



Lompoc Utility Commission Item

Utility Commission Meeting Date: December 8, 2014

TO: Utility Commissioners
Larry Bean, Utility Director

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

SUBJECT: Financial Reporting for the Month of June 2014

Recommendation:

Please find attached the June 2014 financial report. This report summarizes financial activity by Division for Water, Electric, Wastewater, Broadband and Solid Waste.

No action is required for the receipt of this report.

Background:

The table below is presented for each division to provide a clear and concise summary of the financial results for each utility.

	<u>Full Fiscal Year</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 fiscal year 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 fiscal year.

Column 2 of the report shows the cumulative monthly totals for the fiscal year. In this case, the amount represents 12 of 12 months for the fiscal year since the report is as of

June 30, 2014. 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. Future reports will show the cumulative monthly results as FY 2014-15 progresses.

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

Columns 4 and 5 shows the variance between budgeted and actual either for the monthly year to date (column 4) or the annual projected results (the annualized monthly year to date). For this report, since it is for the full fiscal year, the two columns are generally the same.

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 are based on current charges provided. 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).

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 completed fiscal year information. While the audit for FY 2013-14 is not completed, the activity to complete the audit is completed. Some information presented here may be different than what

has been presented previously as FY 2013-14 results because of adjustments made in preparation for the audit.

Additional highlights for individual funds are presented below:

- Water fund
 - Revenues
 - Actual revenues for the year were \$10.3 Million (M), this reflects the rate increase that went into effect on August 5, 2013 and compares to last year's amount of \$8.89 M.
 - The \$1.41 M increase equates to a 15.9% growth in revenue. The increase was derived from rate adjustments.
 - Water sales were virtually unchanged in FY 2013-14 as compared with FY 2012-13.
 - Expenditures
 - Salaries, operations, and debt service were within the projected ranges.
 - Capital outlay costs were less than budget and the variance was due to the timing of the projects, the capital items have a lead time to get projects started and these projects will be carried over to the 2014-2015 FY.
 - Cash balance
 - Operational cash increased from a negative \$1,044,152 in the beginning of the fiscal year to a negative \$89,631 at the end of the year.
 - The water utility recovered \$0.95 M in operating cash during the year.
 - The ending negative cash amount is slightly better than was presented to City Council in October.
- Electric fund
 - Revenues
 - Total revenues recorded for the year were \$23.4 million. Overall revenues were 2% less than the previous year (\$24 M). A primary cause of the drop was a 3% reduction in residential usage as compared with FY 2012-13.
 - Expenditures
 - Salaries and materials were adjusted down in June to reflect the labor and operating costs that went into capital infrastructure for both City & Developers projects (capitalized salaries and materials).
 - Capitalized salaries and materials for FY 2014-15 was \$1.33 M.
 - Total capital additions reflects the capital outlay and capital infrastructure projects for both the City and Developers adding \$2.25 M to total system assets during the year.

- Cash balance
 - Operating cash balances at the end of the year were \$9.91 M in comparison with \$8.68 M at the end of June 2013. The cash amount of the operating reserve policy set by Council was \$10.2 M at June 30, 2014 representing a 60 day operating expense reserve, a reserve for employee benefits, a stabilization reserve, and a major disaster reserve set at 6.5% of undepreciated plant & equipment costs.
- Wastewater fund
 - Revenues
 - Overall revenues were \$12.2 M and were less than last year's amount of \$13.2 M due to a \$1.5 M reimbursement payment that was received in July 2013 for a wastewater treatment plant reimbursement.
 - Without the one-time reimbursement, revenues increased by \$0.5 M as compared with the prior fiscal year. This increase reflects a 12% increase in City charges in the amount of \$ 0.9 M.
 - The Wastewater treatment partners, Vandenberg Village Community Service District (VVCSD) and Vandenberg Air Force Base (VAFB), are charged for their direct usage, overall usage was down from last year.
Expenditures
 - Salaries, operations and debt service were within projected ranges.
 - Capital outlay cost variance is lower than budgeted due to the start up time needed for the capital outlay items, these items will be carried over to the next fiscal year.
 - Cash balance
 - Operating cash reserves at the end of the year were a negative \$3.26 M in comparison with a negative \$3.11 M at the end of June 2013. The wastewater fund has restricted reserves for obligations related to debt service payments and debt service covenants as of June 30, 2014 and June 30, 2013.
- Broadband fund
 - Revenues
 - Revenues received for outside subscriptions and internal usage were \$515,867 in comparison with last year's revenues of \$478,612; an increase of 9% over the prior year.
 - Expenditures
 - Salaries, operations, and debt service were within 5% of the projected range.
 - Capital outlay's positive variance is due to a timing delay in budgeting for a City-wide fiber optic project and its implementation to replace the City's fiber optic system provided under the City's

cable franchise until December 31, 2014. The project is under construction and should be completed by June 30, 2015.

- Cash balance
 - Broadband's cash balance at the end of the year was \$40,659 which compares favorably to the balance at June 30, 2013 of \$5,209. It should be noted that the final payment on the City's start up financing was paid on October 24, 2014. With the final payment and the positive results of annual operations, the existing \$4.3 M loan from the Electric fund that provided additional start up costs will begin to be repaid in the next fiscal year.
- Solid waste fund
 - Revenues
 - The primary negative revenue variance is due to the fact that State loan revenues of \$1 M have not been collected. Loan proceeds will be on a reimbursement basis for the Landfill Gas Collection (LGCCS) system once the project is under construction. After the City has meet its match, loan proceeds will be recognized. There is no anticipated start date for the LGCCS as of June 30, 2014.
 - Revenues are also lower than budgeted as rate adjustments of 3% were anticipated during the 2013-15 budget cycle to begin July 1, 2013. The rate setting process did not conclude until June 2014 and the recommended rate adjustments were initiated in August 2014.
 - Expenditures
 - Salaries and operations were within the projected range.
 - Debt service had a positive variance due to refinancing the lease financing instruments with financing with lower interest rates.
 - Capital outlay's positive variance is due to unexpected delays while waiting on the review of the project by CalRecycle. The LGCCS project is budgeted at \$1.2 M in the current year and will be carried over until the City receives approval for construction by CalRecycle.
 - Cash balance
 - Solid Waste's cash balances were \$1.7 million at the end of the fiscal year. While this is close to the interim 90 day operating expense reserve target, the amount includes both operating cash and cash restricted for specific needs. The rate increases adopted in July 2014 are necessary to pay for remaining operating loan to the insurance fund, the City's portion of the landfill gas collection system, necessary requirements to comply with operational needs, and capital outlay costs.

Conclusion:

This report illustrates the costs associated within the major Utility enterprises of the City as of June 30, 2014. The City's external audit of the City's financial statements is underway and anticipated to be completed by December 31, 2014. The financial information provided in the following reports are as provided to the external auditors in October 2014.

Respectfully submitted,

Melinda J. Wall, Financial Services Manager

Approved For Submittal to the Utility Commission:

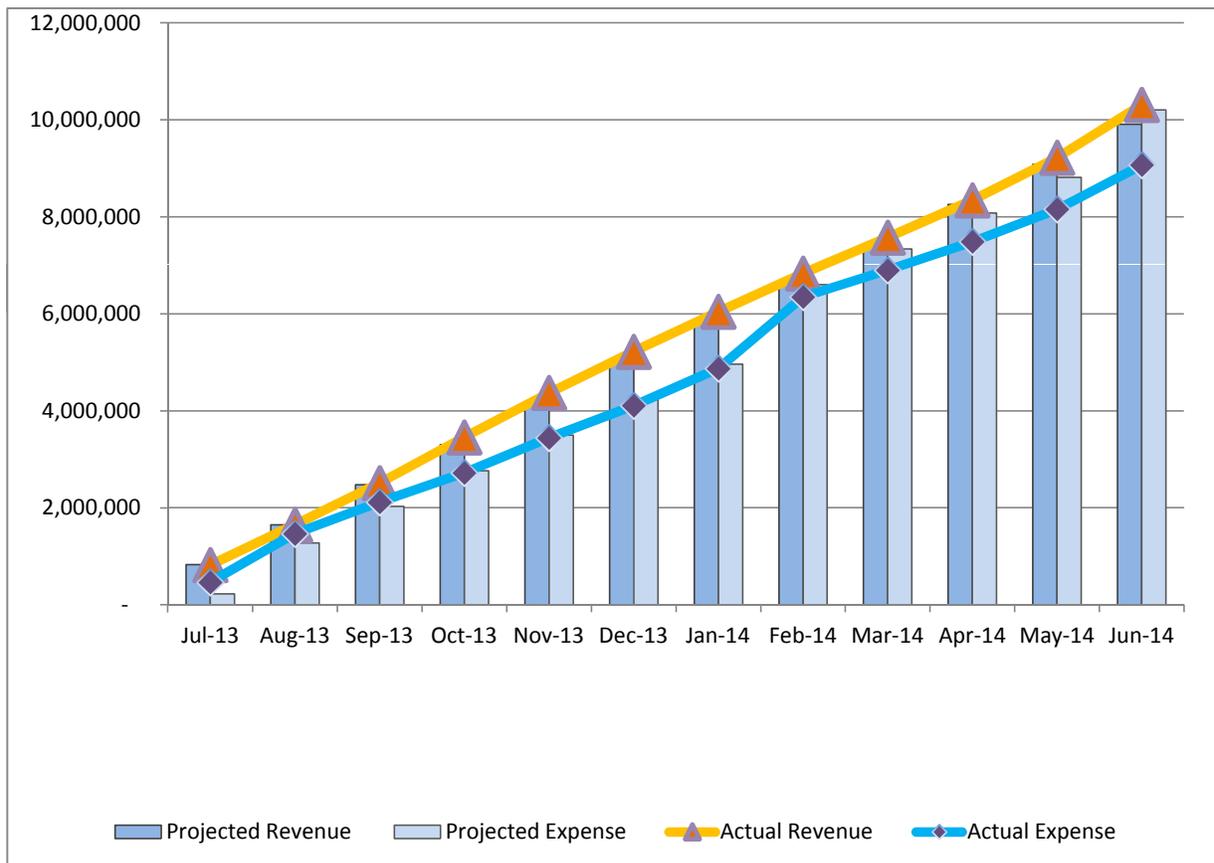
Brad Wilkie, Management Services Director

City of Lompoc

Periodic Financial Report for City Utility Funds -Water Fund
 Prepared for the City Utility Commission
 For the Period Ending 6/30/2014



	Full Fiscal Year	Year to Date		Positive/(Negative) Variance	
		Expected	Actual	Year to Date	Projected Full Year
Water					
Revenues	\$ 9,911,157	\$ 9,911,157	\$ 10,312,102	\$ 400,945	\$ 400,945
Expenses	10,358,795	10,205,423	9,067,622	1,137,800	1,137,800
Net position (Rev - Exp)	\$ (447,638)	\$ (294,266)	\$ 1,244,480	\$ 1,538,745	\$ 1,538,745
Expenditure detail					
Personnel Salary & Benefits	\$ 3,023,787	\$ 3,023,787	\$ 2,998,815	\$ 24,972	\$ 24,972
Operations	5,049,334	5,049,334	4,863,360	185,974	185,974
Capital outlay	1,053,433	1,053,433	284,948	768,485	768,485
Debt Service	1,409,300	1,409,300	1,256,931	152,369	152,369
Other Sources (Uses)	(177,059)	(330,432)	(336,432)	6,000	6,000
Total expenditures	\$ 10,358,795	\$ 10,205,423	\$ 9,067,622	\$ 1,137,800	\$ 1,137,800



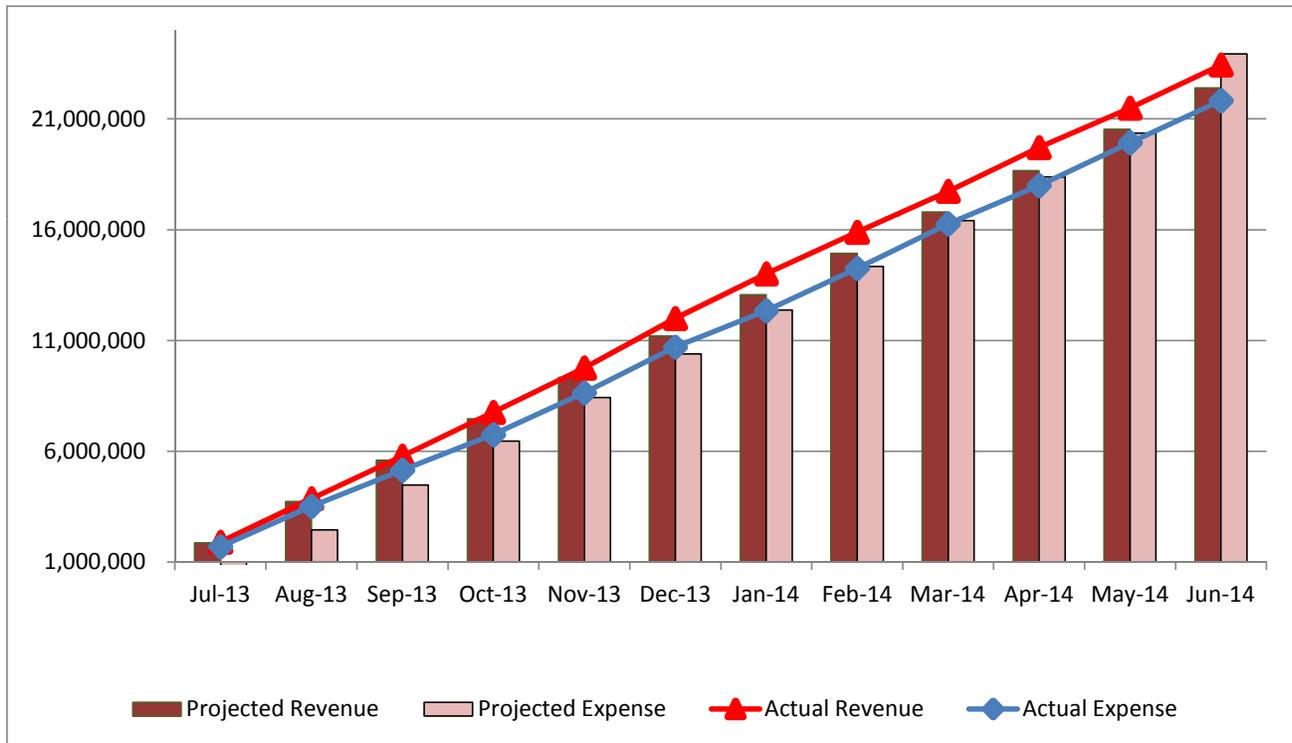
This statement will differ from the City's financials as it shows the cost of capital items (\$284,948) and principal payments (640,595) less depreciation (\$1,557,568).

City of Lompoc

Periodic Financial Report for City Utility Funds - Electric Fund
 Prepared for the City Utility Commission
 For the Period Ending 6/30/2014



	Full Fiscal Year	Year to Date		Positive/(Negative) Variance	
		Expected	Actual	Year to Date	Projected Full Year
Electric					
Revenues	\$ 22,393,199	\$ 22,393,199	\$ 23,432,249	\$ 1,039,050	\$ 1,039,050
Expenses	23,926,074	23,926,074	21,824,631	2,101,443	\$ 2,101,443
Net position (Rev - Exp)	\$ (1,532,875)	\$ (1,532,875)	\$ 1,607,618	\$ 3,140,493	\$ 3,140,493
<u>Expenditure detail</u>					
Personnel Salary & Benefits	\$ 2,957,751	\$ 2,957,751	\$ 2,083,381	\$ 874,370	\$ 874,370
Operations	15,894,821	15,894,821	15,331,450	563,371	563,371
Capital outlay	2,020,695	2,020,695	2,226,455	(205,760)	(205,760)
Debt Service	251,891	251,891	181,167	70,724	70,724
Other Sources (Uses)	2,800,916	2,800,916	2,002,178	798,738	798,738
Total expenditures	\$ 23,926,074	\$ 23,926,074	\$ 21,824,631	\$ 2,101,443	\$ 2,101,443



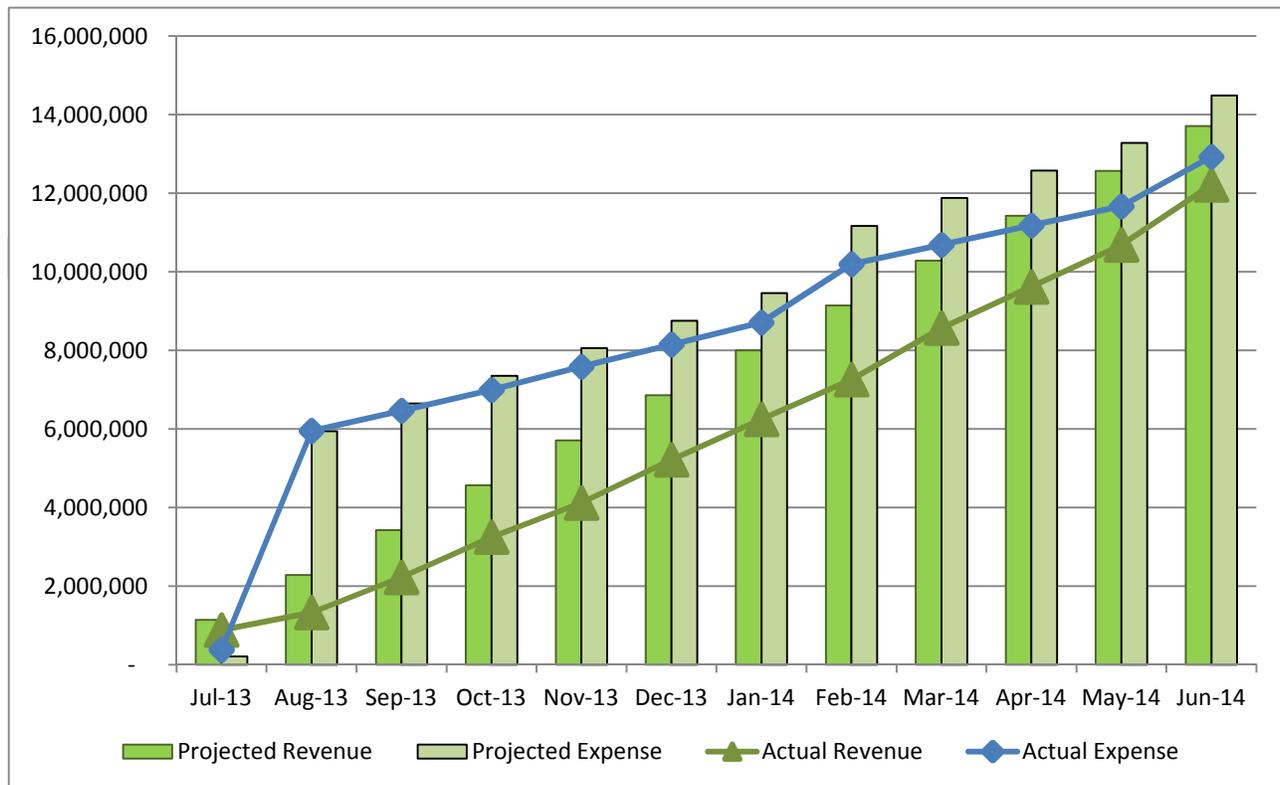
This statement will differ from the City's financials as it shows the cost of capital items (\$2,226,455) and principal payments (85,900) less depreciation (\$1,643,372).

City of Lompoc

Periodic Financial Report for City Utility Funds - Wastewater Fund
 Prepared for the City Utility Commission
 For the Period Ending 6/30/2014



	Full Fiscal Year	Year to Date		Positive/(Negative) Variance	
		Expected	Actual	Year to Date	Projected Full Year
Wastewater					
Revenues	\$ 13,707,536	\$ 13,707,536	\$ 12,210,797	\$ (1,496,739)	\$ (1,496,739)
Expenses	14,502,376	14,481,235	12,927,165	1,554,069	1,554,069
Net position (Rev - Exp)	\$ (794,840)	\$ (773,699)	\$ (716,368)	\$ 57,331	\$ 57,331
Expenditure detail					
Personnel Salary & Benefits	\$ 2,534,992	\$ 2,534,992	\$ 2,352,728	\$ 182,264	\$ 182,264
Operations	4,494,524	4,494,524	4,539,890	(45,366)	(45,366)
Capital outlay	1,388,215	1,388,215	55,831	1,332,384	1,332,384
Debt Service	6,084,645	6,084,645	5,978,716	105,928	105,928
Total expenditures	\$ 14,502,376	\$ 14,502,376	\$ 12,927,165	\$ 1,575,210	\$ 1,575,210



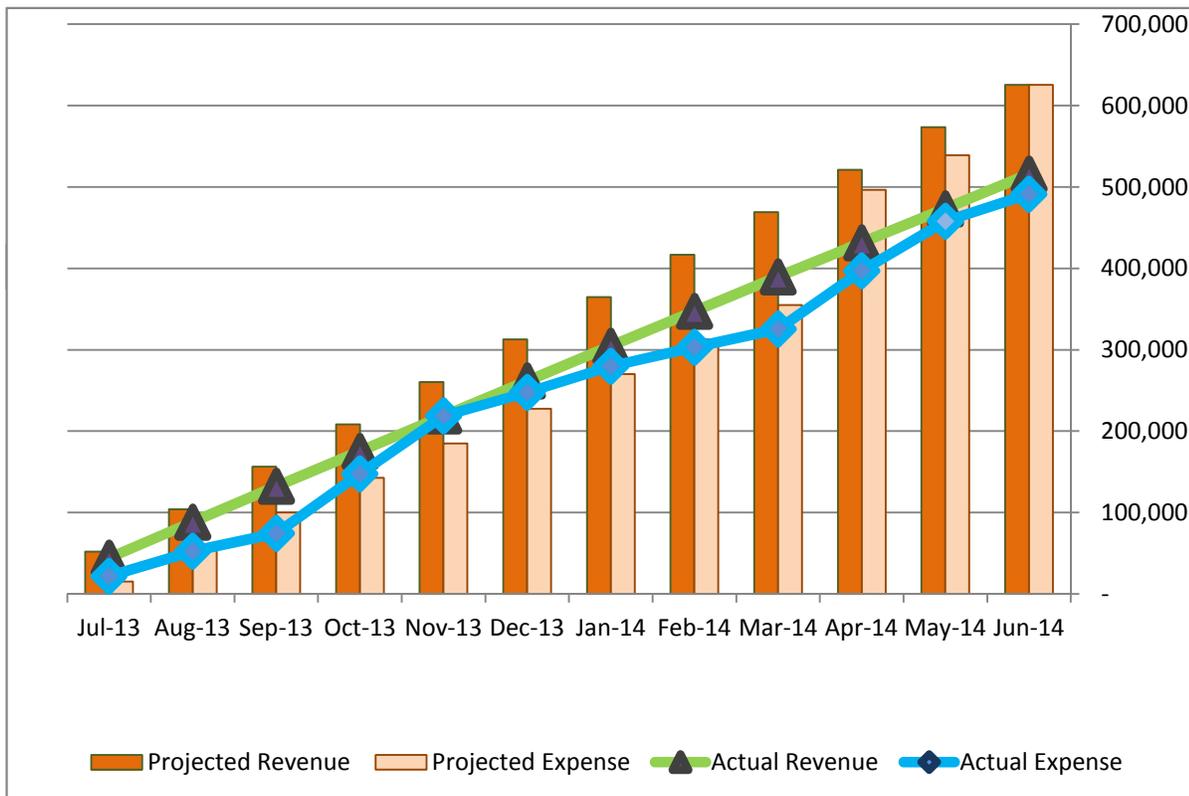
This statement will differ from the City's financials as it shows the cost of capital items (\$55,831) and principal payments (4,714,171) less depreciation (\$4,605,378).

City of Lompoc

Periodic Financial Report for City Utility Funds - Broadband Fund
 Prepared for the City Utility Commission
 For the Period Ending 6/30/2014



	Full Fiscal Year	Year to Date		Positive/(Negative) Variance	
		Expected	Actual	Year to Date	Projected Full Year
Broadband					
Revenues	\$ 625,259	\$ 625,259	\$ 515,868	\$ (109,391)	\$ (109,391)
Expenses	625,259	625,259	490,997	134,262	134,262
Net position (Rev - Exp)	\$ 0	\$ 0	\$ 24,871	\$ 24,870	\$ 24,870
<u>Expenditure detail</u>					
Personnel Salary & Benefits	\$ 182,294	\$ 182,294	\$ 185,943	\$ (3,649)	\$ (3,649)
Operations	145,408	145,408	139,131	6,277	6,277
Capital outlay	182,071	182,071	59,800	122,271	122,271
Debt Service	115,486	115,486	106,123	9,363	9,363
Total expenditures	\$ 625,259	\$ 625,259	\$ 490,997	\$ 134,262	\$ 134,262



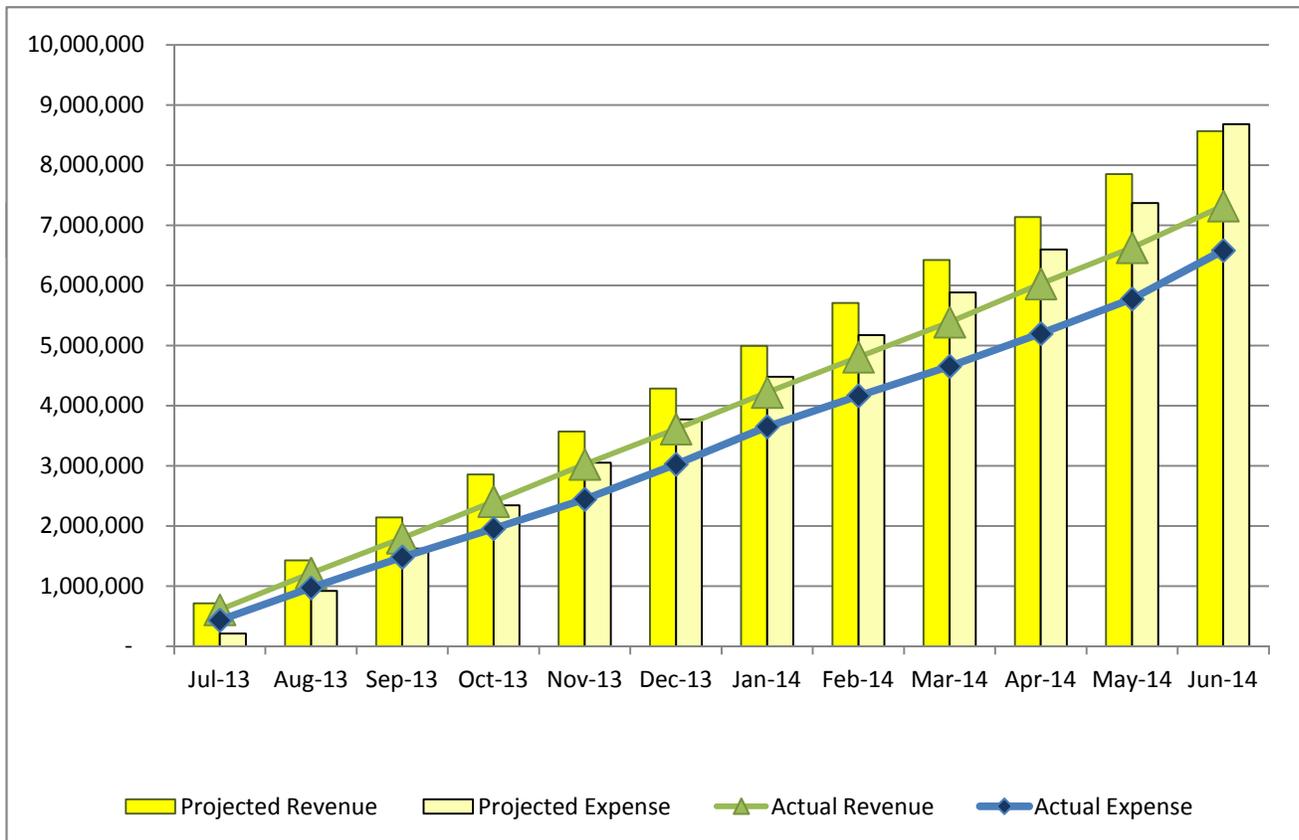
This statement will differ from the City's financials as it shows the cost of capital items (\$59,800) and principal payments (\$93,801) less depreciation (\$262,110).

City of Lompoc

Periodic Financial Report for City Utility Funds - Solid Waste Fund
 Prepared for the City Utility Commission
 For the Period Ending 6/30/2014



	Full Fiscal Year	Year to Date		Positive/(Negative) Variance	
		Expected	Actual	Year to Date	Projected Full Year
		Solid Waste			
Revenues	\$ 8,565,693	\$ 8,565,693	\$ 7,321,656	\$ (1,244,037)	\$ (1,244,037)
Expenses	8,701,004	8,679,863	6,581,296	2,098,567	2,098,567
Net position (Rev - Exp)	\$ (135,311)	\$ (114,170)	\$ 740,360	\$ 854,530	\$ 854,530
<u>Expenditure detail</u>					
Personnel Salary & Benefits	\$ 2,529,224	\$ 2,529,224	\$ 2,416,791	\$ 112,433	\$ 112,433
Operations	4,354,496	4,354,496	4,036,477	318,019	318,019
Capital outlay	1,615,120	1,615,120	68,893	1,546,227	1,546,227
Debt Service	202,164	202,164	55,326	146,838	146,838
Other Sources (Uses)		(21,141)	3,809	(24,950)	(24,950)
Total expenditures	\$ 8,701,004	\$ 8,679,863	\$ 6,581,296	\$ 2,098,567	\$ 2,098,567



This statement will differ from the City's financials as it shows the cost of capital items (\$68,893) and principal payments (\$15,594) less depreciation (\$164,515).