



156 EAST FIRST STREET
NEW RICHMOND, WI 54017
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MEMORANDUM

TO: Utility Commission
FROM: Joel Enders, Management Analyst
DATE: March 27, 2019
SUBJECT: Fourth Quarter 2018 Financial Results

BACKGROUND

Staff will review and present analysis of the attached fourth quarter 2018 financial results at the upcoming Utility Commission meeting.

RECOMMENDATIONS

Discussion item only – no action is being requested at this time.

ATTACHMENTS

1. 4Q18 Financial Report



QUARTERLY FINANCIAL DASHBOARD

Fourth Quarter 2018

ELECTRIC REVENUE & EXPENSES	2018			VARIANCE		2017	
	Actuals through 4th Quarter	Budget through 4th Quarter	Adopted Annual Budget	Over (Under) through 4th Quarter	Percent of Budget through 4th Quarter	Actuals through 4th Quarter	Budget through 4th Quarter
Operating Revenue	9,833,270	9,987,029	9,987,029	(153,759)	98%	9,942,946	9,696,144
Operating Expenses	9,415,358	9,821,561	9,821,561	(406,203)	96%	9,481,416	9,400,880
Change in Net Position	490,015	24,087	24,087	465,928	2034%	477,780	1,132
REPORTING METRICS	YTD 2016	YTD 2017	YTD 2018	SUMMARY			
Number of Customers	4,585	4,692	4,811	Revenues ended 2018 approximately 1.5% below budget, but were more than offset by expenses that ended 4.1% below budget. Purchased power costs were \$423K (5.3%) less than anticipated, while local operating expenses were \$69K (3.7%) higher than expected.			
kWh Sold	92,281,822	93,203,732	98,958,184				
Daily Operating Cost	23,824	24,274	24,020				
Operating Income (Loss)	420,136	461,531	417,913				

WATER REVENUE & EXPENSES	2018			VARIANCE		2017	
	Actuals through 4th Quarter	Budget through 4th Quarter	Adopted Annual Budget	Over (Under) through 4th Quarter	Percent of Budget through 4th Quarter	Actuals through 4th Quarter	Budget through 4th Quarter
Operating Revenue	1,557,980	1,556,872	1,556,872	1,108	100%	1,531,955	1,467,205
Operating Expenses	1,244,130	1,375,206	1,375,206	(131,076)	90%	1,288,169	1,256,568
Change in Net Position	219,190	(91,489)	(91,489)	310,679	-240%	299,727	(135,810)
REPORTING METRICS	YTD 2016	YTD 2017	YTD 2018	SUMMARY			
Number of Customers	4,211	4,336	4,541	Revenues ended 2018 on budget while expenses ended 9.5% under budget. Higher than budgeted operating income and capital contributions resulted in a favorable change in net position of \$219K for the year.			
Gallons Sold (thousands)	327,082	320,111	323,145				
Daily Operating Cost	2,335	2,619	2,463				
Operating Income (Loss)	399,301	243,788	313,849				

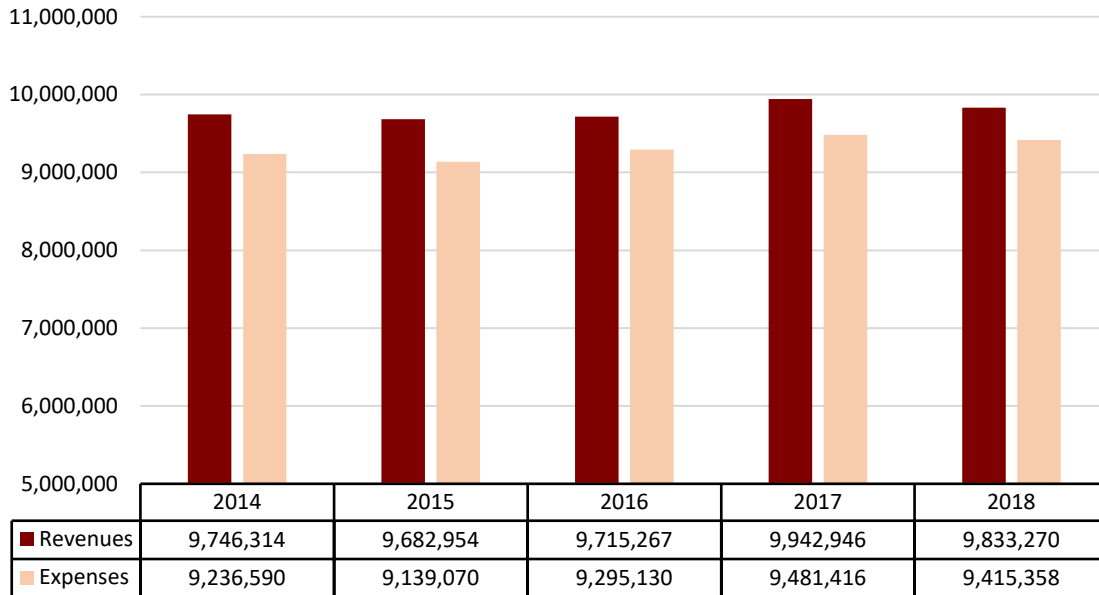
SEWER REVENUE & EXPENSES	2018			VARIANCE		2017	
	Actuals through 4th Quarter	Budget through 4th Quarter	Adopted Annual Budget	Over (Under) through 4th Quarter	Percent of Budget through 4th Quarter	Actuals through 4th Quarter	Budget through 4th Quarter
Operating Revenue	1,531,956	1,494,804	1,494,804	37,152	102%	1,469,697	1,480,000
Operating Expenses	1,842,473	1,806,474	1,806,474	35,999	102%	1,821,645	1,705,862
Change in Net Position	(48,160)	(236,812)	(236,812)	188,652	20%	146,613	(178,840)
REPORTING METRICS	YTD 2016	YTD 2017	YTD 2018	SUMMARY			
Number of Customers	3,550	3,636	3,773	Revenues ended 2018 approximately 2.4% greater than budgeted, while expenses ended 1.9% over budget. Operating losses were slightly lower than anticipated, and ending net position was favorable to budget due to capital contributions.			
Gallons Treated (thousands)	189,521	192,250	199,990				
Daily Operating Cost	3,609	3,467	3,498				
Operating Income (Loss)	(417,999)	(351,950)	(310,517)				



Electric Utility Financial Report

Fourth Quarter 2018

Electric 5-Year Actuals through 4th Quarter



OPERATING REVENUES

Actuals vs. Budget

Revenues through December 31, 2018 total \$9.83M, which is approximately 1.5 percent (\$153K) under budget. Revenues through same period 2017 were approximately \$9.94M, or \$246K above budget. Fourth-quarter only revenues were \$262K below budget.

Revenue Trend

2018 YTD revenue is approximately .05 percent (\$49.1K) higher than the 5-year average. Kilowatt-hours sold increased by approximately 6 percent compared to YTD 2017, while total customers increased by 119 compared to this time last year.

Analysis

Revenues ended the year 1.5 percent short of budget due to below average first and second quarter performances, lower than expected industrial sales, and a budget target that was \$114K higher than previous year. Industrial sales of \$146K were significantly less than 2017 revenues of \$243K due to a reclassification of St. Croix Press from Industrial to Large Power customer. Commercial revenues also underperformed vs. budget, but were close to the 5-year average. Residential sales ended \$109K (2.8 percent) less than budgeted, but were actually higher than the 5-year average.

OPERATING EXPENSES

Actuals vs. Budget

Expenses through December 31, 2018 total \$9.41M, which is approximately 4.1 percent (\$406K) under budget, due mainly to lower than forecasted purchased power costs. Local operating expenses were approximately 1 percent (\$17.5K) over budget. Notable variances include:

- Professional Services – When the Utility switched to contracted IT services in January 2018, related expenses began to be coded to the 923 account, where they had previously been coded to the 920 account. The 2018 budget did not anticipate this coding change when it was developed in 2017, so the 923 account had a negative variance in 2018, whereas the 920 account had a positive variance.
- Overhead/Underground Line Maintenance – Variance in this account is related to the ongoing pole testing, replacement and maintenance initiative. Includes replacement poles, parts, ancillary equipment, and in-house labor.
- Vehicle repairs and maintenance, including:
 - Repairs of controls, hydraulics on Truck 38
 - Replacement of exhaust manifold on Truck 31
 - In general, staff spent a relatively higher amount of time performing vehicle maintenance and repairs in 2018 compared to 2017.
- Locating activities – The continuing and relatively brisk pace of development activity pushed locating expenses over budget for the third straight year.
- Shop Maintenance – Increased expenses in 2018 are due unanticipated maintenance needs and changes to the shop to accommodate growth, including garage and access door repairs, shop drain issues, the fabrication and placement of storage racking and layout/configuration changes to improve efficiency and inventory tracking.
- Depreciation – Growth and expansion of plant, particularly over the last three years, has increased depreciation costs much faster than the historical average. Staff has increased the budgeted amount for depreciation each year over the last four years, but actual numbers have continued to exceed forecasts.

Expenses Trend

YTD expenses of \$9.41M are approximately 1 percent (\$66K) less than same period 2017 expenses but 1.1 percent higher than the five-year average (\$9.3M). Expenses have been relatively stable over the last 5-year period, displaying a slow upward trend over the last two years.

Electric 4th Quarter Actuals to Budget - 5 Year Comparison

Year	2014	2015	2016	2017	2018
Operating Revenues	9,746,314	9,682,954	9,715,267	9,942,946	9,833,270
Operating Expenses	9,236,590	9,139,070	9,295,130	9,481,416	9,415,358
Budgeted Revenues	9,760,124	9,888,500	9,966,000	9,696,144	9,987,029
Budgeted Expenses	9,557,841	9,640,119	9,644,900	9,400,880	9,821,561
Revenues Over (Under) Budget	(13,810)	(205,546)	(250,733)	246,802	(153,759)
Expenses Over (Under) Budget	(321,251)	(501,049)	(349,770)	80,536	(406,203)
Operating Income (Loss)	509,724	543,884	420,137	461,530	417,912

Analysis

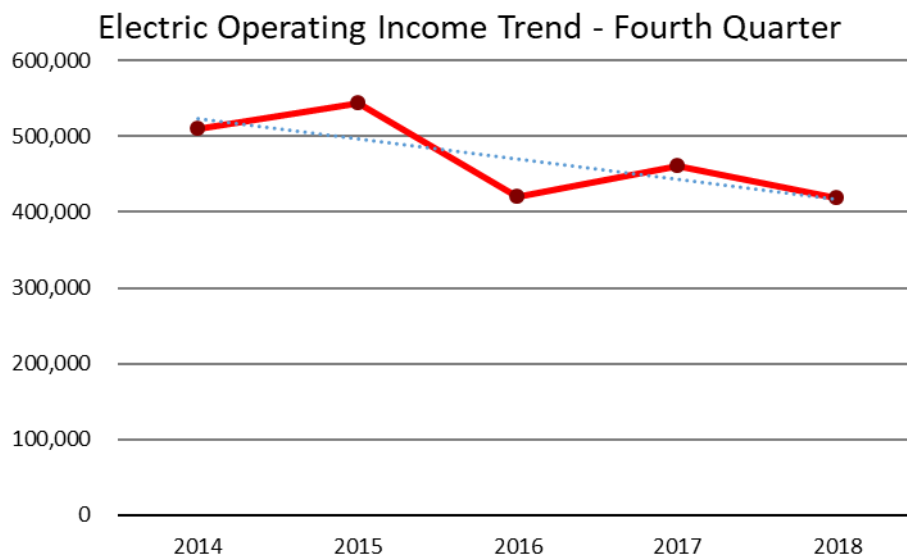
Expenses ended \$406K under budget primarily because of relatively low purchased power costs, particularly in the fourth quarter. Excluding purchased power costs, YTD operating and maintenance expenses were approximately 1 percent (\$17.5K) over budget, while 4Q-only expenses were \$64K under budget. Generally, expenses slow in fourth quarter after peaking in late second or early third quarter. Expense categories that are over budget reflect growth-related pressures (increased locating, higher depreciation, more wear-and-tear on vehicles, etc.) or aging infrastructure near the end of its useful life such as wood utility poles.

NET POSITION & OPERATING INCOME

YTD operating income was \$417.9K or approximately \$252K greater than budgeted, due primarily to lower than expected purchased power costs. However, YTD operating income is below the five-year same period average of \$470.6K.

Electric 4th Quarter YTD Operating Income (Loss) - 5 Year Comparison

Year	2014	2015	2016	2017	2018
Operating Income (Loss)	509,724	543,885	420,136	461,531	417,913



Change in net position through 2018 was +\$490K, which is \$465.9K more than the budgeted net position of \$24K. Note that contributed capital infrastructure of \$325K significantly affected net position.

CAPITAL IMPROVEMENT PROJECTS

At December 31, 2018 there were no active capital improvement projects.



ELECTRIC DEPARTMENT

Budget & Actual

For the Twelve Months Ending 12/31/2018

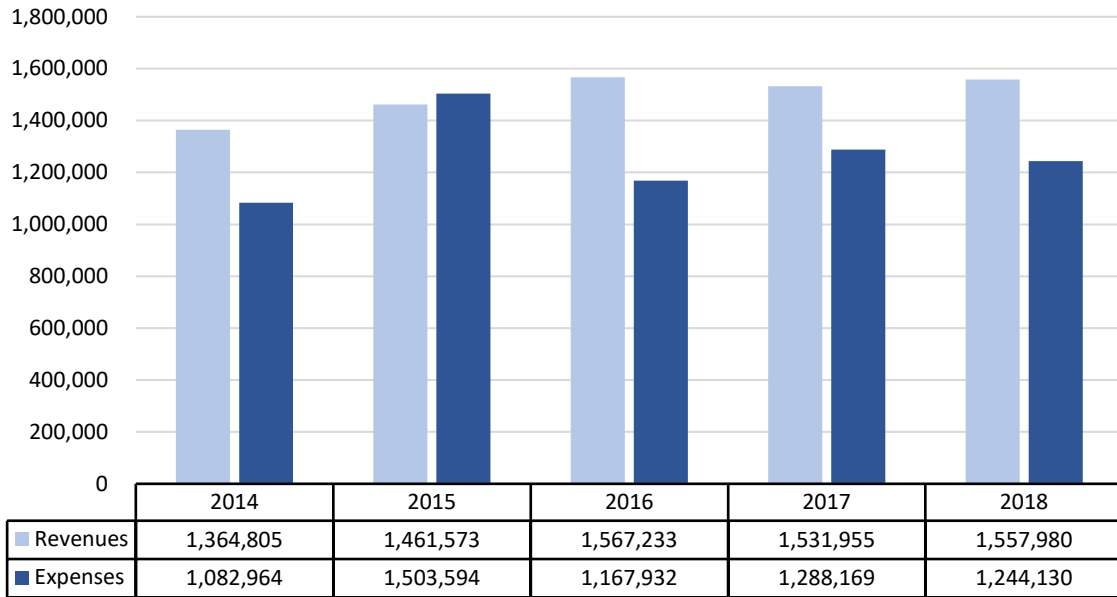
	Quarter 2017 Actual	Quarter 2018 Actual	Quarter 2018 Budget	Variance Actual-Budget	December 2017 Actual YTD	December 2018 Actual YTD	December 2018 Budget YTD	Variance YTD Actual-Budget	2018 Budget
OPERATING REVENUES									
Metered Sales (Res, Small, Large, Indust)	\$2,482,982	\$2,217,345	\$2,488,349	(\$271,004)	\$9,893,611	\$9,783,522	\$9,953,397	(\$169,874)	\$9,953,397
Miscellaneous Revenue	18,926	16,742	8,408	8,335	49,335	49,748	33,632	16,116	33,632
Total Operating Revenue	2,501,908	2,234,087	2,496,757	(262,669)	9,942,946	9,833,270	9,987,029	(153,758)	9,987,029
OPERATING EXPENSES									
Wholesale Purchased Power									
WPPI	1,806,445	1,626,221	1,997,406	(371,185)	7,677,126	7,565,875	7,989,623	(423,748)	7,989,623
Local Operating Expenses									
Substation Expenses	29,701	361	10,249	(9,888)	58,521	41,933	40,995	938	40,995
Locating Expenses	8,226	9,811	7,165	2,646	40,602	43,192	28,660	14,532	28,660
Overhead Line Maintenance	9,917	21,891	26,487	(4,597)	102,058	128,028	105,950	22,078	105,950
Transformer Maintenance	7,165	2,459	2,446	12	18,974	14,355	9,785	4,570	9,785
Street Lights & Signals Maintenance	640	(4,580)	6,691	(11,271)	6,675	(816)	26,765	(27,581)	26,765
Meter Maintenance	1,443	1,575	7,150	(5,575)	24,582	15,971	28,600	(12,629)	28,600
Meter Reading	1,549	1,597	1,412	184	6,105	6,314	5,648	666	5,648
Miscellaneous Distribution Expenses	5,540	9,924	8,624	1,301	27,369	39,632	34,495	5,137	34,495
Supplies	3,835	3,679	4,675	(996)	15,642	17,431	18,700	(1,269)	18,700
Shop Expenses	5,362	3,838	3,835	3	16,235	24,122	15,340	8,782	15,340
Miscellaneous Expenses	3,146	4,249	9,225	(4,976)	34,754	37,412	36,900	512	36,900
Rent	3,000	3,000	3,000	0	12,000	12,000	12,000	0	12,000
Utilities	2,114	2,444	1,500	944	6,010	7,171	6,000	1,171	6,000
Vehicle Repairs & Maintenance	1,121	(1,415)	9,415	(10,830)	20,027	44,566	37,660	6,906	37,660
Vehicle Fuel	2,443	3,427	3,612	(186)	8,780	11,966	14,450	(2,484)	14,450
General & Administrative Wages	63,732	86,936	91,547	(4,611)	281,206	354,010	366,190	(12,180)	366,190
State & Payroll Taxes	22,383	26,852	18,500	8,352	67,382	81,641	74,000	7,641	74,000
Employee Benefits	167,940	25,204	76,475	(51,271)	377,310	243,077	305,900	(62,823)	305,900
Professional Services	2,271	8,511	8,000	511	23,279	43,021	32,000	11,021	32,000
Telephone/Cell	167	185	225	(40)	668	732	900	(168)	900
Insurance	3,717	(176)	4,000	(4,176)	14,020	10,654	16,000	(5,346)	16,000
Safety & Training	4,938	4,585	7,375	(2,790)	20,711	24,993	29,500	(4,507)	29,500
Depreciation	187,130	179,178	146,375	32,803	621,380	648,078	585,500	62,578	585,500
Subtotal Local Operating Expenses	537,480	393,535	457,983	(64,448)	1,804,290	1,849,483	1,831,938	17,545	1,831,938
Total Operating Expenses	2,343,925	2,019,756	2,455,389	(435,633)	9,481,416	9,415,358	9,821,561	(406,203)	9,821,561
OPERATING INCOME (LOSS)	157,984	214,331	41,368	172,964	461,531	417,913	165,468	252,445	165,468
Non-Operating Revenues (Expenses)									
Investment Income	4,185	15,338	3,750	11,588	13,523	36,336	15,000	21,336	15,000
Interest Expense	549	(15,501)	(8,083)	(7,419)	(33,900)	(31,574)	(32,330)	756	(32,330)
Non-Utility Expenses	(599)	(1,462)	(2,000)	538	(4,959)	(2,935)	(8,000)	5,065	(8,000)
Total Non-Operating Revenues (Expenses)	4,136	(1,625)	(6,333)	4,707	(25,335)	1,827	(25,330)	27,157	(25,330)
Contributions & Transfers									
Capital Contributions	241,718	214,527	37,500	177,027	303,415	325,153	150,000	175,153	150,000
Transfers Out (Tax Equivalent)	(69,817)	(58,497)	(66,513)	8,016	(261,832)	(254,877)	(266,051)	11,174	(266,051)
Total Contributions & Transfers	171,901	156,029	(29,013)	185,042	41,583	70,276	(116,051)	186,327	(116,051)
CHANGE IN NET POSITION	334,021	368,735	6,022	362,713	477,780	490,015	24,087	465,929	24,087



Water Utility Financial Report

Fourth Quarter 2018

Water 5-Year Actuals through 4th Quarter



OPERATING REVENUES

Actuals vs. Budget

Revenues through December 31, 2018 total \$1.55M, which is less than 1 percent (\$1.1K) above budget. Fourth quarter only revenues were 14.5 percent (\$56.6K) above budget.

Revenue Trend

YTD operating revenues are \$26K higher than same period 2017, and approximately \$61K higher than the five-year average. 2018 gallons sold increased by approximately 1 percent, or 3.03 million gallons, compared to 2017. Customers at the end of 2018 was 4,541, an increase of 205 since same time last year. YTD revenue has increased by an average of \$48.2K per year over the past five-year period, although revenues did decline by 2 percent (\$35K) in 2017.

Analysis

Revenues performed over budget in the third and fourth quarters, offsetting seasonally slow first and second quarter sales to end the year on target. Residential sales ended 1 percent under budget, while industrial sales ended 80.7 percent (\$69K) above budget, driven by Lakeside Foods usage. 2018 irrigation sales ended at \$111.7K, which was \$54K short of the budgeted amount, but approximately \$20K higher than 2016 and 2017 irrigation sales.

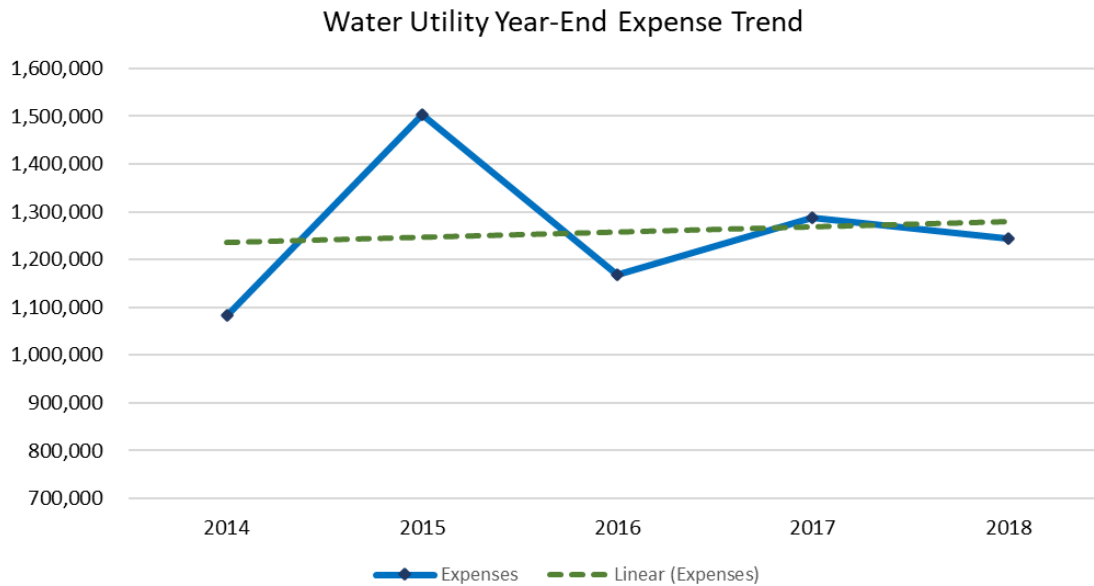
OPERATING EXPENSES

Actuals vs. Budget

Expenses through December 31, 2018 total \$1.24M, which is approximately 9.5 percent (\$131K) below budget. Fourth quarter only expenses were 15.7 percent (\$53.9K) under budget, and \$136.8K less than 4Q17 expenses.

Expenses Trend

YTD expenses are less than 3.4 percent (\$44K) less than same period 2017 expenses, and approximately 1 percent (\$13K) lower than the five-year average. Annual expenses have remained fairly consistent over the last five-year period with the exception of 2015, when unanticipated water tower costs spiked expenses \$420K above prior year. The trend line shown below suggests a slow increase over time when expenses are averaged out:



Analysis

Operating costs declined slightly versus prior year because there were no major maintenance activities scheduled and few unanticipated maintenance or repair costs. Growth in water system plant over the last several years continues to increase depreciation costs. Professional services were over budget due to a change in account coding for IT related activities. Note that a recent change in accounting standards for health insurance liability reduced ending expenses by \$45K.

Water 4th Quarter Actuals to Budget - 5 Year Comparison

Year	2014	2015	2016	2017	2018
Operating Revenues	1,364,805	1,461,573	1,567,233	1,531,955	1,557,980
Operating Expenses	1,082,964	1,503,594	1,167,932	1,288,169	1,244,130
Budgeted Revenues	1,348,601	1,391,507	1,415,832	1,467,205	1,556,872
Budgeted Expenses	1,099,096	1,152,441	1,212,100	1,256,568	1,375,206
Revenues Over (Under) Budget	16,204	70,066	151,401	64,750	1,108
Expenses Over (Under) Budget	(16,132)	351,153	(44,168)	31,601	(131,076)
Operating Income (Loss)	281,841	(42,021)	399,301	243,786	313,850

NET POSITION & OPERATING INCOME

YTD operating income was strong compared to prior year, ending 28.7 percent (\$70K) above 2017 operating income. Fourth quarter-only operating income was also relatively strong compared to prior year, ending \$110.6K more than budgeted.

Water 4th Quarter YTD Operating Income (Loss) - 5 Year Comparison

Year	2014	2015	2016	2017	2018
Operating Income (Loss)	281,840	(42,019)	399,301	243,788	313,849

Change in net position is \$219K through fourth quarter, which is \$310K more than the budgeted net position of -\$91.4K. Tax equivalent transfers of \$207.6K were more than offset by contributed capital infrastructure of \$207K. If capital contributions are excluded, ending net position is reduced to \$11.4K.

CAPITAL IMPROVEMENT PROJECTS

At December 31, 2018 there were two active projects accounting for \$6,120 related to commercial cellular equipment upgrades on south and north water towers.



WATER DEPARTMENT
Budget & Actual
 For the Twelve Months Ending 12/31/2018

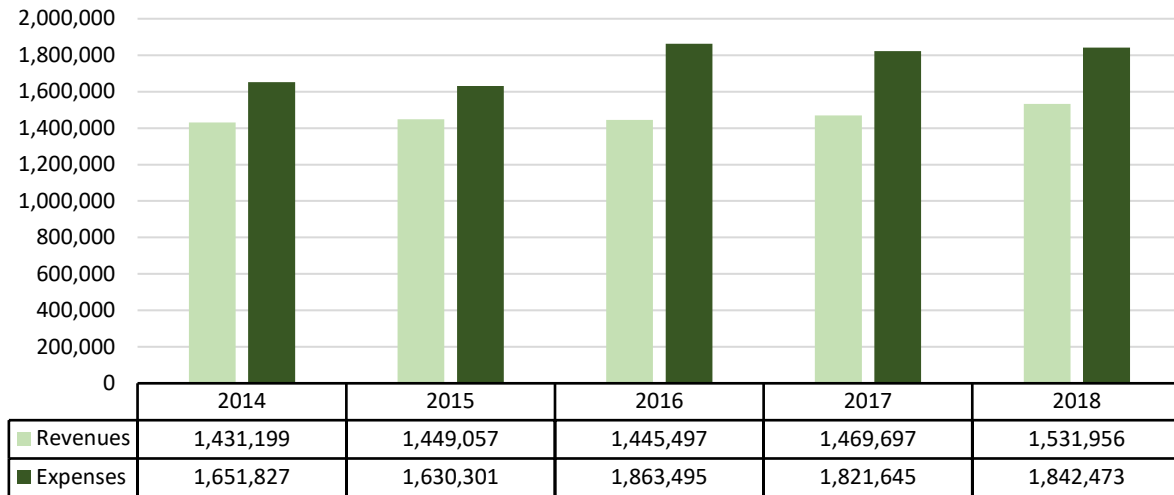
	Quarter 2017 Actual	Quarter 2018 Actual	Quarter 2018 Budget	Variance Actual-Budget	December 2017 Actual YTD	December 2018 Actual YTD	December 2018 Budget YTD	Variance YTD Actual-Budget	2018 Budget
OPERATING REVENUES									
Metered Sales (Res, Small, Large, Indust)	\$404,619	\$387,359	\$353,846	\$33,513	\$1,402,514	\$1,435,081	\$1,415,395	\$19,685	\$1,415,395
Miscellaneous Revenue	65,462	58,530	35,370	23,160	129,441	122,899	141,477	(18,578)	141,477
Total Operating Revenue	470,081	445,889	389,216	56,673	1,531,955	1,557,980	1,556,872	1,107	1,556,872
OPERATING EXPENSES									
Building/Grounds Maintenance	722	370	1,251	(881)	1,366	2,566	5,001	(2,435)	5,001
Well Maintenance & Power Consumption	62,438	24,926	29,427	(4,501)	125,737	101,112	117,703	(16,590)	117,703
Tower Maintenance	4,874	2,139	7,170	(5,031)	6,158	3,983	28,679	(24,695)	28,679
Water Main Maintenance	22,518	18,544	13,956	4,588	51,097	40,971	55,828	(14,856)	55,828
Water Service Maintenance	13,524	13,195	12,396	799	51,387	42,859	49,583	(6,724)	49,583
Meter Maintenance	2,866	6,768	13,170	(6,402)	26,858	36,047	52,684	(16,637)	52,684
Hydrant Maintenance	1,274	3,227	3,774	(547)	6,175	7,713	15,095	(7,382)	15,095
Water Testing	4,583	4,667	7,017	(2,350)	26,286	21,762	28,071	(6,309)	28,071
Treatment Chemicals	4,319	4,928	4,500	428	17,565	17,910	18,000	(90)	18,000
Meter Reading Expenses	1,162	1,197	1,209	(12)	4,579	4,707	4,839	(133)	4,839
Rent	9,750	9,750	9,750	0	39,000	39,000	39,000	0	39,000
Utilities	1,618	1,679	1,500	179	5,129	5,192	6,000	(808)	6,000
Supplies	3,491	4,835	4,488	347	15,111	17,072	17,934	(862)	17,934
Miscellaneous Expenses	11,225	1,602	4,257	(2,655)	19,199	10,377	17,009	(6,633)	17,009
Shop Maintenance	1,304	1,750	1,965	(215)	4,482	3,596	7,853	(4,257)	7,853
Vehicle Repairs & Maintenance	3,010	1,591	1,326	265	7,204	4,609	5,301	(692)	5,301
Vehicle Fuel	1,822	2,092	2,080	12	7,371	7,871	8,307	(436)	8,307
Safety & Training	4,494	9,498	5,655	3,843	21,396	24,124	22,619	1,505	22,619
General & Administrative Wages	52,894	56,430	68,613	(12,183)	223,965	246,844	274,454	(27,611)	274,454
Employee Benefits	114,096	15,616	48,297	(32,681)	239,024	163,988	193,183	(29,194)	193,183
Professional Services	1,873	28,908	9,849	19,059	16,543	52,502	39,399	13,103	39,399
Contract Services	403	836	1,326	(490)	3,358	8,683	5,301	3,381	5,301
Telephone/Cell	518	379	600	(221)	2,180	1,974	2,400	(426)	2,400
Insurance	3,708	4,652	3,549	1,103	13,805	15,316	14,199	1,118	14,199
Payroll & PSC Taxes	(848)	(3,205)	7,916	(11,121)	21,083	18,104	31,665	(13,561)	31,665
Depreciation (CIAC)	99,011	73,448	78,774	(5,326)	332,111	345,248	315,099	30,150	315,099
Total Operating Expenses	426,649	289,822	343,815	(53,991)	1,288,169	1,244,130	1,375,206	(131,074)	1,375,206
OPERATING INCOME (LOSS)	43,433	156,065	45,401	110,664	243,788	313,849	181,668	132,181	181,668
Non-Operating Revenues (Expenses)									
Investment Income	7,902	17,532	6,249	11,283	28,604	56,051	24,999	31,052	24,999
Interest Expense (GAAP)	(26,776)	(19,224)	(16,660)	(2,564)	(63,269)	(65,210)	(66,639)	1,429	(66,639)
Non-Utility Expense	0	0	(330)	330	0	0	(1,323)	1,323	(1,323)
Total Non-Operating Revenues (Expenses)	(18,874)	(1,692)	(10,741)	9,049	(34,665)	(9,160)	(42,964)	33,804	(42,964)
Contributions & Transfers									
Capital Contributions	306,673	95,048	17,499	77,549	386,035	207,692	69,999	137,693	69,999
Transfers Out (Tax Equivalent)	(79,387)	(71,611)	(75,048)	3,437	(295,431)	(293,191)	(300,192)	7,001	(300,192)
Total Contributions & Transfers	227,286	23,437	(57,549)	80,986	90,604	(85,500)	(230,193)	144,694	(230,193)
CHANGE IN NET POSITION (GAAP)	251,845	177,809	(22,889)	200,698	299,727	219,190	(91,489)	310,678	(91,489)



Sewer Utility Financial Report

Fourth Quarter 2018

Sewer 5-Year Actuals through 4th Quarter



OPERATING REVENUES

Actuals vs. Budget

Revenues through December 31, 2018 total \$1.53M, which is approximately 2.4 percent (\$37.1K) more than budgeted. Revenues through same period 2017 were under 1 percent (10.3K) less than the budgeted amount.

Revenue Trend

YTD revenues are 4.2 percent (\$62.2K) higher than same period 2017 revenues, and \$66.4K higher than the five-year average. YTD revenues have increased at an average of 1.5 percent / \$25K over the last five years, although expenses have increased at a faster rate.

Analysis

2018 residential and commercial sales recorded modest gains compared to prior years, reflecting continued residential customer growth and elevated commercial usage.

OPERATING EXPENSES

Actuals vs. Budget

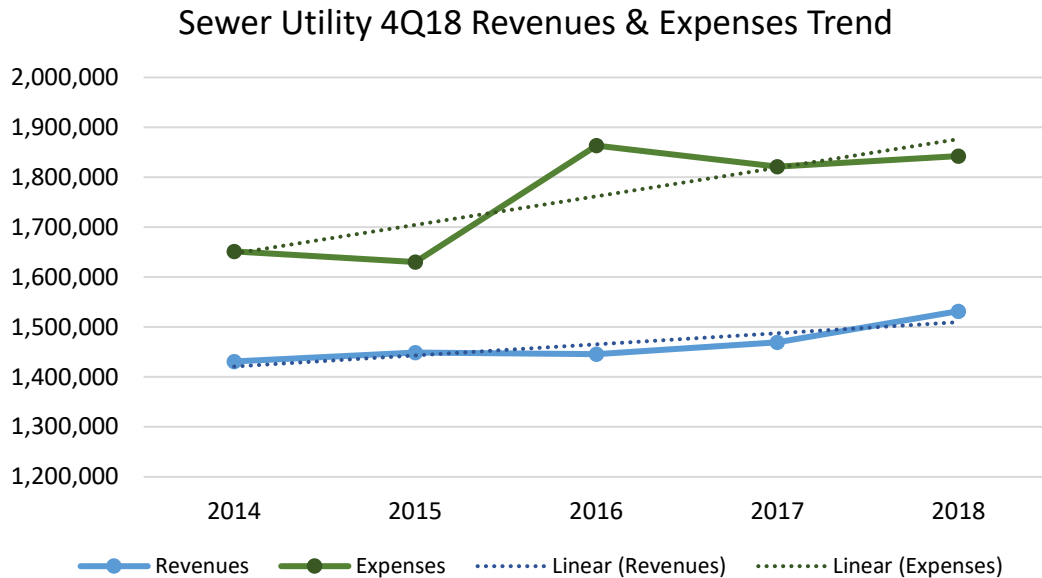
Expenses through December 31, 2018 total \$1.84M, which is approximately 1.9 percent (\$35.9K) over budget. Notable YTD variances include:

- Sewer backup reimbursements
- Collection system maintenance – Cost drivers for this account include root control activities and unanticipated manhole reconstruction costs related to the 125th ST project.
- Depreciation – Growth and expansion of plant, particularly over the last three years, has increased depreciation costs faster than the historical average.

- Lift stations – Roof replacements on three lift stations affected by the 2017 hailstorm were completed in 2018, but insurance monies were received in 2017, creating a revenue variance in 2017 and an expenditure variance in 2018. In addition, several lift station component parts needed repair or replacement, including a VFD, mixer, and two lift station grinders.

Expenses Trend

YTD expenses are \$20.8K greater than same period 2017 expenses, and \$80.5K higher than the five-year average. Excluding non-recurring/extraordinary costs (roof replacements and sewer backup reimbursements), YTD expenses are \$10.6K under budget and 1.4 percent (\$25.8K) less than same period 2017 expenses.



Analysis

2018 operating expenses ended slightly over budget, due primarily to one-time costs including hail damage repairs and sewer backup reimbursements. Biosolid hauling and removal costs ended the year slightly under budget. An end-of-year change in accounting calculations for health insurance liability also reduced total costs. Expense patterns continue to reflect increasing customer demand, biosolid processing and treatment costs, and system maintenance.

Sewer 4th Quarter Actuals to Budget - 5 Year Comparison

Year	2014	2015	2016	2017	2018
Operating Revenues	1,431,199	1,449,057	1,445,497	1,469,697	1,531,956
Operating Expenses	1,651,827	1,630,301	1,863,495	1,821,645	1,842,473
Budgeted Revenues	1,479,800	1,470,000	1,464,000	1,480,000	1,494,804
Budgeted Expenses	1,678,522	1,806,056	1,688,455	1,705,862	1,806,474
Revenues Over(Under) Budget	(48,601)	(20,943)	(18,503)	(10,303)	37,152
Expenses Over(Under) Budget	(26,695)	(175,755)	175,040	115,783	35,999
Operating Income (Loss)	(220,628)	(181,244)	(417,998)	(351,948)	(310,517)

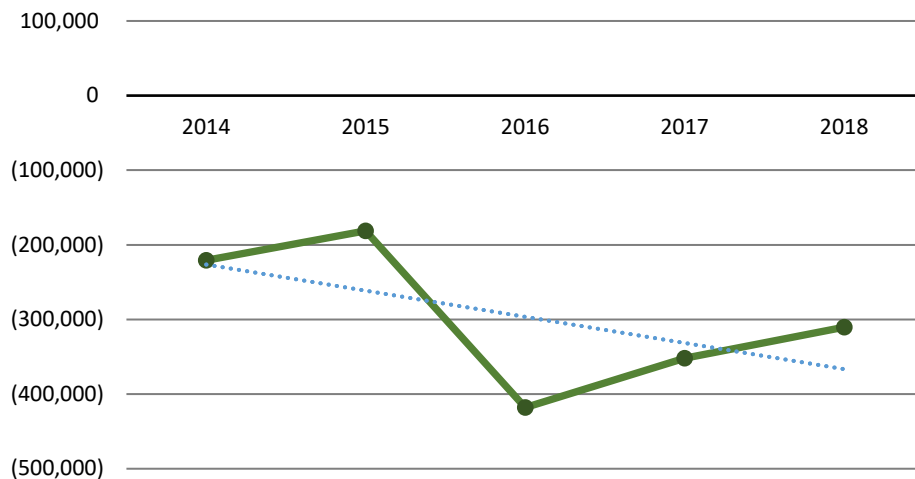
NET POSITION & OPERATING INCOME

The Sewer Utility had an operating loss of -\$310K through 4Q18, which was \$1.1K better than budgeted. The utility has averaged an annual \$296K operating loss over the last five-year period.

Sewer 4th Quarter YTD Operating Income (Loss) - 5 Year Comparison

Year	2014	2015	2016	2017	2018
Operating Income (Loss)	(220,630)	(181,246)	(417,999)	(351,950)	(310,517)

Sewer Operating Income Trend - Fourth Quarter



Change in net position is -\$48K through the fourth quarter, which is \$188K above the budgeted net position of -\$236K. Capital contributions (the value of infrastructure dedicated to the City by a developer) had a significant positive impact on net position. If capital contributions are excluded, ending net position is -\$260K.

CAPITAL IMPROVEMENT PROJECTS

Through December 31, there was one active project accounting for \$31,465, the WWTP facility design project.



SEWER DEPARTMENT
Budget & Actual
 For the Twelve Months Ending 12/31/2018

	Quarter 2017 Actual	Quarter 2018 Actual	Quarter 2018 Budget	Variance Actual-Budget	December 2017 Actual YTD	December 2018 Actual YTD	December 2018 Budget YTD	Variance YTD Actual-Budget	2018 Budget
OPERATING REVENUES									
Metered Sales	\$374,632	\$378,970	\$369,660	\$9,310	\$1,458,285	\$1,507,744	\$1,478,640	\$29,104	\$1,478,640
Miscellaneous Revenue	3,509	4,774	4,041	733	11,412	24,212	16,164	8,048	16,164
Total Operating Revenues	378,141	383,744	373,701	10,043	1,469,697	1,531,956	1,494,804	37,152	1,494,804
OPERATING EXPENSES									
Lab Analysis & Tank Cleaning	10,111	11,291	10,626	665	45,856	43,860	42,504	1,356	42,504
Utilities	22,965	20,981	23,751	(2,770)	89,411	85,758	95,004	(9,246)	95,004
Biosolid Removal	78,999	82,054	80,658	1,396	319,751	318,734	322,632	(3,898)	322,632
Phosphorus Removal Chemicals	19,377	20,733	17,001	3,732	67,520	73,141	68,004	5,137	68,004
Rent	2,250	2,250	2,250	0	9,000	9,000	9,000	0	9,000
Lab Supplies & Testing Services	7,783	5,179	8,044	(2,865)	29,996	24,846	32,200	(7,354)	32,200
Vehicle Maintenance	878	70	169	(99)	945	182	700	(518)	700
Vehicle Fuel	807	369	427	(58)	1,599	1,408	1,750	(342)	1,750
Collection System Maintenance	5,808	19,604	5,805	13,799	16,999	48,699	23,265	25,434	23,265
Lift Station Maintenance	19,220	23,829	19,659	4,170	81,032	102,134	78,636	23,498	78,636
Treatment & Disposal Equipment Maintenance	5,196	14,879	9,255	5,624	48,577	36,611	37,020	(409)	37,020
WWTP Building & Equipment Maintenance	4,779	4,927	5,695	(768)	19,156	23,529	22,804	725	22,804
Jet Truck Operation & Maintenance	749	1,026	1,716	(690)	3,609	4,504	6,864	(2,360)	6,864
Meter Reading Expenses	1,162	1,197	801	396	4,578	4,735	3,204	1,531	3,204
Safety & Training	2,155	4,618	3,252	1,366	10,107	13,901	13,008	893	13,008
Administrative & General Expenses	47,494	50,997	58,110	(7,113)	200,641	214,860	232,521	(17,661)	232,521
Employee Benefits	76,004	6,893	33,852	(26,959)	167,754	100,531	135,444	(34,913)	135,444
Professional Services	28,394	10,764	10,998	(234)	40,554	35,343	43,992	(8,649)	43,992
Insurance	3,800	4,236	5,691	(1,455)	19,394	48,196	22,800	25,396	22,800
Miscellaneous Office Expenses	39,538	35,431	11,225	24,206	54,902	52,455	44,918	7,537	44,918
Payroll Taxes	15,839	15,919	6,300	9,619	34,147	34,255	25,200	9,055	25,200
Depreciation (CIAC)	150,926	160,791	136,251	24,540	556,117	565,791	545,004	20,787	545,004
Total Operating Expenses	544,234	498,038	451,536	46,500	1,821,645	1,842,473	1,806,474	35,999	1,806,474
OPERATING INCOME (LOSS)	(166,090)	(114,291)	(77,835)	(36,456)	(351,950)	(310,517)	(311,670)	1,153	(311,670)
Non-Operating Revenues (Expenses)									
Investment Income	9,297	32,549	11,250	21,299	38,486	84,383	45,000	39,383	45,000
Interest Expense	(14,038)	(8,766)	(5,674)	(3,093)	(39,539)	(33,884)	(35,146)	1,262	(35,146)
Non-Utility Expenses	0	0	0	0	0	0	0	0	0
Total Non-Operating Revenues (Expenses)	(4,742)	23,782	5,577	18,206	(1,053)	50,499	9,854	40,645	9,854
Contributions & Transfers									
Capital Contributions	420,086	90,776	16,251	74,525	499,616	211,858	65,004	146,854	65,004
Transfers Out (Tax Equivalent)	0	0	0	0	0	0	0	0	0
Total Contributions & Transfers	420,086	90,776	16,251	74,525	499,616	211,858	65,004	146,854	65,004
CHANGE IN NET POSITION	249,254	267	(56,008)	56,275	146,613	(48,160)	(236,812)	188,652	(236,812)