

Water Utility
Review of Operating Results
July 2014

**MUSCATINE POWER AND WATER - WATER UTILITY
VARIANCES FROM BUDGETED NET POSITION - JULY 31, 2014**

	(Unfavorable)/ Favorable Compared to Budget	
Sales of Water		
Contract Customers	\$ 42,451	28.0% more gallons of water sold to Heinz, offset by lower billing rate GPC usage 0.2% higher than budget, with a higher billing rate
Power Plant	(1,618)	5.0% higher consumption offset by lower average billing rate
Residential	(20,147)	5.4% lower consumption, offset by higher average billing rate
Commercial	14,014	0.5% higher consumption and higher average billing rate
	<u>34,700</u>	
Other Revenue		
Penalty Revenue	207	Higher penalty revenue
Merchandise & Job Sales-Net	(1,402)	Lower job sales revenue
Miscellaneous Revenue	3,046	Other miscellaneous variances - net
	<u>1,851</u>	
Operating Expense		
Operation	(55,125)	Higher fuel/power purchased due to 2.4% higher gallons pumped, plus 10.0% higher cost per kWh
	16,525	Lower quantities of phosphate and fluoride
	(4,524)	Higher West Hill Reservoir electric expense
	(3,257)	Higher meter material expenses
	1,993	Less media advertising
	4,877	Lower promotional materials expense
	5,700	Customer survey, timing
	3,266	Web/Graphics services, not needed
	1,605	Higher cost of business system consultant, timing
	(2,958)	ARC flash study, not budgeted
	1,633	Lower cost of Salary survey, timing
	682	Lower cost of audit services
	718	Lower cost of legal services
	(13,208)	Higher cost of service study, timing
	1,225	Lower labor attorney expenses
	1,225	Lower employee search service expenses
	(1,078)	Higher FICA expense
	5,290	Lower IPERS expense
	3,990	Lower health care cost
	2,222	Lower cost of travel related to training
	3,899	Lower water production memberships and licenses, timing
	2,466	Lower cost of gasoline/diesel fuel
	(36,590)	Higher labor expense, largely due to less than full-employment adjustment
	(647)	Higher vacation expense
	908	Lower temporary labor services
	10,272	Other miscellaneous variances - net
	<u>(48,891)</u>	

**MUSCATINE POWER AND WATER - WATER UTILITY
VARIANCES FROM BUDGETED NET POSITION - JULY 31, 2014**

	(Unfavorable)/ Favorable Compared to Budget	
Maintenance	(13,490)	Higher cost of well cleaning, timing
	(4,666)	Higher cost of supply main well meter overhauls
	(81,654)	Higher cost of pumping equipment repairs
	81,800	Bypass tower inspection, cleaning and painting, will not be expended
	(9,238)	Replacement of Progress Park fluoride bulk tank liner
	(53,359)	Higher cost of main maintenance concrete repairs
	16,497	Lower cost of valve maintenance
	24,700	Replacement of outside dials on meters, not needed yet
	3,458	Lower cost of hydrant maintenance
	4,084	Lower cost of miscellaneous plant maintenance
	(8,018)	Other miscellaneous variances - net
	<u>(39,886)</u>	
Depreciation	<u>(487)</u>	
Nonoperating Revenue (Expense)		
Interest Income	(750)	
Interest Expense	103,134	Lower amortization and interest expense related to bond issue vs. borrowing from Electric Utility
	<u>102,384</u>	
Change in Net Loss before Capital Contributions	<u>49,671</u>	
Capital Contributions	<u>(16,981)</u>	Taylor addition will close in August
Change in Net Position	<u>\$ 32,690</u>	Total Variance in Budgeted Net Position

Statements of Revenues, Expenses and Changes in Net Position

Sales of Water

Contract customers' water usage is 1.5% higher than budgeted, resulting in \$42,451 more revenue. GPC's usage was 0.2% higher than budget with a higher average billing rate resulting in \$30,441 more revenue. Heinz's usage was 28.0% higher than budget, offset by a lower average billing rate, resulting in \$12,010 more revenue. Power plants' revenue was \$1,618 or 0.7% lower than budget due to a lower average billing rate, offset by 5.0% higher usage. Residential revenue was \$20,147 or 2.0% lower than budget due to 5.4% lower usage than budget, offset by a higher average billing rate. Commercial customer usage was 0.5% higher than budget with a higher average billing rate, resulting in \$14,014 higher revenue.

Balance Sheets

Liabilities

Health & Dental Insurance Provision

Health care claims have been less than premiums accrued. The current portion is based on the third party administrator's estimate of incurred but unpaid health claims at year end. This estimate is adjusted annually.

Year-To-Date Summary of Expenses

Source of Supply

Operation Labor and Expenses

Labor expense is lower than budget by \$2,330, primarily due to the open manager position. Material expenses related to pumping station repairs at the west hill reservoir are lower than budget by \$2,237.

Maintenance of Wells

Material expenses are higher than budget by \$13,490. Five wells have been cleaned and repaired compared to the four cleanings budgeted through July.

Maintenance of Supply Mains

Labor expense is higher than budget by \$1,430. Materials expenses are higher than budget by \$3,236 primarily due to expenses related to the annual well water meter overhauls totaling \$3,819 that were not budgeted.

Pumping

Fuel or Purchased Power

Gallons pumped were 1.5% higher than budget and the cost per kWh was 9.9% higher than budget, resulting in \$55,125 higher expense.

Pumping Labor and Expenses

Water production department's labor expense is higher than budget by \$8,591, offset by system control department's labor expense lower than budget by \$1,043.

Pumping cont'd

Maintenance of Pumping Equipment

The technical services department's labor is lower than budget by \$6,444. Material expenses are higher than budget by \$89,056 due to higher than expected pump repairs.

Water Treatment

Chemicals

Lower quantities of both fluoride and phosphate resulted in a \$16,525 lower chemical expense.

Miscellaneous Expense

Labor expense is lower than budget by \$2,030. Material expenses are lower than budget by \$1,914, primarily due to fewer purchases of road rock.

Maintenance of Purification Equipment

Materials expense is higher than budget by \$10,424, primarily due to replacing the fluoride bulk tank liner at the Progress Park treatment facility costing \$9,238.

Distribution

Storage Facilities Expense

Labor expense is lower than budget by \$1,712. West Hill Reservoir KWH is higher than budgeted resulting in \$4,524 greater expense.

Meter Expense

Labor expense is lower than budget by \$6,563. Material expenses are higher than budget by \$3,257.

Consumer Installation Expense

Outside services' labor expense is greater than budgeted by \$5,173, offset by \$1,856 lower water distribution department labor expense.

Miscellaneous Expense

Project engineering and CAD labor expenses are greater than budgeted by \$10,469 and \$5,681 respectively, primarily due to more time being allocated to projects related to the state revolving fund. Outside services' labor expense is greater than budgeted by \$9,704, due to less time being allocated than budgeted. The water distribution department labor expenses are \$1,577 greater than budget, primarily due to preparing vehicle 64 for use. The adjustment for less than full employment is \$1,420. Material expenses are higher than budget by \$3,434 including \$589 for reflective gloves, \$844 for a chain saw blade and bar, \$294 for a diamond blade, and \$323 for traffic cones.

Maintenance of Reservoirs and Standpipes

Inspection, cleaning and painting of the bypass tower budgeted for \$85,000. We did an inspection that cost \$3,200 in June; that is the only expense that will be incurred this year related to that project.

Distribution cont'dMaintenance of Mains

Materials expense is \$53,359 higher than budgeted, primarily due to higher concrete repair expenses.

Maintenance of Valves

Fewer repairs resulted in \$16,144 lower labor expense.

Maintenance of Meters

Material expense, primarily for replacing outside dials, is \$20,183 lower than budgeted.

Maintenance of Hydrants

Fewer repairs resulted in \$6,152 lower labor expense, offset by \$2,694 higher cost of materials.

Maintenance of Miscellaneous Plant

Vehicle maintenance material expenses are lower than budgeted by \$4,363 and gasoline/diesel fuel expense is \$1,046 lower than budgeted.

Vacation, Holiday, Sick Leave

Expense is over budget \$5,159 primarily in the Water Distribution department, due to one person's extended absence.

Customer Service Expense

<u>Customer Information Expense</u>	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
Local Toolbox	\$1,330	\$1,330	\$1,330
Promotional Material/Education	5,041	164	1,500
Media Advertising	6,505	4,512	5,059
Postage	718	---	95
Customer Calendar	791	---	---
Newsletter	855	1,295	597
Customer Survey	5,700	---	---
Photo Library	173	119	---
Other	<u>349</u>	<u>78</u>	<u>266</u>
Total	<u>\$21,462</u>	<u>\$7,498</u>	<u>\$8,847</u>

Consumer AccountsMeter Reading Expense

Outside services department's labor expense is higher than budget by \$4,675.

Customer Records and Collections

Help desk department's labor expense is \$2,146 higher than budget. Temp labor is also \$852 higher than budgeted.

Administrative and GeneralAdministrative and General Salaries

Expense is over budget \$7,493, primarily in the Supply Chain department.

Outside Services Employed

	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
Audit services	\$2,758	\$2,076	\$2,373
Board Legal Counsel/Legal services	817	99	473
Business Systems Study	11,900	10,295	---
ARC/Flash Study	---	2,958	---
Workforce development training	819	773	---
Web/Graphics services	3,266	---	---
Salary Survey	1,633	---	---
Insurance advisor	1,750	2,058	1,764
Labor attorney	1,225	---	618
Employee search services	1,225	---	2,042
Strategic Planning Consultant	---	---	440
Organization Consulting	816	886	---
Cost of service study	4,000	17,208	---
Other	69	68	507
Total	<u>\$30,278</u>	<u>\$36,421</u>	<u>\$8,217</u>

Injuries and Damages

Workers compensation claims were higher than expected.

Administrative and General cont'dEmployee Pensions and Benefits

	2014	2014	2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
FICA	\$74,454	\$75,532	\$71,497
Health care cost	126,496	122,506	120,175
Dental	6,139	5,811	5,853
IPERS	33,904	28,614	32,724
Pension	73,103	72,989	66,595
Deferred compensation utility match	14,814	15,733	16,005
Other expenses	<u>19,130</u>	<u>17,870</u>	<u>14,863</u>
	<u>\$348,040</u>	<u>\$339,055</u>	<u>\$327,712</u>

Fringe Benefits Charged to Construction

Less time has been charged to capital projects than projected.

Miscellaneous General Expense

Labor and travel expenses related to training were \$3,795 and \$2,222 less than budgeted, respectively. Water Production department expenses related to memberships and licenses is less than budgeted by \$3,899.

**Water Utility
Statement of Net Position Review
July 2014**

	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
<u>Receivables - Consumer Accounts</u>		
Customer Water Accounts	\$527,254	\$524,733
Unbilled Revenue	56,794	54,062
Merchandise Accounts	2,650	2,702
Allowance for Doubtful Accounts	<u>(12,730)</u>	<u>(9,256)</u>
	<u>\$573,968</u>	<u>\$572,241</u>
 <u>Inventories</u>		
Inventory	\$299,337	\$254,462
Stores Expense (a/c 163)	<u>(2,320)</u>	<u>7,387</u>
	<u>\$297,017</u>	<u>\$261,849</u>
 <u>Prepaid Expenses</u>		
Prepaid Insurance	\$27,155	\$23,582
Prepaid Maintenance Contracts	8,665	11,354
Other Prepaid Expenses	<u>7,000</u>	<u>417</u>
	<u>\$42,820</u>	<u>\$35,353</u>
 <u>Current Liabilities</u>		
<u>Accounts Payable (amounts over \$2,500 itemized)</u>		
Electric bills	\$77,705	\$70,103
Alexander Chemical Corp - chemicals	—	12,682
Cahoy Pump Svc - pump rpr/well cleaning	—	7,704
Cortez Truck Equipment - vehicle crane	—	62,812
HD Supply Waterworks - parts	—	9,632
Heuer Construction - concrete rpr	7,614	26,653
Hupp Electric Motors - fan assemblies	5,407	—
International Tank & Pipe - replace liner	9,238	—
IA DNR - water supply permit	2,851	—
Layne Christensen Co - water source evaluation	7,391	—
Metering & Tech Solutions - meters/encoders	12,127	—
Mosaic Crop Nutrition - chemicals	9,535	9,961
Municipal Pipe - pipe/parts	24,866	—
Northway Well & Pump - well drilling	165,547	—
Stanley Consultant - water cost study	17,208	—
Sulzberger Excavating - Progress Park treatment	—	286,472
Utility Equipment - hydrants/parts	—	6,004
Other	<u>24,055</u>	<u>9,265</u>
	<u>\$363,544</u>	<u>\$501,288</u>

Customer Advances for Construction

City of Muscatine	---	\$1,021,084
Cobblestone Apartments	---	22,709
Cobblestone Ridge	23,127	31,816
Lutheran Homes	6,000	---
North Port	113,463	---
Oak Valley	---	20,120
Pine Ridge	42,751	---
Taylor	16,674	---
White Distribution	---	51,658
Others	2,310	3,100
	<u>\$204,325</u>	<u>\$1,150,487</u>

Miscellaneous Accrued Expenses

Sales/Use Tax Collections Payable	\$6,843	\$6,893
Payroll Tax Collections Payable	12,539	11,508
Employee Payroll Deductions	2,161	3,016
Workers' Comp Self Insurance Reserves	17,439	27,790
Comp Time Payable	6,686	7,429
	<u>\$45,668</u>	<u>\$56,636</u>