adjustments will continue to improve the financial health of the funds and by supporting the rates that were adopted by Council, these enterprises will be on their way to self-sufficiency and sustainability.

Respectfully submitted,

Melinda Wall, Financial Services Manager

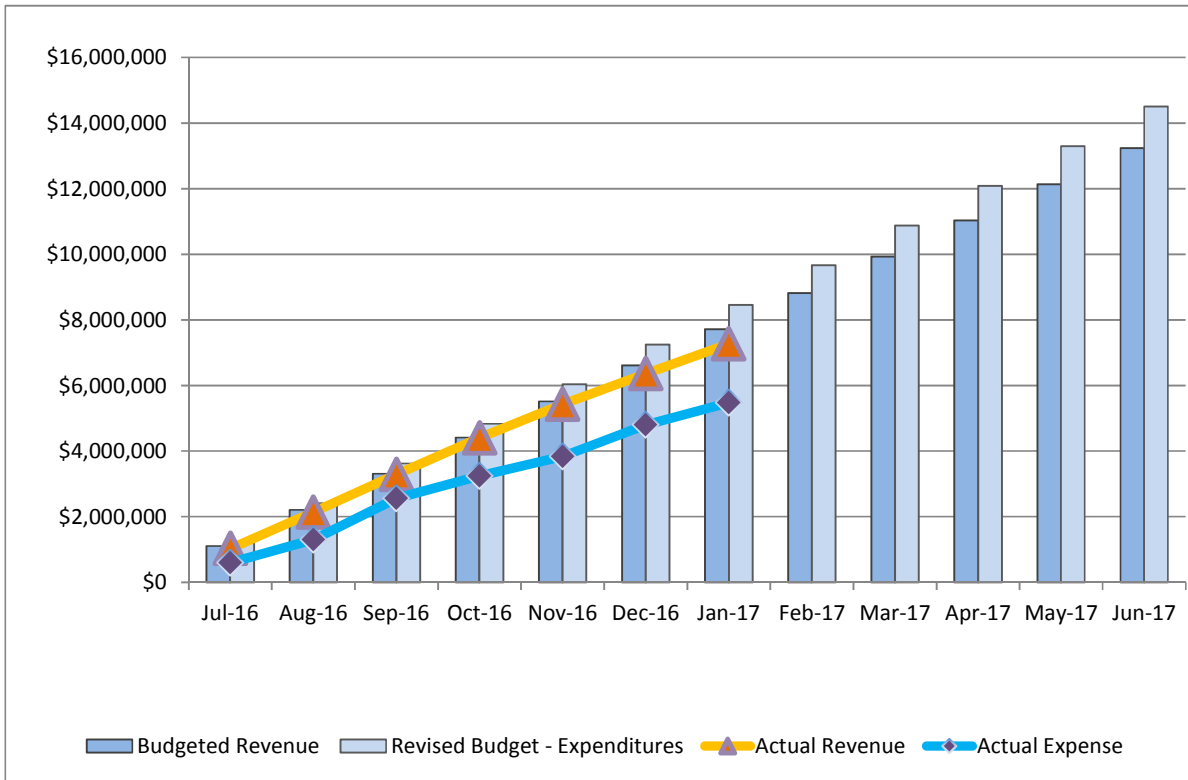
Approved For Submittal to the Utility Commission:

Brad Wilkie, Management Services Director



Periodic Financial Report for City Utility Funds - Water Fund
 Prepared for the City Utility Commission
 For the Period Ending January 31, 2017

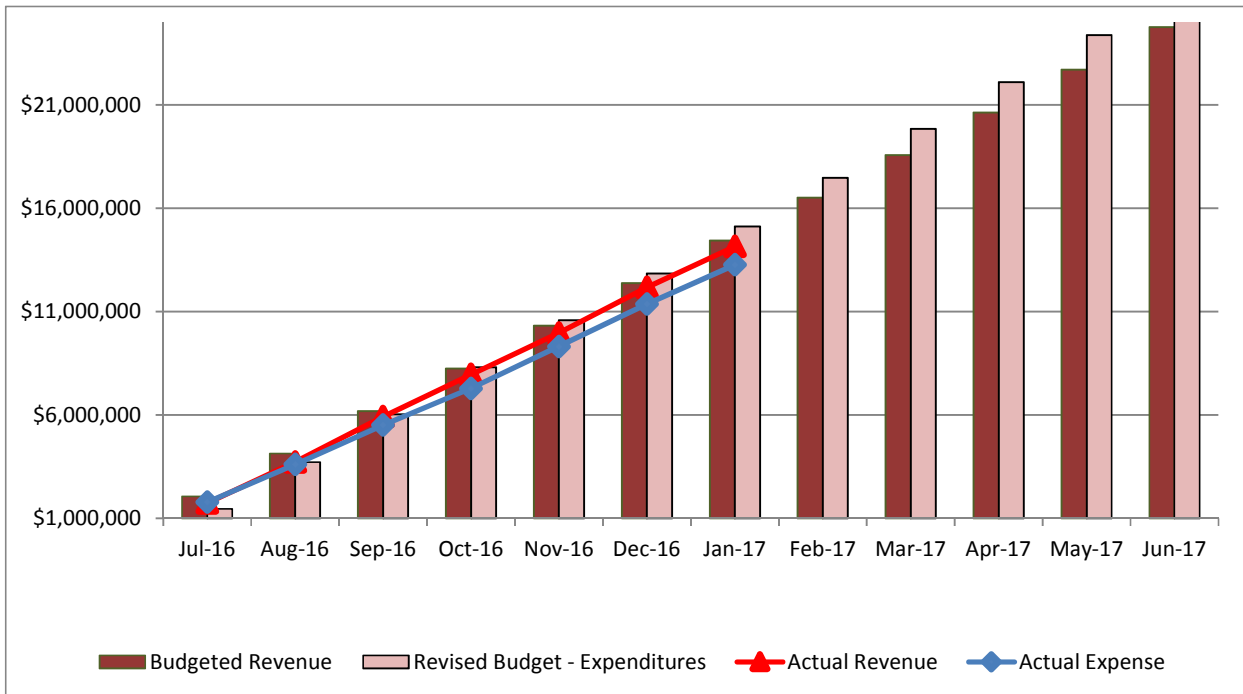
| | Full Fiscal Year Budget | Year to Date | | Positive/(Negative) Variance | |
|-----------------------------|-------------------------------|--------------|--------------|---------------------------------|------------------------|
| | | Expected | Actual | Year to Date | Projected Full Year |
| Water | | | | | |
| Revenues | \$ 13,234,828 | \$ 7,720,316 | \$ 7,270,445 | \$ (449,871) | \$ (771,208) |
| Expenses | 14,500,693 | 7,599,972 | 5,475,653 | 2,124,320 | 3,638,036 |
| Net position | \$ (1,265,865) | \$ 120,344 | \$ 1,794,792 | \$ 1,674,448 | \$ 2,866,828 |
| <u>Expenditure detail</u> | | | | | |
| Personnel Salary & Benefits | \$ 3,276,904 | \$ 1,911,527 | \$ 2,037,609 | \$ (126,082) | \$ (216,141) |
| Operations | 6,086,805 | 3,297,019 | 3,116,475 | 180,544 | 309,504 |
| Capital outlay | 4,058,553 | 2,198,383 | 133,997 | 2,064,386 | 3,538,947 |
| Debt Service | 1,366,207 | 360,912 | 358,672 | 2,240 | 3,840 |
| Other Sources (Uses) | (287,776) | (167,869) | (171,100) | 3,231 | 1,885 |
| Total expenditures | \$ 14,500,693 | \$ 7,599,972 | \$ 5,475,653 | \$ 2,124,319 | \$ 3,638,036 |





Periodic Financial Report for City Utility Funds - Electric Fund
 Prepared for the City Utility Commission
 For the Period Ending January 31, 2017

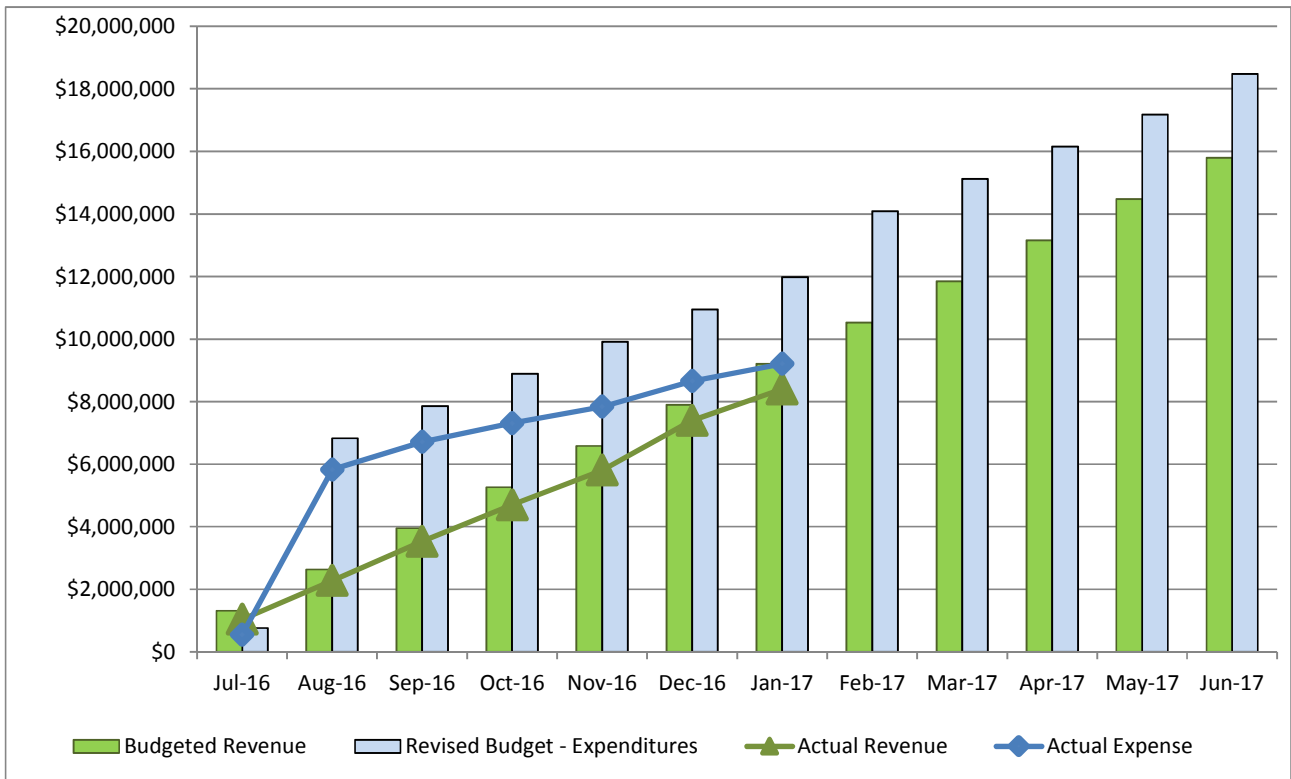
| | Full Fiscal Year Budget | Year to Date | | Positive/(Negative) Variance | |
|-----------------------------|-------------------------------|---------------|---------------|---------------------------------|------------------------|
| | | Expected | Actual | Year to Date | Projected Full Year |
| Electric | | | | | |
| Revenues | \$ 24,764,451 | \$ 14,445,930 | \$ 14,156,309 | \$ (289,621) | \$ (496,493) |
| Expenses | 27,457,740 | 15,116,956 | 13,260,720 | 1,856,237 | 4,725,077 |
| Net position | \$ (2,693,289) | \$ (671,027) | \$ 895,589 | \$ 1,566,616 | \$ 4,228,585 |
| <u>Expenditure detail</u> | | | | | |
| Personnel Salary & Benefits | \$ 3,992,964 | \$ 2,329,229 | \$ 2,026,369 | \$ 302,860 | \$ 519,188 |
| Operations | 19,644,428 | 10,640,732 | 9,474,271 | 1,166,461 | 3,402,820 |
| Capital outlay | 1,568,538 | 914,980 | 477,599 | 437,381 | 749,797 |
| Debt Service | 233,314 | 54,559 | 116,678 | (62,119) | 33,295 |
| Other Sources (Uses) | 2,018,497 | 1,177,457 | 1,165,803 | 11,654 | 19,978 |
| Total expenditures | \$ 27,457,740 | \$ 15,116,956 | \$ 13,260,720 | \$ 1,856,236 | \$ 4,725,077 |





Periodic Financial Report for City Utility Funds - Wastewater Fund
 Prepared for the City Utility Commission
 For the Period Ending January 31, 2017

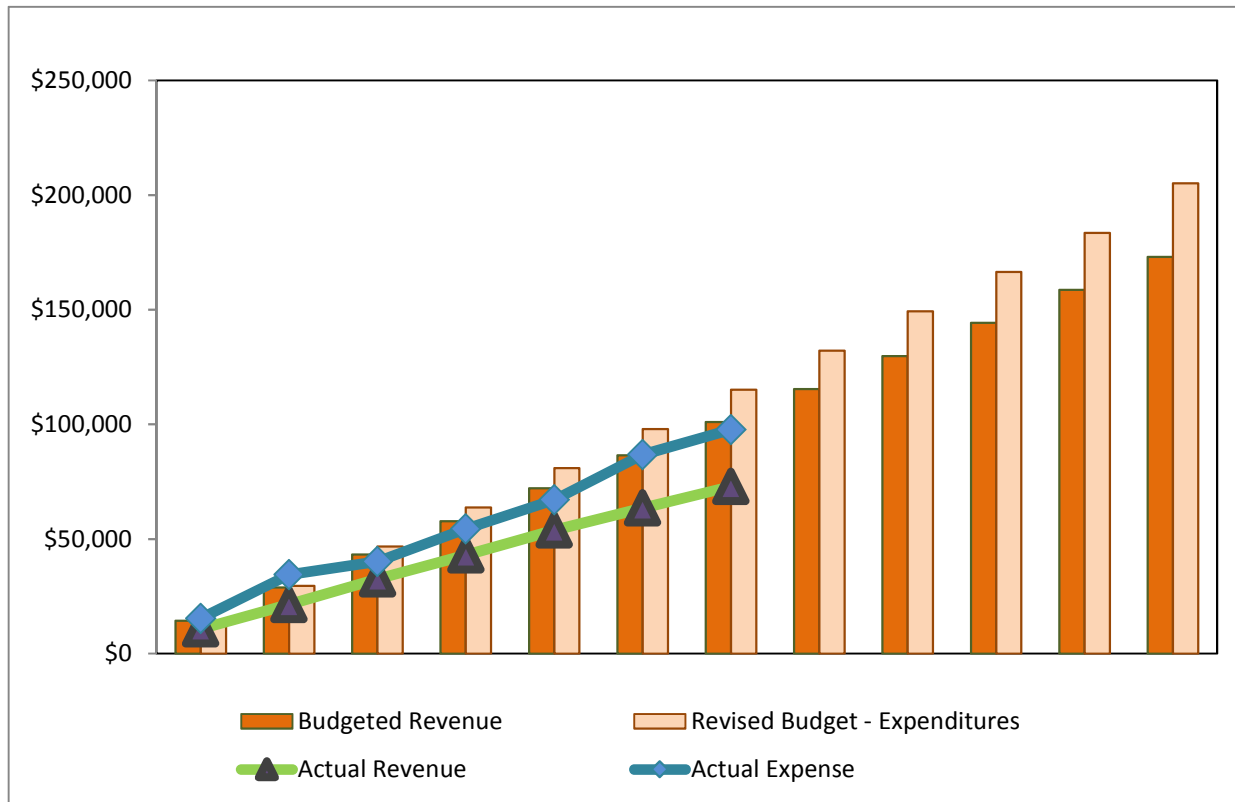
| | Full Fiscal Year Budget | Year to Date | | Positive/(Negative) Variance | |
|-----------------------------|-------------------------------|----------------|--------------|---------------------------------|------------------------|
| | | Expected | Actual | Year to Date | Projected Full Year |
| | | | | | |
| Wastewater | | | | | |
| Revenues | \$ 15,792,189 | \$ 9,212,110 | \$ 8,401,379 | \$ (810,731) | \$ (1,389,825) |
| Expenses | 18,479,884 | 11,977,118 | 9,208,024 | 2,769,093 | 4,725,091 |
| Net position | \$ (2,687,695) | \$ (2,765,007) | \$ (806,645) | \$ 1,958,362 | \$ 3,335,266 |
| <u>Expenditure detail</u> | | | | | |
| Personnel Salary & Benefits | \$ 2,906,981 | \$ 1,695,739 | \$ 1,628,567 | \$ 67,172 | \$ 115,152 |
| Operations | 6,395,067 | 3,463,994 | 2,576,255 | 887,739 | 1,521,839 |
| Capital outlay | 3,058,216 | 1,783,959 | 474 | 1,783,485 | 3,057,404 |
| Debt Service | 6,119,620 | 5,033,425 | 5,002,728 | 30,697 | 30,697 |
| Total expenditures | \$ 18,479,884 | \$ 11,977,118 | \$ 9,208,024 | \$ 2,769,094 | \$ 4,725,091 |





Periodic Financial Report for City Utility Funds - Broadband Fund
 Prepared for the City Utility Commission
 For the Period Ending January 31, 2017

| | Full Fiscal Year Budget | Year to Date | | Positive/(Negative) Variance | |
|-----------------------------|-------------------------------|------------------|-------------|---------------------------------|------------------------|
| | | Expected | Actual | Year to Date | Projected Full Year |
| | | Broadband | | | |
| Revenues | \$ 173,070 | \$ 100,958 | \$ 72,867 | \$ (28,090) | \$ (48,154) |
| Expenses | 205,159 | 115,104 | 97,670 | 17,434 | 37,725 |
| Net position | \$ (32,089) | \$ (14,146) | \$ (24,802) | \$ (10,656) | \$ (10,429) |
| <u>Expenditure detail</u> | | | | | |
| Personnel Salary & Benefits | \$ 79,228 | \$ 46,216 | \$ 48,831 | \$ (2,615) | \$ (4,483) |
| Operations | 109,730 | 59,437 | 48,741 | 10,696 | 26,174 |
| Capital outlay | 16,201 | 9,451 | 97 | 9,353 | 16,034 |
| Total expenditures | \$ 205,159 | \$ 115,104 | \$ 97,670 | \$ 17,434 | \$ 37,725 |





Periodic Financial Report for City Utility Funds - Solid Waste Fund
 Prepared for the City Utility Commission
 For the Period Ending January 31, 2017

| | Full Fiscal Year Budget | Year to Date | | Positive/(Negative) Variance | |
|-----------------------------|-------------------------------|--------------|--------------|---------------------------------|------------------------|
| | | Expected | Actual | Year to Date | Projected Full Year |
| Solid Waste | | | | | |
| Revenues | \$ 8,576,349 | \$ 5,002,870 | 4,946,577 | \$ (56,293) | \$ (96,503) |
| Expenses | 9,999,971 | 5,516,217 | 4,455,287 | 1,060,930 | 2,362,336 |
| Net position | \$ (1,423,622) | \$ (513,347) | 491,290 | \$ 1,004,637 | \$ 2,265,833 |
| <u>Expenditure detail</u> | | | | | |
| Personnel Salary & Benefits | \$ 2,921,924 | \$ 1,704,456 | \$ 1,728,720 | \$ (24,264) | \$ (41,596) |
| Operations | 5,179,566 | 2,805,598 | 2,630,428 | 175,170 | 670,260 |
| Capital outlay | 1,637,016 | 954,926 | 74,548 | 880,378 | 1,509,220 |
| Debt Service | 209,317 | 31,082 | 19,850 | 11,232 | 175,288 |
| Other Sources (Uses) | 52,149 | 20,155 | 1,741 | 18,414 | 49,164 |
| Total expenditures | \$ 9,999,971 | \$ 5,516,217 | 4,455,287 | \$ 1,060,930 | \$ 2,362,336 |

