

**Communications Utility**

**Review of Operating Results**

**February, 2014**

**MUSCATINE POWER AND WATER - COMMUNICATIONS UTILITY**  
**VARIANCES FROM BUDGETED NET POSITION - FEBRUARY 28, 2014**

		(Unfavorable)/ Favorable Compared to Budget
<b>Operating Revenue</b>		
CATV Revenue		
	\$	
	8,367	Lower marketing promotional discounts (\$55,463 vs. \$63,830)
	(12,856)	Lower video on demand revenues due to fewer customers, fewer buys
	15,978	Higher ad sales revenues
	7,450	Higher bulk revenues
	187	Other miscellaneous variances - net
	<u>19,126</u>	
Data/Internet Revenue		
	4,734	Higher WiMax revenues
	4,062	Lower marketing promotional discounts (\$8,140 vs. \$12,202)
	5,242	Higher Wi-fi @ Home
	1,699	Other miscellaneous variances - net
	<u>12,894</u>	
MAN/MME		
	(6,194)	Budget based on higher expected contract amounts
	<u>(6,194)</u>	
Miscellaneous Revenue		
	2,230	Higher revenues for signal transmission to Mediapolis and Wilton
	2,880	Other miscellaneous variances - net
	<u>5,110</u>	
<b>Operating Expense</b>		
Operation		
	18,557	Lower programming due to less overall subscribers
	4,614	Lower miscellaneous CATV labor & materials
	10,275	Additional internet bandwidth not necessary
	4,477	Lower promotion/education expenses
	6,162	Lower media advertising expenses
	(9,206)	Severance not budgeted
	3,557	Lower miscellaneous labor in the Communications department
	2,552	Lower employment expenses
	3,413	Lower travel in the Communications department
	6,826	Lower vacation/sick leave
	<u>14,295</u>	Other miscellaneous variances - net
	<u>65,522</u>	
Maintenance		
	3,121	Lower labor and materials for maintenance of drops
	3,313	Lower materials for maintenance of signal acquisition equipment
	5,836	Lower maintenance agreements for signal acquisition equipment
	(27,594)	Higher labor related to internet services work on gateways and network
	4,806	Lower materials for internet headend maintenance
	9,749	Lower labor for repairing MAN/MME equipment on customer premises
	1,401	Other miscellaneous variances - net
	<u>632</u>	
Depreciation		
	<u>11,812</u>	Lower depreciation due to fewer fixed assets purchases in 2013 than anticipated
<b>Nonoperating Revenue (Expense)</b>		
Interest Income		
	<u>(880)</u>	Miscellaneous variances - net
Interest Expense		
	-	Miscellaneous variances - net
<b>Net Loss Before Capital Contributions</b>	<u>108,022</u>	
Capital Contributions	<u>1,836</u>	
Change in Net Position	<u>\$ 109,858</u>	Total Variance

### Statement of Revenues, Expenses and Changes in Net Position

#### Operating Revenues

##### CATV

CATV subscriber revenues are \$2,463 more than budget. Customer levels totaled 6,792 actual vs. 6,877 budgeted. Marketing promotional discounts are less than budget by \$8,367. Promotional discounts include bundled discounts of \$40,180. These discounts had been previously recorded within Data/Internet revenue for most of 2013. Video on demand/PPV revenues are \$12,856 lower than budgeted due to fewer subscribers and lower buy rates. Ad sales revenues are higher than budget by \$15,978. Residential and Commercial bulk revenues are \$7,450 higher than budget.

	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Gross CATV Revenue	\$1,295,551	\$1,306,310	\$1,334,540
Discounts	<u>(63,830)</u>	<u>(55,463)</u>	<u>(42,586)</u>
Net CATV Revenue	<u><u>\$1,231,721</u></u>	<u><u>\$1,250,847</u></u>	<u><u>\$1,291,954</u></u>

##### Data/Internet Revenue

WiMax revenues are \$4,734 higher than budget, mostly driven by greater than expected residential subscribers. Total subscriber levels are 7,324 actual vs. 7,317 budgeted. Marketing promotional discounts were less than budgeted by \$4,062. Wi-fi @ Home revenues were greater than budgeted by \$5,242.

	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Gross Data/Internet Revenue	\$767,370	\$776,202	\$650,168
Discounts	<u>(12,202)</u>	<u>(8,140)</u>	<u>(12,635)</u>
Net Data/Internet Revenue	<u><u>\$755,168</u></u>	<u><u>\$768,062</u></u>	<u><u>\$637,533</u></u>

##### MAN/MME

Revenue is \$6,194 lower than budget mostly due to actual contract pricing coming in lower than expected. Budgetary numbers were based on expected subscriber contracts and pricing.

##### Miscellaneous

Revenues for signal transmission to Mediapolis and Wilton are higher than budget \$2,230.

### Statement of Net Position

#### Liabilities

##### Health and Dental Insurance Provision

Health and dental 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

#### CATV

##### Program Acquisition Expense

Programming is lower due to less overall subscribers.

##### Underground Line Expense

Labor is under budget \$2,857 in the Outside Services and Meter Reading department.

##### Miscellaneous CATV Expense

Labor and materials are under budget \$1,446 and \$3,168 respectively in the Communications areas.

##### Vehicle Expense

Labor & materials are under budget \$641 and \$1,933 respectively.

##### Maintenance of Fiber

Labor was over budget \$2,876.

##### Maintenance of Coax

None of the \$2,256 budgeted for materials has been spent YTD.

##### Maintenance of Drops

Labor and materials were under budget \$2,637 and \$484 respectively.

##### Maintenance of Headend

Material for maintenance on fiber was over budget \$2,247 primarily related to higher than budgeted write-offs of obsolete equipment. Material for maintenance of signal acquisition was under budget \$3,313. Maintenance agreements related to signal acquisition were under budget \$5,836.

##### Maintenance of Line Equipment

Material was over budget \$2,109 primarily due to the write-off of obsolete equipment.

##### Maintenance of Converters

Labor is under budget \$3,931 primarily in the Communications area while materials are over budget \$1,909.

##### Vacation, Holiday, Sick Leave

Expense is under budget \$3,810 mostly in the CATV Tech area.

##### Depreciation

Depreciation is lower than budget due to expected headend, drops, and nodes purchases not being made prior to year-end 2013. This type of equipment has five, ten, and five-year lives respectively.

#### Data/Internet

##### Internet Access

Internet bandwidth needs have not been as high as expected.

Data/Internet (cont'd)Miscellaneous Data/Internet Expense

Labor is over budget \$1,577 and materials are under budget \$1,258 primarily in the Communications areas.

Maintenance of Headend

Labor for maintenance of headend is over budget \$27,594 due to work continuing on the gateways and network for internet services. Materials are under budget \$4,806.

Maintenance of Modems

Labor for maintenance of modems is under budget \$2,702.

Depreciation

Depreciation is lower than budget due to expected headend and wireless equipment purchases not being made prior to year-end 2013. These types of equipment have a seven-year life.

MAN/MMEMaintenance of MAN/MME Equipment

Labor for maintenance of equipment is under budget by \$9,749 primarily due to less work on customer premises.

Depreciation

Depreciation is lower than budget due to expected headend and MME equipment purchases not being made prior to year-end 2013. These types of equipment have seven and twenty-year lives respectively.

Customer Service ExpenseCustomer Information Expense

	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
Promotion/Education Expense	\$ 5,090	\$ 613	\$ 687
Media Advertising	7,280	1,118	620
Other	<u>2,537</u>	<u>1,582</u>	<u>2,490</u>
 Total	 <u>\$14,907</u>	 <u>\$3,313</u>	 <u>\$3,797</u>

Consumer AccountsConsumer Records and Collections

Labor for consumer records and collections is over budget \$1,305 mostly in the Help Desk area.

Administrative & GeneralAdministrative and General Salaries

Expense is over budget \$2,076 primarily in the Human Resources department.

Office Supplies and Expenses

Materials are under budget \$2,851 mostly in the Marketing department due to a reclassification of a laptop to capital.

Outside Services

	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
MCC Public Access	\$ 9,906	\$ 10,069	\$ 8,993
Web/Graphics Services	1,600	---	---
Insurance Advisor	1,000	1,008	1,008
Audit Fees	3,996	3,679	3,768
Salary Survey	800	---	---
Workforce Development Training	400	1,325	---
Org Consulting	400	---	---
Business Systems Study	3,600	6,527	---
Employee Search Services	600	---	3,391
Legal Fees	1,068	13	(440)
Other	---	---	<u>114</u>
	<u>\$23,370</u>	<u>\$22,621</u>	<u>\$16,834</u>

Employee Pensions & Benefits

	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
Deferred Compensation	\$ 8,209	\$ 8,299	\$ 8,969
Dental	3,242	2,740	3,156
FICA	32,906	31,516	31,724
Flex Spending	127	831	112
Education	1,320	697	61
Health care cost	58,730	56,596	64,825
OPEB	2,708	2,708	775
Pension	55,380	55,398	53,625
Unemployment	450	---	6,013
Severance	---	9,206	---
Other expenses	<u>3,794</u>	<u>3,443</u>	<u>3,526</u>
	<u>\$166,866</u>	<u>\$171,434</u>	<u>\$172,786</u>

Miscellaneous General Expense

Labor is below budget \$3,557 in the CATV Tech department. Materials are under budget \$2,552 in the Human Resources department for wellness expenses. Travel is under budget \$3,413 in the Communications department.

Administrative & General (cont'd)

Maintenance of General Plant

Materials are under budget \$2,487.

Vacation, Holiday, Sick Leave

Expense is under budget \$3,016 mostly in the Communications areas.

Depreciation

Depreciation is lower than budget due to expected IS hardware and software purchases not being made prior to year-end 2013. This type of equipment has a five-year life.

**Communications Utility**  
**Statement of Net Position Review**  
**February 2014**

	<u>2014</u>	<u>2013</u>
<b><u>Current Assets</u></b>		
<b><u>Receivables - Consumer Accounts</u></b>		
Customer Communications Accounts	\$1,178,042	\$1,133,979
Unbilled Revenue	87,355	83,189
Merchandise Accounts	81,031	53,575
Allowance for Doubtful Accounts	<u>(16,404)</u>	<u>(12,107)</u>
	<u><u>\$1,330,024</u></u>	<u><u>\$1,258,636</u></u>
<b><u>Inventories</u></b>		
Inventory	\$271,245	\$314,775
Stores Expense (a/c 163)	<u>(724)</u>	<u>8,191</u>
	<u><u>\$270,521</u></u>	<u><u>\$322,966</u></u>
<b><u>Prepaid Expenses</u></b>		
Prepaid Insurance	\$43,688	\$39,880
Prepaid Maintenance Contracts	123,572	101,504
Prepaid Programming Expense - WQAD	82,053	72,813
Other Prepaid Expenses	<u>8,258</u>	<u>6,018</u>
	<u><u>\$257,571</u></u>	<u><u>\$220,215</u></u>
<b><u>Current Liabilities</u></b>		
<b><u>Accounts Payable (amounts over \$2,500 itemized)</u></b>		
Pole Rental	\$6,950	\$6,750
Baker Tilly Virchow Krause - audit svc	3,595	3,768
Big 10 - programming fee	10,037	9,828
BillTrust - bill printing/stuffing/mailing	2,964	—
CDW-G - software/routers	8,643	3,168
Centurylink - tel/access fees	25,614	12,260
Comcast Sportsnet Chicago - programming fee	22,683	21,384
Dell Marketing - computers	—	7,430
Fox Sports Net Midwest - programming fee	22,827	22,052
General Instrument - CAMR upgrade	—	13,069
Langham Consulting Svc - bss consulting	3,286	—
Muscatine Community College - public access	9,424	—
Natl Cable TV Coop - programming fee/digital conv equip	238,360	229,962
Nexstar - programming fee	7,424	—
Power & Tel - vaults	6,588	—
Productive Corp - backup solution replacement	—	4,289
QCTA - programming fee	7,202	6,438
Rovi Guides - programming fee	9,505	9,797
Showtime Networks - programming fee	3,233	6,828

Sulzberger Excavating - install comm conduit	11,598	—
Terry-Durin - conduit	—	2,688
Univision - programming fee	6,008	5,837
Vubiquity/Avail-TVN - programming fee	12,729	13,406
Wellmark - health claims	3,042	—
WHBF-TV Quad Cities - programming fee	—	6,602
Young Broadcasting - programming fee	8,166	7,379
Other	30,992	<u>53,016</u>
	<u>\$460,870</u>	<u>\$445,951</u>

Miscellaneous Accrued Expenses

Sales/Use Tax Collections Payable	\$25,410	\$27,118
Franchise Fees Payable	37,459	39,922
Payroll Tax Collections Payable	18,240	16,803
Workers' Comp Self Insurance Reserves	50,855	<u>44,889</u>
	<u>\$131,964</u>	<u>\$128,732</u>