



# Lompoc Utility Commission Item

## Utility Commission Meeting Date:

**TO:** Utility Commissioners  
Larry Bean, Utility Director

**FROM:** Melinda Wall, Financial Services Manager  
m\_wall@ci.lompoc.ca.us

**SUBJECT:** Utility Enterprise's Financial Reporting as of September 30, 2014 and for the first three months of Fiscal Year 2014-15

## Recommendation:

Please find attached the September 2014 financial report. This report summarizes financial activity by Division for Water, Electric, Wastewater, Broadband and Solid Waste for the month of September and for the first three months of the 2014-15 fiscal year.

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 1 of 12 months for the fiscal year since the report is as of September 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.

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 (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 the third month of the fiscal year information.

Additional highlights for individual funds are presented below:

- Water fund
  - Revenues
    - Actual revenues to date were \$3.08 Million (M); this reflects the rate increase that went into effect on July 1, 2014 that affected the August and September charge of service revenues.
  - Expenditures
    - Salaries and operational costs were within the projected ranges at 27.57% (7 of 26 payroll cycles complete) and 21.09% (3 of 12 months complete) respectively.
    - Scheduled debt service payments of \$307,512 were made in August. A majority of debt service is paid twice a year, in August and in February.
    - Capital outlay costs will vary due to the timing of the projects, most of the capital items have a lead time to get the projects started.
  - Cash balance
    - Operational cash began the fiscal year with a negative \$101,534 and ended the month with a positive \$559,156.
    - To achieve a 15% cash reserve, there would need to be \$1.4 M in operating cash. To achieve a 25% or 90 day cash reserve (as per City Council policy), there would need to be \$2.3 M in operating cash.
- Electric fund
  - Revenues
    - Total revenues to date were \$6.203 M and were within the estimated range.
    - Summer demand rates are in effect from April 1 to November 1.
  - Expenditures
    - Salaries and operational costs were \$5.02 M and were within the projected range. Purchased power costs represent \$3.15 M of operational cost and is 5% higher than budgeted.
    - Capital additions of \$325,981 reflect the \$286,129 spent for the induction light retrofit (LED).
  - Cash balance
    - Operating cash balances at the end of September were \$10.03 M in comparison with \$9.91 M at June 2014. The cash amount of the operating reserve policy set by Council was \$10.26 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 un-depreciated plant & equipment costs. The draft operating reserve for FY 2014-15 is \$10.58 M.

- Wastewater fund
  - Revenues
    - Revenues through September are \$2.86 M and were less than anticipated.
    - 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 costs in relationship to the City's usage. As the City's share has increased, the City's share of costs has also increased, resulting in a proportionately less revenue stream from the partners.
  - Expenditures
    - Salaries, operations and debt service were within projected ranges.
    - Capital outlay cost is lower than budgeted due to the start up time needed for the capital outlay items, last year items will be carried over to the next fiscal year.
    - \$5 M in debt service payments were made in August for the State Revolving Fund (SRF). A majority of the debt service payments are in August and February.
  - Cash balance
    - Operating cash reserves at the end of September were a negative \$3.2 M the Wastewater fund. Restricted reserves for obligations related to the annual SRF payment was \$381,691.
- Broadband fund
  - Revenues
    - Revenues received for outside subscriptions and internal usage were \$128,748 as of September 30, 2014.
  - Expenditures
    - Salaries, operations, and debt service were within the projected range in the amount of \$72,474 as of September 30, 2014.
    - Capital outlays 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. While project was under construction at September 30, 2014, it was substantially complete prior to December 31, 2014.
  - Cash balance
    - Broadband's cash balance at the end of the month is \$70,693. The City's external start up financing was paid off 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 starting in the next fiscal year.

- Solid waste fund
  - Revenues
    - Revenues are \$1.9 M. This reflects the rate adjustments that were approved in June 2014. The recommended rate adjustments were implemented in August 2014.
    - Loan proceeds up to \$1M will be on a reimbursement basis for the Landfill Gas Collection (LGCCS) system once the project is under construction. After the City has met its match, loan proceeds will be recognized. There is no anticipated start date for the LGCCS as the Santa Barbara County Air Pollution Control District has not approved the plans yet.
  - Expenditures
    - Salaries and operations were within the projected range.
    - Debt service had a positive variance due to refinancing existing lease financing instruments with financing with lower interest rates.
    - Capital outlays will reflect a positive variance is due to unexpected delays while waiting on the review of the LGCCS project. The LGCCS project was originally budgeted at \$1.2 M more than 4 years ago and will be carried over into this year as the project hasn't started yet.
  - Cash balance
    - Solid Waste's cash balances were \$1.9 million at the end of the September. While this is close to the interim 90 day operating expense reserve target, operating cash has not been reduced for restricted needs such as budgeted capital outlay appropriations. The rate increases adopted in July 2014 are necessary to pay the remaining balance of the operating loan to the insurance fund approved in 2010, the City's cost share of the landfill gas collection system, necessary requirements to comply with operational needs, and capital outlay costs.

### **Conclusion:**

This report illustrates the costs associated with in the major Utility enterprises of the City as of September 30, 2014. Because of the timing of payments, many operating supplies or services purchased in the month usually lag and will be reflected in the following months. As part of the ordinary yearend closing process in June, the City accrues payables for 45 days to reflect all purchases in the proper fiscal year.

Respectfully submitted,

  
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Melinda J. Wall, Financial Services Manager

Approved For Submittal to the Utility Commission:

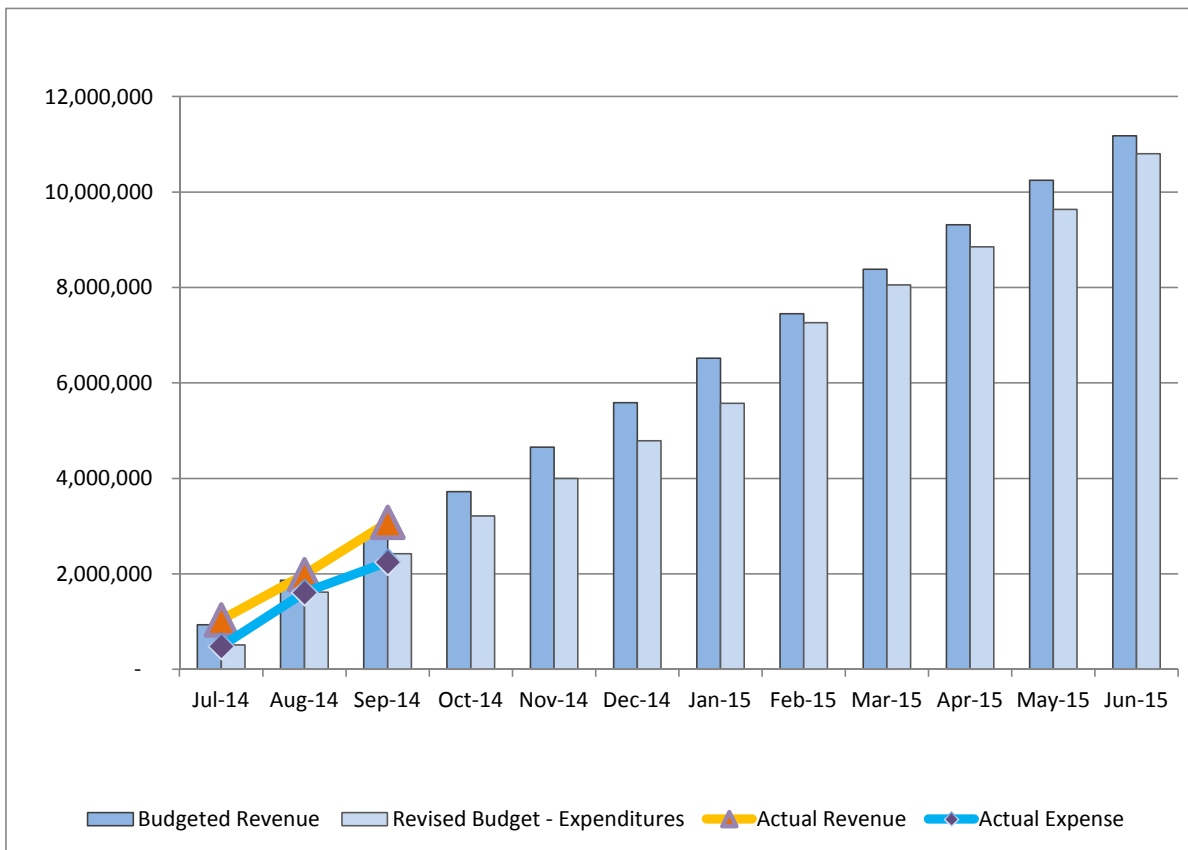
  
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Brad Wilkie, Management Services Director

# City of Lompoc

Periodic Financial Report for City Utility Funds -Water Fund  
 Prepared for the City Utility Commission  
 For the Period Ending 9/30/2014



	Full Fiscal Year	Year to Date		Positive/(Negative) Variance	
		Expected	Actual	Year to Date	Projected Full Year
Water					
Revenues	\$ 11,179,853	\$ 2,794,963	\$ 3,082,634	\$ 287,671	\$ 1,150,683
Expenses	10,800,449	2,424,503	2,248,397	176,106	851,612
Net position (Rev - Exp)	<u>\$ 379,404</u>	<u>\$ 370,460</u>	<u>\$ 834,237</u>	<u>\$ 463,777</u>	<u>\$ 2,002,295</u>
<u>Expenditure detail</u>					
Personnel Salary & Benefits	\$ 3,111,476	\$ 777,869	\$ 801,267	\$ (23,398)	\$ (93,592)
Operations	5,181,809	1,079,544	1,092,889	(13,345)	(53,380)
Capital outlay	1,475,242	307,342	51,170	256,172	1,024,687
Debt Service	1,351,207	339,570	384,458	(44,888)	(44,888)
Other Sources (Uses)	(319,286)	(79,821)	(81,387)	1,566	18,786
Total expenditures	<u>\$ 10,800,449</u>	<u>\$ 2,424,503</u>	<u>\$ 2,248,397</u>	<u>\$ 176,106</u>	<u>\$ 851,612</u>

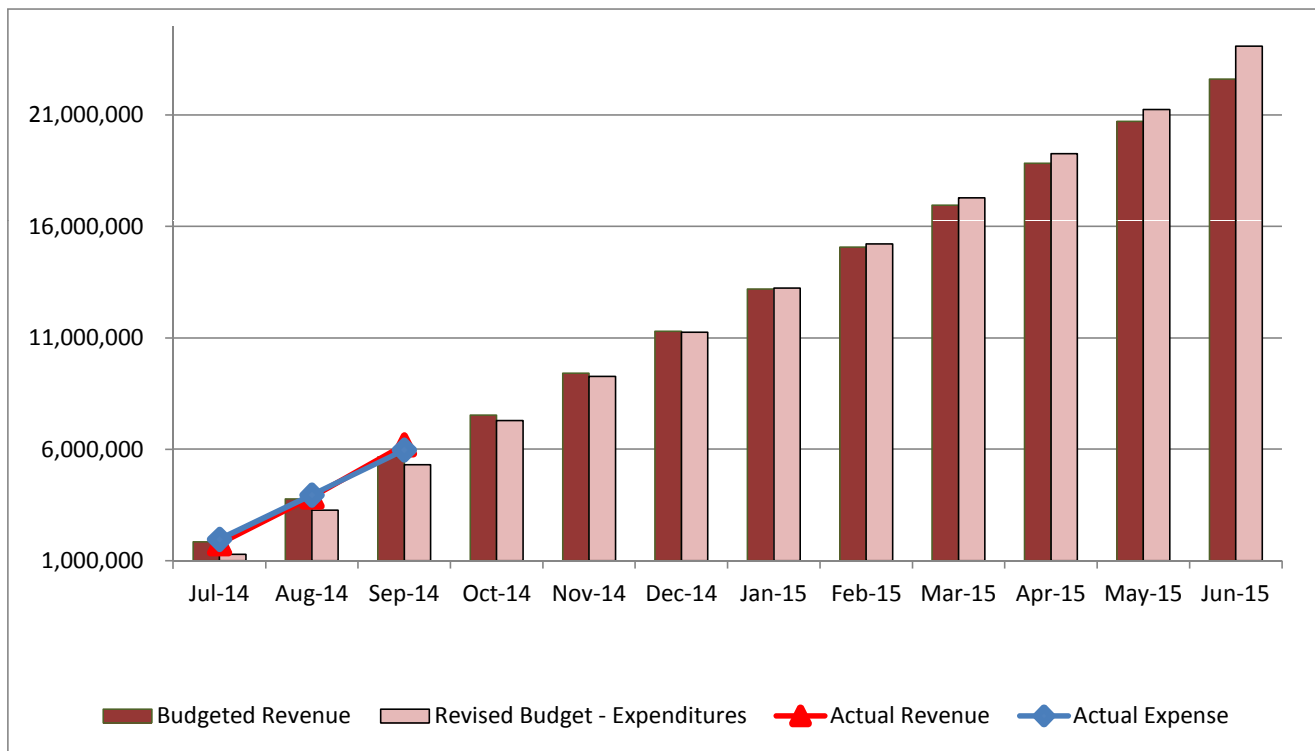


# City of Lompoc

Periodic Financial Report for City Utility Funds - Electric Fund  
 Prepared for the City Utility Commission  
 For the Period Ending 9/30/2014



	Full Fiscal Year	Year to Date		Positive/(Negative) Variance	
		Expected	Actual	Year to Date	Projected Full Year
Electric					
Revenues	\$ 22,605,203	\$ 5,651,301	\$ 6,203,237	\$ 551,936	\$ 2,207,743
Expenses	24,090,120	5,307,887	5,975,202	(667,315)	\$ 189,313
Net position (Rev - Exp)	\$ (1,484,917)	\$ 343,414	\$ 228,035	\$ (115,379)	\$ 2,397,057
<u>Expenditure detail</u>					
Personnel Salary & Benefits	\$ 3,227,362	\$ 806,841	\$ 812,657	\$ (5,817)	\$ (23,267)
Operations	16,404,870	3,417,681	4,214,364	(796,682)	(452,584)
Capital outlay	2,094,004	523,501	325,981	197,520	790,079
Debt Service	322,615	49,547	116,678	(67,131)	(144,096)
Other Sources (Uses)	2,041,269	510,317	505,522	4,795	19,181
Total expenditures	\$ 24,090,120	\$ 5,307,887	\$ 5,975,202	\$ (667,315)	\$ 189,313





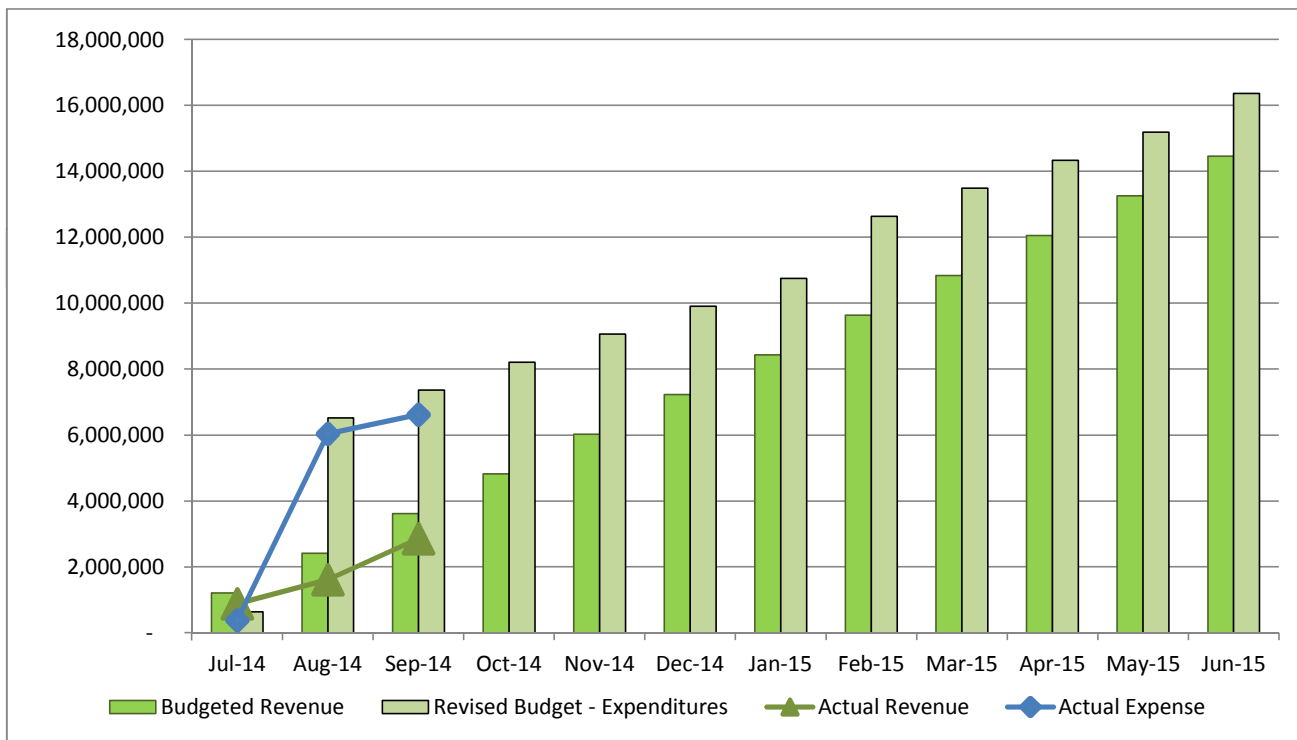
# City of Lompoc

## Periodic Financial Report for City Utility Funds - Wastewater Fund Prepared for the City Utility Commission

For the Period Ending 9/30/2014



	Full Fiscal Year	Year to Date		Positive/(Negative) Variance	
		Expected	Actual	Year to Date	Projected Full Year
<b>Wastewater</b>					
Revenues	\$ 14,458,324	\$ 3,614,581	\$ 2,859,235	\$ (755,346)	\$ (1,763,321)
Expenses	16,359,565	7,365,153	6,617,469	747,684	2,990,735
Net position (Rev - Exp)	\$ (1,901,241)	\$ (3,750,572)	\$ (3,758,234)	\$ (7,662)	\$ 1,227,414
<b>Expenditure detail</b>					
Personnel Salary & Benefits	\$ 2,746,225	\$ 686,556	\$ 621,915	\$ 64,642	\$ 258,566
Operations	5,058,680	1,053,892	864,825	189,066	756,265
Capital outlay	2,365,121	591,280	104,288	486,992	1,947,967
Debt Service	6,189,540	5,033,425	5,026,441	6,984	27,937
Total expenditures	\$ 16,359,565	\$ 7,365,153	\$ 6,617,469	\$ 747,684	\$ 2,990,735

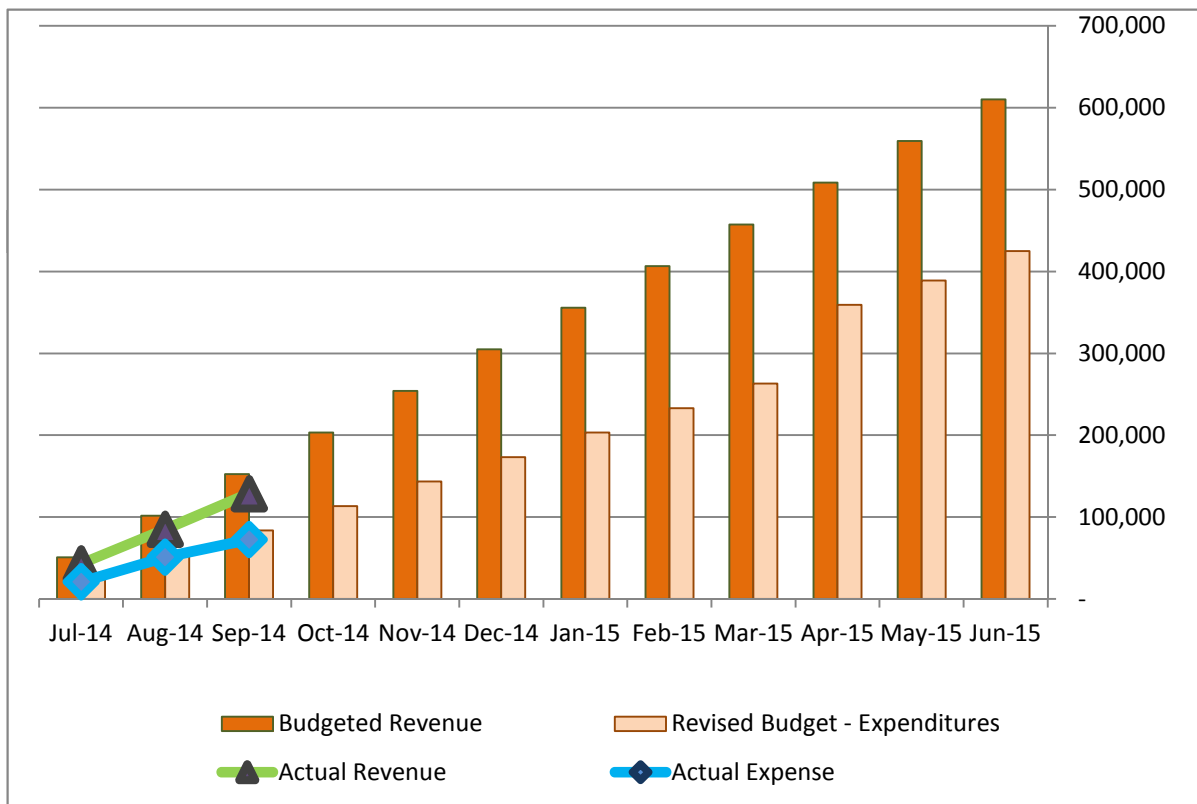


# City of Lompoc

Periodic Financial Report for City Utility Funds - Broadband Fund  
 Prepared for the City Utility Commission  
 For the Period Ending 9/30/2014



	Full Fiscal Year	Year to Date		Positive/(Negative) Variance	
		Expected	Actual	Year to Date	Projected Full Year
<b>Broadband</b>					
Revenues	\$ 609,967	\$ 152,492	\$ 128,748	\$ (23,743)	\$ (94,973)
Expenses	424,982	83,576	72,474	11,102	133,223
Net position (Rev - Exp)	<u>\$ 184,985</u>	<u>\$ 68,915</u>	<u>\$ 56,274</u>	<u>\$ (12,641)</u>	<u>\$ 38,250</u>
<u>Expenditure detail</u>					
Personnel Salary & Benefits	\$ 189,167	\$ 47,292	\$ 52,124	\$ (4,832)	(57,984)
Operations	147,179	30,662	19,085	11,577	138,927
Capital outlay	22,489	5,622	1,266	4,357	52,281
Debt Service	66,147	-	-	-	-
Total expenditures	<u>\$ 424,982</u>	<u>\$ 83,576</u>	<u>\$ 72,474</u>	<u>\$ 11,102</u>	<u>\$ 133,223</u>



# City of Lompoc

Periodic Financial Report for City Utility Funds - Solid Waste Fund  
 Prepared for the City Utility Commission  
 For the Period Ending 9/30/2014



	Full Fiscal Year	Year to Date		Positive/(Negative) Variance	
		Expected	Actual	Year to Date	Projected Full Year
<b>Solid Waste</b>					
Revenues	\$ 8,050,277	\$ 2,012,569	\$ 1,901,070	\$ 559,357	\$ (445,997)
Expenses	8,930,864	1,997,261	1,581,052	416,209	2,606,655
Net position (Rev - Exp)	\$ (880,587)	\$ 15,308	\$ 320,018	\$ 975,566	\$ 2,160,657
<b>Expenditure detail</b>					
Personnel Salary & Benefits	\$ 2,698,382	\$ 674,595	\$ 641,333	\$ 33,262	\$ 133,048
Operations	4,490,362	935,492	907,771	27,721	859,278
Capital outlay	1,500,483	375,121	7,033	368,088	1,472,351
Debt Service	213,002	4,894	24,744	(19,850)	114,024
Other Sources (Uses)	28,636	7,159	171	6,988	27,953
Total expenditures	\$ 8,930,864	\$ 1,997,261	\$ 1,581,052	\$ 416,209	\$ 2,606,655

