

Water Utility

Review of Operating Results

February 2014

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

		(Unfavorable)	
		/ Favorable	
		<u>Compared to</u>	
Sales of Water			
Contract Customers	\$ 13,013	19.5% more gallons of water sold to Heinz, GPC usage slightly higher than budget	
Power Plant	(3,151)	4.0% lower consumption	
Residential	(450)	Lower average billing rate, offset by 1.3% higher consumption	
Commercial	<u>8,356</u>	9.7% higher consumption	
	<u>17,768</u>		
Other Revenue			
Penalty Revenue	(759)	Lower penalty revenue	
Merchandise & Job Sales-Net	195	Higher job sales revenue	
Miscellaneous Revenue	<u>1,430</u>	Other miscellaneous variances - net	
	<u>866</u>		
Operating Expense			
Operation	(14,535)	Higher fuel/power purchased due to 1.0% higher gallons pumped, plus 10.6% higher cost per kWh	
	6,590	Lower quantities of phosphate and fluoride	
	5,015	T&D lines material expenses for tools lower than budgeted	
	2,247	Less media advertising	
	757	Lower promotional materials expense	
	933	Web/Graphics services, not incurred yet	
	(657)	Higher cost of workforce development training	
	(1,707)	Higher cost of business system consultant, timing	
	(2,958)	Project engineering services, not budgeted	
	(575)	Higher FICA expense	
	2,676	Lower IPERS expense	
	1,295	Lower health care cost	
	1,528	Lower cost of travel related to training	
	893	Relocation expenses, not yet needed	
	1,488	Lower wellness team expenses	
	1,167	Lower cost of gasoline/diesel fuel	
	(17,662)	Higher labor expense, largely due to less than full-employment adjustment	
	(754)	Higher vacation expense due to redistribution between utilities	
	<u>2,305</u>	Other miscellaneous variances - net	
	<u>(11,954)</u>		

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Compared to

Maintenance	(4,387) Higher cost of supply main well meter overhauls 6,004 Lower cost of labor to maintain pumping equipment (3,942) Higher cost of main maintenance due to increased main breaks 6,151 Lower cost of valve maintenance 7,189 Replacement of outside dials on meters, not needed yet 2,684 Other miscellaneous variances - net <u>13,699</u>
Depreciation	<u>(139)</u>
Nonoperating Revenue (Expense)	
Interest Income	(180)
Interest Expense	<u>(61)</u> <u>(241)</u>
Change in Net Income before Capital Contributions	<u>19,999</u>
Capital Contributions	<u>-</u>
Change in Net Position	<u>\$ 19,999</u> Total Increase in Budgeted Net Position

Statements of Revenues, Expenses and Changes in Net Position

Sales of Water

Contract customers' water usage is 1.3% higher than budgeted, resulting in \$13,013 more revenue. GPC's usage was 0.05% higher than budget resulting in \$11,054 more revenue. Heinz's usage was 19.5% higher than budget, offset by a lower average billing rate, resulting in \$1,959 more revenue. Power plants' revenue was \$3,151 or 4.9% lower than budget due to 4.0% lower usage. Residential revenue was \$450 or 0.2% lower than budget due to a lower average billing rate, offset by 1.3% higher usage. Commercial customer usage was 9.7% higher than budget, resulting in \$8,356 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

Maintenance of Supply Mains

Labor expense is higher than budget by \$1,294. Materials expenses are higher than budget by \$3,093 primarily due to expenses related to the annual well water meter overhauls totaling \$2,881 that were not budgeted.

Pumping

Fuel or Purchased Power

Gallons pumped were 1.0% higher than budget and the cost per kWh was 10.6% higher than budget, resulting in \$14,535 higher expense.

Maintenance of Pumping Equipment

The plant, water production, and technical services department's labor is lower than budget by \$3,393, \$1,251, and \$1,722 respectively. Electricians' material expenses are \$500 lower than budgeted. The technical services department budgeted \$2,500 for a new radio and adapter that has not been purchased yet. The water production department replaced a check valve totaling \$2,008 that was not budgeted.

Water Treatment

Chemicals

Lower quantities of both fluoride and phosphate resulted in a \$6,590 lower chemical expense.

Distribution

Transmission and Distribution Lines Expense

Water distribution's labor expense is lower than budget by \$2,898. Material expenses are lower than budget by \$5,015 including \$1,300 for a partner saw, \$1,000 for a pvc drilling set, \$500 for a portable cutting torch, and \$1,400 for tools for trucks 63 and 64.

Miscellaneous Expense

Project engineering and CAD labor expenses are greater than budgeted by \$2,277 and \$775 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 \$2,919 due to over-time for a fill in supervisor. The water distribution department labor expenses are \$2,329 greater than budget, primarily due to preparing vehicle 64 for use. The adjustment for less than full employment is \$406. Material expenses are higher than budget by \$4,001 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 Mains

Labor expense is greater than budgeted by \$5,645 due to higher than anticipated main breaks. Material expenses are \$1,704 lower than budgeted.

Maintenance of Valves

Fewer repairs resulted in \$5,694 lower labor expense and \$457 lower materials expense.

Maintenance of Meters

Material expense, primarily for replacing outside dials, is \$7,100 lower than budgeted.

Vacation, Holiday, Sick Leave

Expense is over budget \$5,601 primarily in the Water Distribution department, due to one person's extended absence.

Customer Service Expense

<u>Customer Information Expense</u>			
	2014	2014	2013
	Budget	Actual	Actual
Local Toolbox	380	380	30
Promotional Material/Education	871	114	30
Media Advertising	2,806	559	524
Postage	205	---	---
Customer Calendar	226	---	---
Newsletter	285	309	223
Photo Library	99	119	---
Other Expenses	103	76	77
	\$4,975	\$1,557	\$884

Administrative and General

<u>Outside Services Employed</u>	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
Audit services	\$2,331	\$2,146	\$1,884
Board Legal Counsel/Legal services	234	8	(245)
Business Systems Study	2,100	3,807	---
Project Engineering Services	---	2,958	---
Workforce development training	116	773	---
Web/Graphics services	933	---	---
Salary Survey	233	---	---
Insurance advisor	500	588	504
Labor attorney	350	---	---
Employee search services	350	---	1,696
Organization Consulting	233	773	---
Other	351	---	57
	\$7,731	\$10,279	\$3,896

<u>Employee Pensions and Benefits</u>	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
FICA	\$20,925	\$21,500	\$20,614
Health care cost	36,142	34,847	34,581
Dental	1,754	1,686	1,683
IPERS	9,394	6,718	8,544
Pension	20,887	20,854	20,075
Deferred compensation utility match	5,473	5,533	5,979
Other expenses	5,258	4,782	2,373
	\$99,833	\$95,920	\$93,849

Miscellaneous General Expense

Labor and travel expenses related to training were \$2,278 and \$1,528 less than budgeted, respectively. Employee services material expenses related to relocation and wellness team are \$893 and \$1,488 less than budgeted, respectively.

Water Utility
Statement of Net Position Review
February 2014

	<u>2014</u>	<u>2013</u>
Current Assets		
<u>Receivables - Consumer Accounts</u>		
Customer Water Accounts	\$478,659	\$442,274
Unbilled Revenue	56,794	54,062
Merchandise Accounts	2,173	3,400
Allowance for Doubtful Accounts	<u>(3,114)</u>	<u>(2,530)</u>
	<u><u>\$534,512</u></u>	<u><u>\$497,206</u></u>
<u>Inventories</u>		
Inventory	\$351,717	\$268,694
Stores Expense (a/c 163)	<u>(1,021)</u>	<u>8,248</u>
	<u><u>\$350,696</u></u>	<u><u>\$276,942</u></u>
<u>Prepaid Expenses</u>		
Prepaid Insurance	\$27,560	\$22,561
Prepaid Maintenance Contracts	10,082	11,355
Other Prepaid Expenses	<u>28</u>	<u>188</u>
	<u><u>\$37,670</u></u>	<u><u>\$34,104</u></u>
Current Liabilities		
<u>Accounts Payable (amounts over \$2,500 itemized)</u>		
Electric bills	\$71,315	\$58,796
Cahoy Pump Svc - pump rpr	13,915	—
Graybar Electric - preprocessor	—	11,475
Hupp Electric Motors - motor	15,954	—
Innovyze - software	14,875	—
Langman Construction - West Hill project	28,532	—
Metering & Tech Solutions - meters	8,586	—
Mosaic Crop Nutrition - chemicals	9,791	—
Petrochem - pipe/fittings insulation	—	5,936
Shermco Industries - electrical study	2,958	—
State Hygienic Labs - water analysis	4,351	—
Subsurface Instruments - locator	5,500	—
Sulzberger Excavating - VMI water main	188,371	1,820
Utility Equipment - pipe/sleeves/parts	4,977	—
Other	<u>29,618</u>	<u>25,897</u>
	<u><u>\$398,743</u></u>	<u><u>\$103,924</u></u>

Customer Advances for Construction

City of Muscatine	---	1,021,084
Cobblestone Apartments	—	22,709
Cobblestone Ridge	31,816	—
Cobblestone Ridge Phase II	26,265	—
North Port	112,398	—
Oak Valley	---	20,120
Pine Ridge	40,642	—
Taylor	15,831	—
White Distribution	—	51,658
Others	750	—
	<u>\$227,702</u>	<u>\$1,115,571</u>

Miscellaneous Accrued Expenses

Sales/Use Tax Collections Payable	\$8,243	\$6,274
Payroll Tax Collections Payable	12,906	11,576
Employee Payroll Deductions	2,626	2,880
Workers' Comp Self Insurance Reserves	34,055	30,078
Comp Time Payable	7,918	6,649
	<u>\$65,748</u>	<u>\$57,457</u>