



RECEIVED AUG 11 2017

CITY OF COLUMBIA, MISSOURI

COLUMBIA UTILITIES

COLUMBIA TERMINAL RAILROAD

August 4, 2017

Mayor and City Council,

The Water and Light Advisory Board at their August 2, 2017 monthly meeting discussed the FY18 Budget for the Water and Light Department. Our budget deliberations started in the June meeting by examining the city manager's and staff's recommendations for the Capital Improvement Program for the Water Enterprise and the Electric Enterprise. At the July meeting, the initial discussions for the Operation and Maintenance with Supplemental Budget were taken up. At the recent August meeting, the board was presented with the more formal Water and Light Department City Manager version which is going to the Mayor and City Council. Additionally, material was provided to identify how the ordinance changes would be made with a proposed 1% electric rate increase and a 4% water rate increase. This discussion overflowed into a general discussion of how we were doing in regard to recommendations from the Cost of Service Study for water (2015) and Cost of Service Study for electric (2012).

As you know, the board has been at a disadvantage for financial progress oversight during FY17 by not having a detailed monthly Income and Expense Statement as well as an accompanying Balance Sheet to track Assets and Liabilities.

Our lengthy discussion focused on the material provided. It was a consensus opinion that the detailed material provided a basis for the financial soundness of the proposed FY18 Budget and rate increases. The following financial metrics were the determining factors:

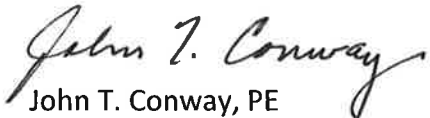
1. The Operations and Maintenance Budget with Supplemental Budget were reasonable for the upcoming fiscal year.
2. The Capital Improvement Program for each enterprise would be appropriate for the forecasted year to meet system infrastructure needs.
3. The Cash Reserve Requirement/Target was ok but future improvement is needed to make it stronger.
4. The forecasted Bond Debt Service Coverage ratio was more than meeting existing bond requirements. Our bond rating would continue to reflect a strong financial position with the pending issuance of additional bonds in the near future.

It is our understanding from discussions with staff, that the required monthly financial statements will be forthcoming at the September meeting. As a board, we will be taking steps in the forthcoming year to enhance our financial acumen for this important

advisory task with further training through the department financial staff as well as the APPA Academy.

If desired by the Mayor or Council, board representation can be scheduled for the future council budget deliberations.

Sincerely,

A handwritten signature in cursive script that reads "John T. Conway".

John T. Conway, PE

Water & Light Advisory Board, Chairman

Cc: Water & Light Advisory Board members

Mr. Tad Johnsen, Director of Utilities

Ms. Michelle Nix, Finance Director

Mr. Mike Mathes, City Manager

Mr. John Glascock, PE, Deputy City Manager

City Clerk