

Lake County Public Works Department
REPORT TO THE PUBLIC WORKS COMMITTEE

June 5, 2013

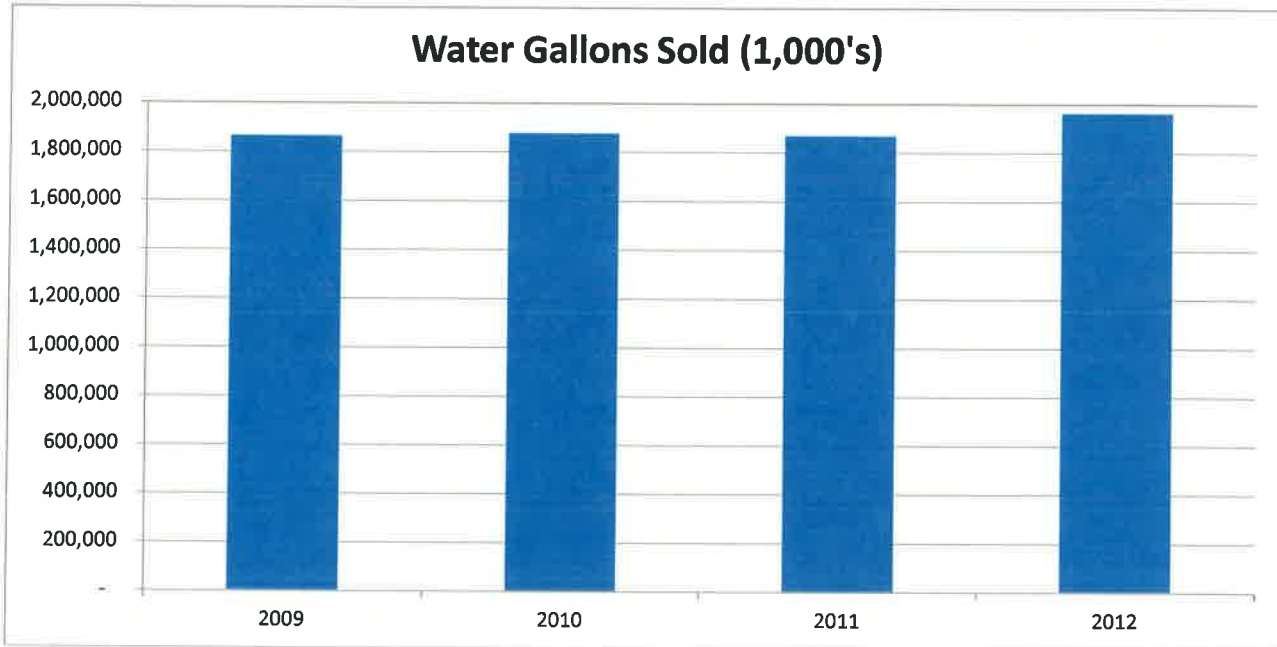
Presented By:

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Note: Actual data was derived from current and prior years audited financial statements

Lake County Public Works Department

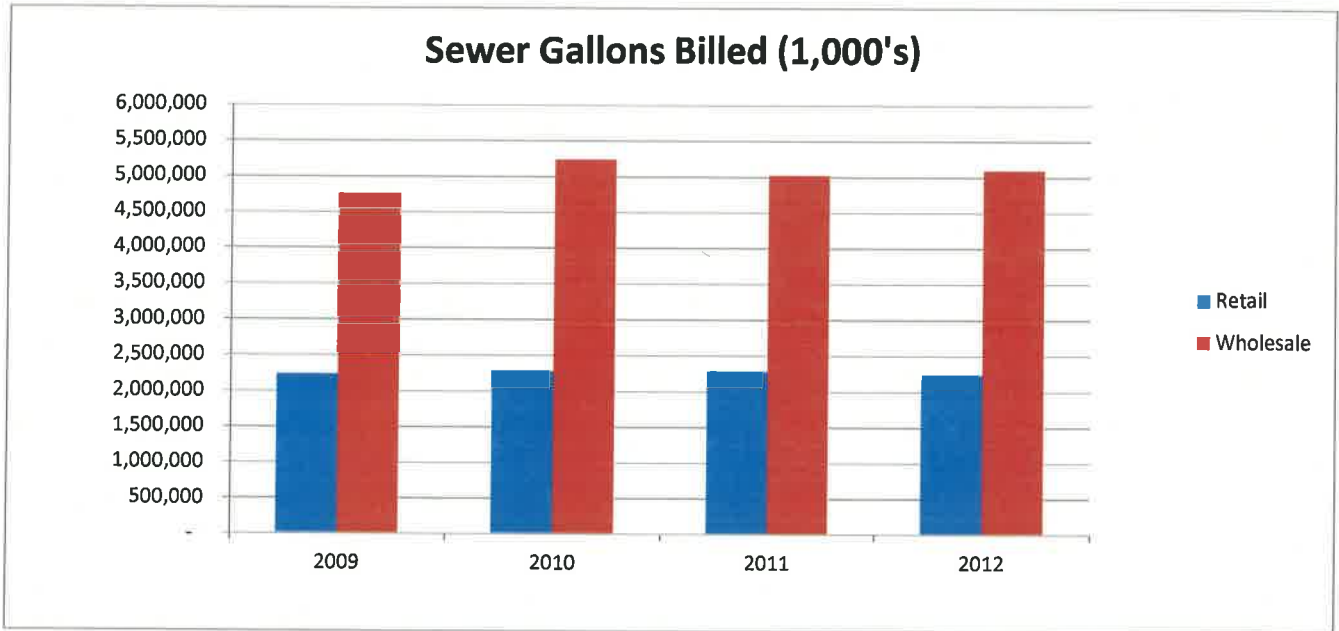


	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Water	<u>1,867,679</u>	<u>1,878,582</u>	<u>1,872,252</u>	<u>1,966,899</u>

What it means....

The water sales trend reflects growth in 2012 mainly due to the drought conditions that existed.

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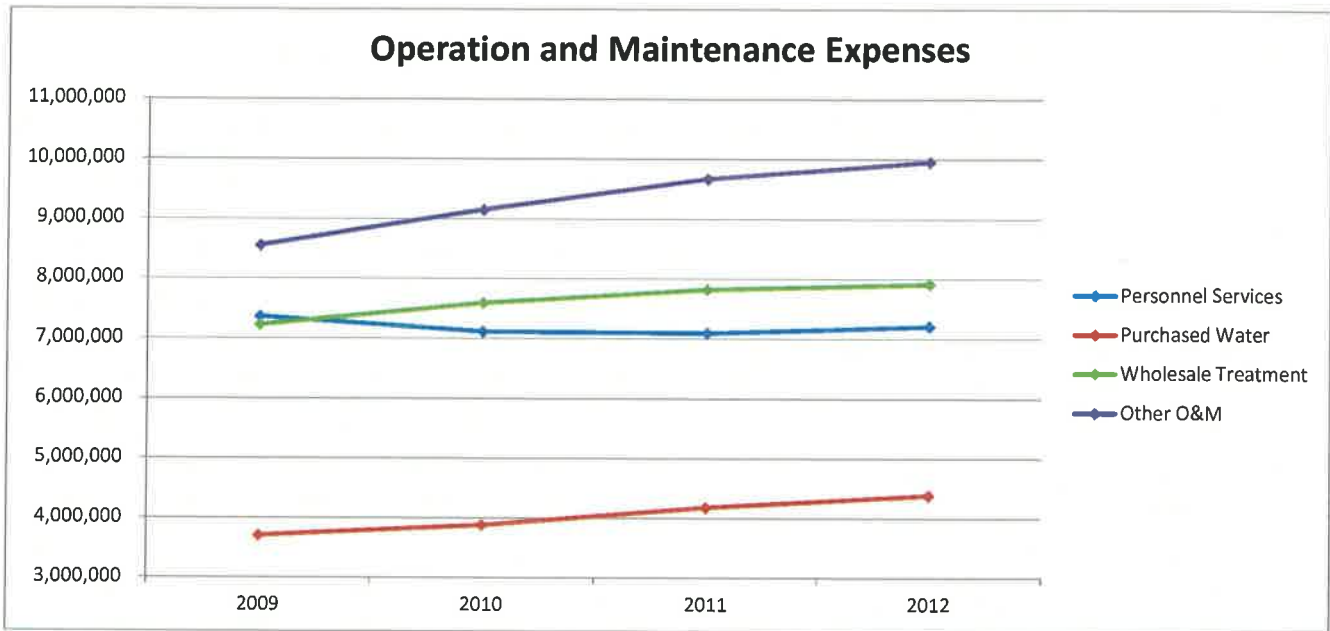


	2009	2010	2011	2012
Retail	2,238,525	2,281,679	2,286,590	2,244,834
Wholesale	4,757,057	5,250,822	5,034,791	5,112,978
Total	6,995,582	7,532,501	7,321,382	7,357,812

What it means....

The sewer sales trend reflects essentially flat usage or minimal growth.

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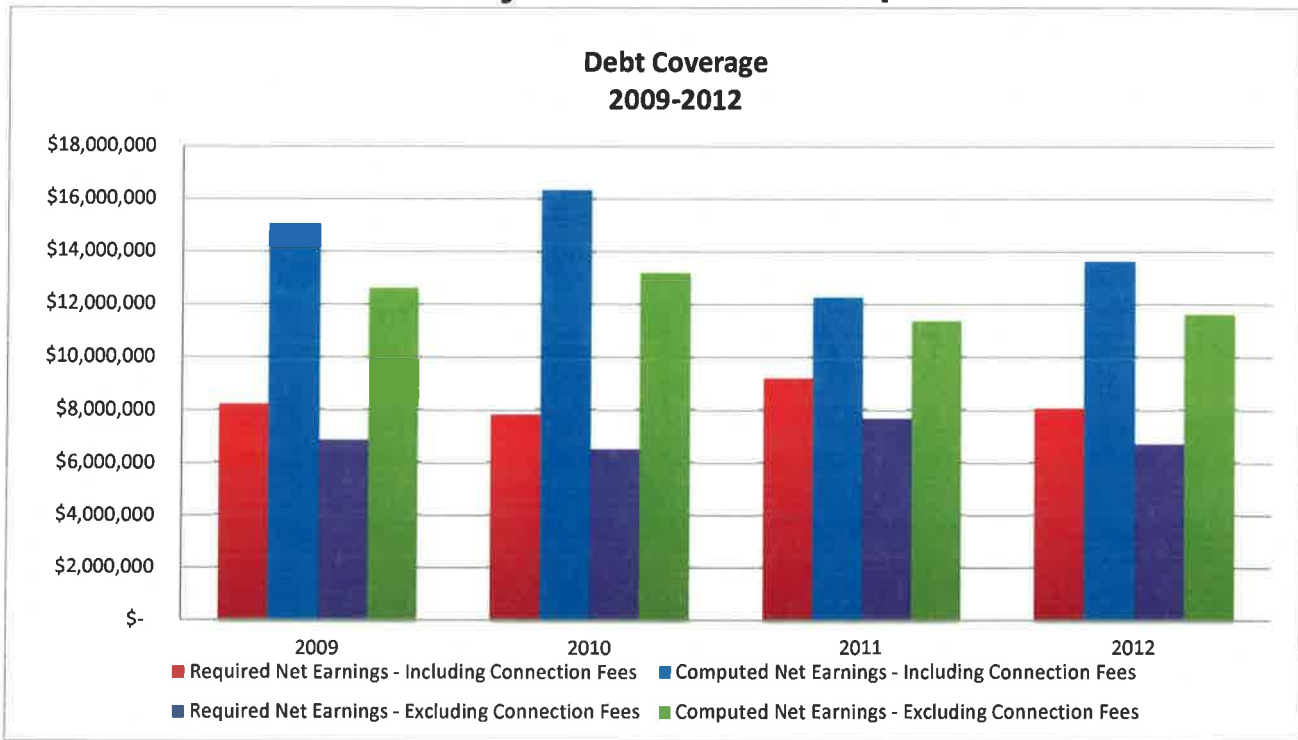


	2009	2010	2011	2012
Personnel Services	7,361,934	7,112,482	7,093,223	7,205,792
Purchased Water	3,698,246	3,877,778	4,176,863	4,380,111
Wholesale Treatment	7,223,102	7,591,849	7,821,591	7,914,371
Other O&M	8,550,071	9,151,271	9,673,055	9,960,423
Total Operating Expenses				
Less Depreciation	<u>26,833,353</u>	<u>27,733,380</u>	<u>28,764,732</u>	<u>29,460,697</u>

What it means....

Operating expenses generally result from providing services and delivering goods in connection with the department's principal ongoing operations. The current year trend reflects a increase due to increased personnel costs and miscellaneous expenses.

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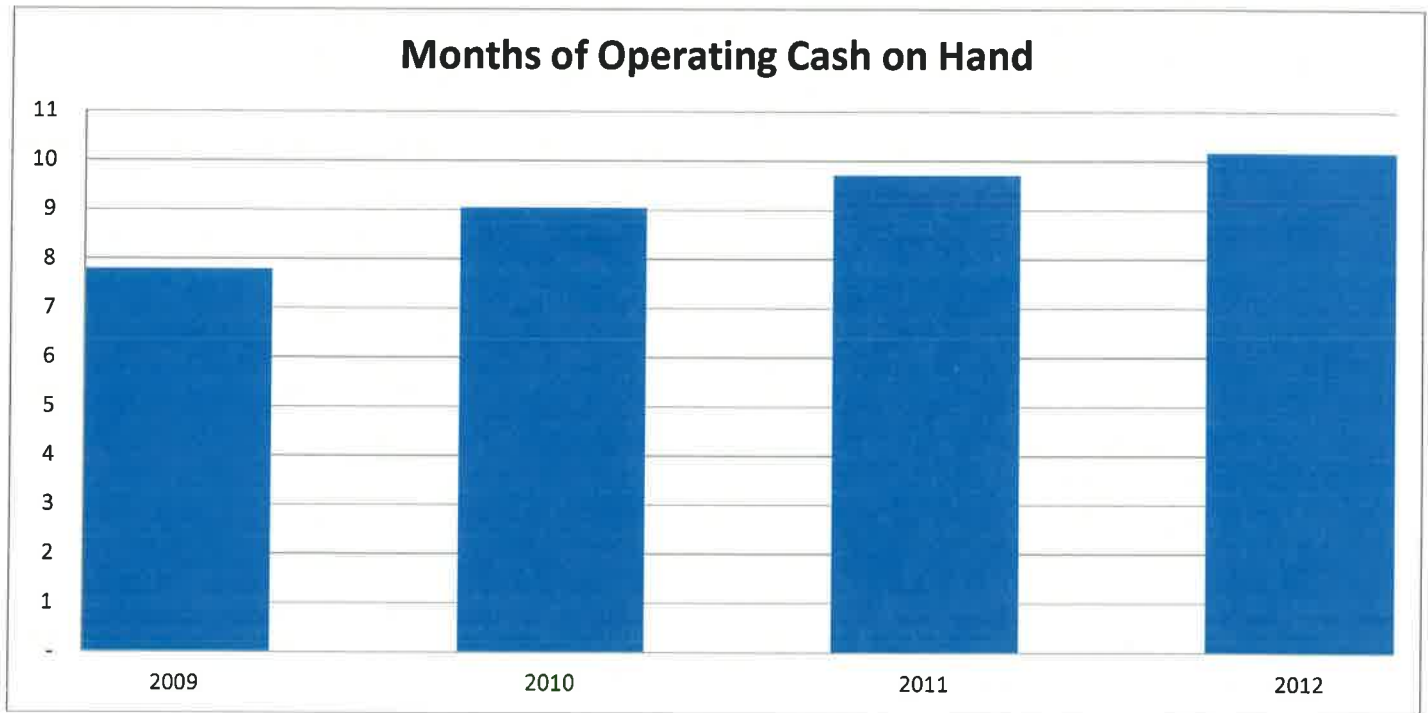


	2009	2010	2011	2012
Operating Revenues	\$ 36,226,044	\$ 38,452,505	\$ 37,557,721	\$ 38,834,554
Investment Income	2,374,615	1,620,011	1,307,352	1,082,314
Connection Fees	2,397,228	3,136,304	920,267	2,018,693
Interest Rate Subsidy	-	-	423,644	368,898
Property Taxes	885,701	876,326	859,567	815,521
Less: O & M Expenses	<u>(26,833,353)</u>	<u>(27,733,380)</u>	<u>(28,764,732)</u>	<u>(29,460,697)</u>
Computed Net Earnings - Including Connection Fees	<u>\$ 15,050,235</u>	<u>\$ 16,351,766</u>	<u>\$ 12,303,819</u>	<u>\$ 13,659,283</u>
Computed Net Earnings - Excluding Connection Fees	<u>\$ 12,653,007</u>	<u>\$ 13,215,462</u>	<u>\$ 11,383,552</u>	<u>\$ 11,640,590</u>
Debt Service Requirements				
Serial Bond Deposits	\$ 3,830,000	\$ 3,585,000	\$ 3,810,000	\$ 3,230,000
Interest	1,658,099	1,631,491	2,333,494	2,139,782
Total Debt Service Requirements	<u>\$ 5,488,099</u>	<u>\$ 5,216,491</u>	<u>\$ 6,143,494</u>	<u>\$ 5,369,782</u>
Minimum Coverage Factor - Including Connection Fees	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
Minimum Coverage Factor - Excluding Connection Fees	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
Required Net Earnings - Including Connection Fees	<u>\$ 8,232,149</u>	<u>\$ 7,824,737</u>	<u>\$ 9,215,241</u>	<u>\$ 8,054,673</u>
Required Net Earnings - Excluding Connection Fees	<u>\$ 6,860,124</u>	<u>\$ 6,520,614</u>	<u>\$ 7,679,368</u>	<u>\$ 6,712,228</u>
Actual Coverage - Including Connection Fees	<u>2.74</u>	<u>3.13</u>	<u>2.00</u>	<u>2.54</u>
Actual Coverage - Excluding Connection Fees	<u>2.31</u>	<u>2.53</u>	<u>1.85</u>	<u>2.17</u>

What it means....

The bond resolutions require that revenues from the system be greater than 1.5 times the revenue bond annual debt service including connection fee revenue and 1.25 times the revenue bond annual debt service excluding connection fee revenue. The revenues include sources of operating revenues and non-operating revenues as defined by the basic bond ordinance.

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	2009	2010	2011	2012
Average Monthly Operating Budget Expenditures	\$ 2,730,140	\$ 2,560,191	\$ 2,638,238	\$ 2,620,417
Actual Unrestricted Funds on Hand	\$ 21,291,021	\$ 23,181,437	\$ 25,621,318	\$ 26,673,295
Months on Hand - Minimum of 4.5 months	7.8	9.1	9.7	10.2

What it means....

Your bond covenants require you to maintain 4.5 months of the Department's budgeted operating expenditures in unrestricted funds to cover operations in a normal business operation cycle plus a contingency.

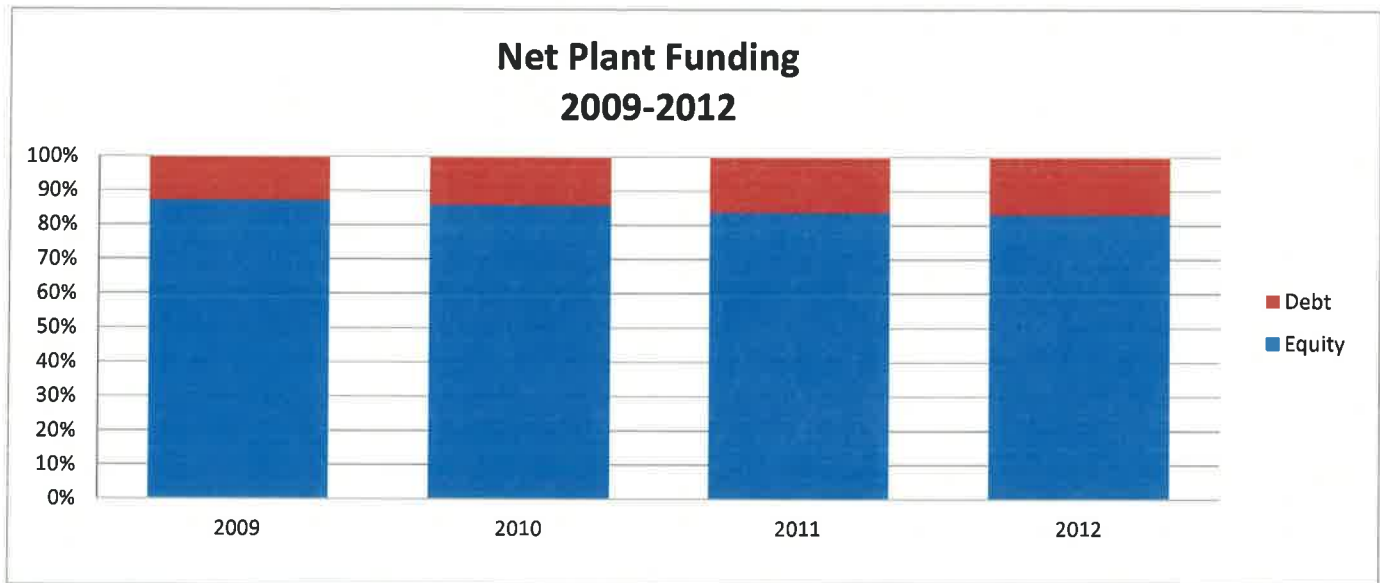
This shows that the utility's cash reserves have been sufficient over the past 4 years.

Restricted Cash and Investments

	2009	2010	2011	2012
Bond interest, principal and reserve fund	\$ 9,172,736	\$ 9,269,936	\$ 9,117,954	\$ 8,796,625
Depreciation, extension and improvement fund	27,561,837	34,019,836	37,123,497	38,344,513
Construction account	2,642,415	14,716,243	6,001,284	273,791
Crossover refunding escrow account	17,081,810	17,054,108	17,025,223	16,995,105
Total restricted cash	<u>\$ 56,458,798</u>	<u>\$ 75,060,123</u>	<u>\$ 69,267,958</u>	<u>\$ 64,410,034</u>

Refer to Note 4 of the audit report for descriptions of each of the funds listed above.

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	2009	2010	2011	2012
Net Assets Investment in Capital Assets	\$ 174,174,863	\$ 181,722,143	\$ 180,513,597	\$ 184,815,490
Net Property, Plant, and Equipment	\$ 199,666,891	\$ 211,588,438	\$ 215,324,130	\$ 222,164,026
Percent of Net Plant Funded by Equity	<u>87%</u>	<u>86%</u>	<u>84%</u>	<u>83%</u>
Percent of Net Plant Funded by Debt	<u>13%</u>	<u>14%</u>	<u>16%</u>	<u>17%</u>

What it means....

Obtaining financing for capital improvements is normally a necessity for capital intensive utilities. Management should keep their related debt to a manageable level as this allows you to be less aggressive seeking rate relief and provides more options to address unanticipated expenses. A general target is 50% or more equity and 50% or less debt.