Source: Water and Light Advisory Board

Agenda Item No: REP 115-13

To: City Council
From: City Manager and Staff

Council Meeting Date: Aug 5, 2013

Re: Recommendation for Modifications to the FY14 Budget

EXECUTIVE SUMMARY:

This report is to convey the Water & Light Advisory Board's recommendation to City Council for modifications to the FY14 Budget. The Water & Light Advisory Board is recommending to Council to increase the Utility Services Division's budget by at least $2,000,000 to support solar installation and energy efficiency.

DISCUSSION:

During the Water & Light Advisory Board meeting on Wednesday, July 3rd, a motion was made and passed to advise the City Council to increase the Electrical System budget for FY14 by at least $2.0 million for support of solar installation and energy efficiency. This motion was made after the staff's presentation and discussion of the FY14 Water Budget with Supplemental Budget and Electrical Budget with Supplemental Budget for operation and maintenance. The FY14 Capital Improvement Program was presented during the May and June Meetings.

A copy of the FY14 Department's summary budget that was presented at the meeting is attached and does not include this $2.0 million request. Please note that the Electrical Utility is projected to have a deficit of $7,685,459 for FY14. When you add back the non-expense item of Depreciation ($11,450,000), the resulting cash flow is positive in the amount of $3,764,541. The funding for the $2.0 million at this time was recognized to come from the Electrical Utility Reserve Funds in the Current Assets.

It is also important to note that the FY14 Capital Improvement Projects (CIP) for the Electrical Utility will require $13,850,000. The funding for CIP program will also come from available Reserve Funds in the "Current Assets" shown on the Balance Sheet for the Electrical Utility as Cash and Marketable Securities (copy attached). As of May 31, 2013, the Balance Sheet for the Electrical Utility has a balance of $21,884,003. This balance may go up or down for the 4 remaining months of this Fiscal Year (to September 30, 2013). With the funding of the CIP for FY14 in the Electrical Utility, the electrical reserves would be drawn down to a level of $9,798,544 (($1,764,541 plus $21,884,003) minus $13,850,000) less any change + or - for the remainder of FY13.

No Electrical Rate Increase was proposed. The $2.0 million increase would need to be dealt with in the future budget years. Additionally, some consideration needs to be assessed for the potential impact on the Utility's bond rating with a bond referendum on the horizon (low balance in reserve account). It should also be recognized that any additional amount of Demand Side Management Services/Programs must be internalized within the different categories in the Electrical Utility FY14 Budget.

FISCAL IMPACT:

Increase of $2.0 Million to FY14 budget

VISION IMPACT:
http://www.gocolumbiamo.com/Council/Meetings/visionimpact.php

SUGGESTED COUNCIL ACTIONS:
The Water and Light Advisory Board recommends the Council increase the Utility Services Division's budget by at least $2,000,000 to support solar installation and energy efficiency.

FISCAL and VISION NOTES:					
City Fiscal Impact Enter all that apply		**Program Impact**		**Mandates**	
City's current net FY cost	$0.00	New Program/ Agency?		Federal or State mandated?	
Amount of funds already appropriated	$0.00	Duplicates/Expands an existing program?		**Vision Implementation impact**	
Amount of budget amendment needed	$0.00	Fiscal Impact on any local political subdivision?		Enter all that apply: Refer to Web site	
Estimated 2 year net costs:		**Resources Required**		Vision Impact?	
One Time	$0.00	Requires add'l FTE Personnel?		Primary Vision, Strategy and/or Goal Item #	
Operating/ Ongoing	$0.00	Requires add'l facilities?		Secondary Vision, Strategy and/or Goal Item #	
		Requires add'l capital equipment?		Fiscal year implementation Task #	

CITY OF COLUMBIA
WATER AND ELECTRIC UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
BUDGETED AMOUNTS FOR FY14 AND FY13
*** This Page Created by Water & Light Staff ***

	FY14 Water Budget	FY13 Water Budget	Percent Change Budget	FY14 Electric Budget	FY13 Electric Budget	Percent Change Budget	FY14 Combined Budget	FY13 Combined Budget	Percent Change Budget
OPERATING REVENUES:									
Residential	16,555,000	15,520,400	6.7%	50,204,112	48,051,700	4.5%	66,759,112	63,572,100	5.0%
Commercial and Industrial	6,995,000	6,651,600	5.2%	58,601,930	57,350,295	2.2%	65,596,930	64,001,895	2.5%
Intragovernmental Sales	0	0	0.0%	1,268,812	1,091,107	16.3%	1,268,812	1,091,107	16.3%
St. lighting & traffic signs	0	0	0.0%	576,342	558,990	3.1%	576,342	558,990	3.1%
Sales to public authorities	0	0	0.0%	9,354,804	9,274,408	0.9%	9,354,804	9,274,408	0.9%
Sales for resale	0	0	0.0%	4,200,000	5,000,000	-16.0%	4,200,000	5,000,000	-16.0%
Miscellaneous	734,450	568,450	29.2%	2,214,822	2,760,658	-19.8%	2,949,272	3,329,108	-11.4%
TOTAL OPERATING REVENUES	24,284,450	22,740,450	6.8%	126,420,822	124,087,158	1.9%	150,705,272	146,827,608	2.6%
OPERATING EXPENSES:									
Production	5,565,131	5,519,535	0.8%	86,033,243	82,482,249	4.3%	91,598,374	88,001,784	4.1%
Transmission and distribution	5,492,092	5,070,867	8.3%	11,554,386	10,146,701	13.9%	17,046,478	15,217,568	12.0%
Accounting and collection	1,896,584	1,650,339	14.9%	4,016,376	3,537,835	13.5%	5,912,960	5,188,174	14.0%
Administrative and general	1,667,531	1,505,774	10.7%	6,750,514	6,888,589	-2.0%	8,418,045	8,394,363	0.3%
TOTAL OPERATING EXPENSES	14,621,338	13,746,515	6.4%	108,354,519	103,055,374	5.1%	122,975,857	116,801,889	5.3%
OPERATING INCOME BEFORE PAYMENT-IN LIEU-OF-TAX AND DEPRECIATION	9,663,112	8,993,935	7.4%	18,066,303	21,031,784	-14.1%	27,729,415	30,025,719	-7.6%
PAYMENT-IN-LIEU-OF-TAX	(3,300,000)	(3,100,000)	6.5%	(11,619,000)	(11,619,000)	0.0%	(14,919,000)	(14,719,000)	1.4%
DEPRECIATION	(2,700,000)	(2,700,000)	0.0%	(11,450,000)	(11,000,000)	4.1%	(14,150,000)	(13,700,000)	3.3%
OPERATING INCOME (LOSS)	3,663,112	3,193,935	14.7%	(5,002,697)	(1,587,216)	215.2%	(1,339,585)	1,606,719	-183.4%
NON-OPERATING REVENUES (EXPENSES):									
Investment revenue	800,000	800,000	0.0%	1,240,000	1,700,000	-27.1%	2,040,000	2,500,000	-18.4%
Loss on the sale of fixed assets	(15,000)	0		(50,000)	0		(65,000)	0	
Miscellaneous revenue	199,090	184,090	8.1%	1,313,220	1,315,600	-0.2%	1,512,310	1,499,690	0.8%
Revenue from other governments	0	0		0	0		0	0	
Interest expense	(2,987,309)	(3,100,000)	-3.6%	(4,810,982)	(5,287,829)	-9.0%	(7,798,291)	(8,387,829)	-7.0%
Unrealized Gain (Loss) on Investments	0	0		0	0		0	0	
Miscellaneous expense	0	0		0	0		0	0	
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,003,219)	(2,115,910)	-5.3%	(2,307,762)	(2,272,229)	1.6%	(4,310,981)	(4,388,139)	-1.8%
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,659,893	1,078,025	54.0%	(7,310,459)	(3,859,445)	89.4%	(5,650,566)	(2,781,420)	103.2%
OPERATING TRANSFERS:									
Capital Contributions	0	0		0	0		0	0	
Operating transfers from other funds	0	0		0	0		0	0	
Operating transfers to other funds	0	0		(375,000)	(275,000)	36.4%	(375,000)	(275,000)	36.4%
TOTAL CONTRIBUTIONS AND TRANSFERS	0	0		(375,000)	(275,000)	36.4%	(375,000)	(275,000)	36.4%
NET INCOME (LOSS)	1,659,893	1,078,025	54.0%	(7,685,459)	(4,134,445)	85.9%	(6,025,566)	(3,056,420)	97.1%

WATER AND ELECTRIC UTILITY FUND
BALANCE SHEET
MAY 31, 2013 and 2012

	WATER	ELECTRIC	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and marketable securities	4,836,656	20,045,195	24,881,851
GASB 31 Cash Adjustment Balance	(106,726)	1,838,808	1,732,082
Accounts Receivable	2,238,116	16,015,471	18,253,587
Accrued Interest	89,965	108,492	198,457
Loans Receivable	-	-	-
Inventory	1,239,210	7,241,508	8,480,718
Grants Receivable	-	-	-
Advance to Railroad	-	800,000	800,000
Loan receivable from Railroad	-	143,748	143,748
Loan receivable from Water	-	-	-
Prepaid expenses	-	-	-
Total Current Assets	8,297,221	46,193,222	54,490,443
RESTRICTED ASSETS:			
Cash for current bond maturities and interest and cash with fiscal agents	2,038,308	3,696,893	5,735,201
Revenue bond construction account	25,101,392	4,341,050	29,442,442
Capital Improvement Cash	4,847,305	13,149,513	17,996,818
Replacement and renewal account	450,000	1,050,000	1,500,000
Grants Receivable	-	-	-
Revenue bond reserve accounts	5,826,389	7,837,102	13,663,491
Customer security and escrow deposits	792,441	2,422,586	3,215,027
Total Restricted Assets	39,055,835	32,497,144	71,552,979
OTHER ASSETS:			
Unamortized bond issue costs	1,292,913	1,959,503	3,252,416
Investments	-	-	-
Loan receivable from Water non-current	-	-	-
Loan receivable from Railroad non-current	-	2,947,309	2,947,309
Total Other Assets	1,292,913	4,906,812	6,199,725
FIXED ASSETS:			
Property, plant, and equipment	142,071,238	292,579,891	434,651,129
Accumulated Depreciation	(40,509,964)	(140,908,017)	(181,417,981)
Net Plant in Service	101,561,274	151,671,874	253,233,148
Construction in progress	6,524,406	7,881,879	14,406,285
Total Fixed Assets	108,085,680	159,553,753	267,639,433
TOTAL ASSETS	156,731,649	243,150,931	399,882,580

WATER AND ELECTRIC UTILITY FUND
BALANCE SHEET
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LIABILITIES	WATER	ELECTRIC	TOTAL
CURRENT LIABILITIES:			
Accounts Payable	970,331	3,238,644	4,208,975
Accrued payroll and payroll taxes	393,255	967,556	1,360,811
Accrued Sales Taxes	219,546	-	219,546
Due to other funds	246,600	813,003	1,059,603
Loan payable to Electric	-	-	-
Other liabilities	480,837	47,740	528,577
Total Current Liabilities	2,310,569	5,066,943	7,377,512
CURRENT LIABILITIES, PAYABLE FROM RESTRICTED ASSETS:			
Construction contracts payable	284,657	322,910	607,567
Accrued bond interest	514,299	947,312	1,461,611
Revenue bonds payable--current maturities	2,339,085	4,325,915	6,665,000
Customer security and escrow deposits	792,443	2,422,584	3,215,027
Total Current Liabilities	3,930,484	8,018,721	11,949,205
LONG-TERM LIABILITIES:			
Loan payable to Electric	-	-	-
Loan payable to Sikeston	-	-	-
Revenue bonds payable	70,834,587	120,111,715	190,946,302
Total Long-term Liabilities	70,834,587	120,111,715	190,946,302
TOTAL LIABILITIES	77,075,640	133,197,379	210,273,019
RETAINED EARNINGS			
Invested in capital assets, net of related debt	64,651,098	49,571,878	114,222,976
Net restricted assets for Debt Service	4,455,613	4,781,481	9,237,094
Capital Improvement	4,529,911	12,826,602	17,356,514
Unrestricted	6,019,387	42,773,590	48,792,978
Total Retained Earnings	79,656,009	109,953,552	189,609,561
TOTAL LIABILITIES, CONTRIBUTIONS, AND RETAINED EARNINGS	156,731,649	243,150,931	399,882,580