



MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

DEC 12 1995

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Karen E. Duff
EXECUTIVE SECRETARY

November 27, 1995

To: Board of Directors (Special Budget Committee--Information)
(Finance and Insurance Committee--Information)

From: General Manager

J. R. Woodraska
Antoinette Christie

Submitted by: Lambertus H. Becker
Chief Financial Officer

Subject: Variance Reporting, September, 1995

RECOMMENDATION

For information only.

DETAILED REPORT

Quarterly Report

The budget vs. actual variance report for the quarter ending September 30, 1995, is attached for you review. Explanations are provided for variances when actual receipts or expenditures vary from budget by \pm \$500,000 or more and the difference is at least 10 percent. Currently, receipts are \$27.3 million or 11 percent under budget. Water sales are about 87,000 acre-feet under budget. Expenditures are \$3.2 million under budget. More detailed explanations are provided in the attachment.

Year-End Projections

Projected year-end receipts could vary from \$767 million to \$791 million depending on water sales. This would be 4.4 percent to 1.3 percent under budget. Water sales are projected to be between 1.55 million and 1.6 million acre-feet. Lower water sales have also resulted in lower power recoveries sales. Power recovery receipts are estimated to be \$11.4 million or \$2.7 million under budget. Tax receipts of \$78.8 million are projected to be slightly under budget, while interest earnings are estimated to be \$40.4 million or \$7.4 million over budget.

Projected year-end expenditures are estimated to be under budget by approximately \$62.1 million. This is primarily the result of lower State Water Contract payments which are projected to be about \$54.3 million under budget. The Department of Water Resources (DWR) revised its calendar year 1995 billing in June of 1995 which resulted in lower Off-Aqueduct power charges of approximately \$37.1 million. Additionally, variable power charges are projected to be \$17.2 million under budget due to fewer deliveries from DWR and prior year cost adjustments.

Colorado River supplies are anticipated to be \$3.9 million under budget due to lower than expected supplemental energy rates.

MWD O&M costs are projected to match or be slightly under budget by the end of the year. As a result of the implementation of the Oracle Financial System, there were invoices that were not paid within a timely manner due to the necessary system conversion changes. Therefore, actual costs for the quarter ending September 30, 1995, included cash payments for goods and services rendered on or before the end of the prior fiscal year.

MWD capital program costs are estimated to be about \$4.0 million under budget due to lower interest rates for commercial paper and potential late redemption submittals from bond holders.

Based on these estimates, it is expected that up to \$24 million could be added to the Water Rate Stabilization Fund this fiscal year.

Attachment

sept95.doc

BUDGET VS. COST REPORT

CASH BASIS
(\$ in Thousands)

FISCAL YEAR 1995-96

	ANNUAL BUDGET	BUDGET THRU SEPT 95	ACTUAL THRU SEPT 95	VARIANCE		X-REF.
				DOLLARS	PERCENT	
RECEIPTS						
WATER SALES	\$612,436	\$172,923	\$145,709	(\$27,214)	-15.7%	(a)
TAXES	81,000	7,508	6,146	(1,362)	-18.1%	(b)
INTEREST	33,000	8,554	12,153	3,599	42.1%	(c)
SALE OF HYDROELECTRIC POWER	13,356	5,598	2,898	(2,700)	-48.2%	(d)
READINESS-TO-SERVE CHARGES	56,000	2,650	2,629	(21)	-0.8%	
CONNECTION MAINTENANCE CHARGES	5,775	0	0	0	0.0%	
OTHER	750	186	606	420	225.8%	
TOTAL	\$802,317	\$197,419	\$170,141	(\$27,278)		
EXPENDITURES						
O&M	213,282	52,792	54,333	(1,541)	-2.9%	
OPERATING EQUIPMENT	3,313	828	1,816	(988)	-119.3%	(e)
STATE WATER SUPPLIES						
SWC CAPITAL	136,301	50,854	53,572	(2,718)	-5.3%	
SWC OMP&R	88,503	20,627	21,864	(1,237)	-6.0%	
OFF AQUEDUCT	74,965	18,981	10,320	8,661	45.6%	(f)
SWC VARIABLE POWER	21,646	6,475	1,297	5,178	80.0%	(g)
SWC CREDITS	(20,000)	0	(9,223)	9,223	100.0%	(h)
WATER TRANSFERS \ OPTIONS	14,000	0	4,094	(4,094)	-100.0%	(i)
COLORADO RIVER SUPPLIES						
IID CAPITAL	10,405	0	0	0	0.0%	
IID O&M AND INDIRECT	4,416	0	0	0	0.0%	
ARIZONA GROUNDWATER	4,455	0	0	0	0.0%	
CRA POWER	28,442	7,651	4,557	3,094	40.4%	(j)
MWD CAPITAL PROGRAM						
REVENUE BOND DEBT SERVICE	94,327	47,190	47,148	42	0.1%	
G.O. BOND DEBT SERVICE	56,998	17,494	16,406	1,088	6.2%	
COMM. PAPER DEBT SERVICE	8,500	2,124	535	1,589	74.8%	(k)
ALLEN McCOLLOCH PIPELINE	0	0	26,685	(26,685)	-100.0%	(l)
PAYG CONSTRUCTION	90,000	20,400	8,777	11,623	57.0%	(m)
TOTAL	\$829,553	\$245,416	\$242,181	\$3,235		
NET CHANGE IN CASH	(\$27,236)	(\$47,997)	(\$72,040)	(\$24,043)		

Note: Trust Account Transactions are not reflected in this report.

BOND CONSTRUCTION

EXPENDITURES (As Revised) | \$371,000 | \$78,300 | \$66,784 | \$11,516 | 14.7% | (n)

**CASH BASIS SUMMARY
VARIANCE EXPLANATIONS
Through September 30, 1995**

Criteria: (plus or minus) \$500,000 and 10 percent variance

RECEIPTS:

- (a) Water sales receipts are 15.7 percent less than budgeted because collections through September are approximately 87,000 acre-feet under budget.
- (b) Receipts from taxes are 18.1 percent less than budget due to the timing of collections for prior year delinquencies.
- (c) Interest on investments are \$3.6 million *greater* than budget due to lengthening of the average portfolio maturity, improved cash forecasting, and increases in overall interest rates.
- (d) Revenues from power recoveries are \$2.7 million *under* budget due to lower demands than were anticipated in the budget.

EXPENDITURES:

- (e) Operating equipment expenditures are \$988,000 over budget due to the timing of cash purchases relative to budget projections. Staff anticipates that expenditures for operating equipment will equal budget by the end of the fiscal year.

STATE WATER SUPPLIES

- (f) Expenditures for off-aqueduct power charges are 45.6 percent *under* budget due to adjustments from the Department of Water Resources for fiscal year 1995 off-aqueduct charges (as notified in June 1995).
- (g) State Water Contract variable power costs are \$5.2 million *under* budget through September. Staff anticipates that expenditures will continue to run under budget due to prior year cost adjustments and lower water deliveries from DWR for the fiscal year.

(Continued)

- (h) Credits of \$9.2 million have been received through September from the Department of Water Resources for 1992, 1993, and 1994 off-aqueduct cost adjustments for revised water deliveries and revised O&M costs. In addition, the credits include \$3.8 million from power sales for 1994.
- (i) A payment of \$4.1 million was made in August 1995 to the Semitropic Water Storage District under the terms of the water storage agreement between Semitropic and MWD. The payment was for delivery charges for 45,000 acre-feet of water placed into storage, and for O&M fees incurred last fiscal year.

COLORADO RIVER SUPPLIES

- (j) CRA power is \$3.1 million *under* budget mainly due to lower supplemental energy rates and lower demands than were anticipated in the Budget.

MWD CAPITAL PROGRAM

- (k) Debt service payments under the District's commercial paper program are \$1.6 million under budget due to the timing of commercial paper maturities and lower interest rates than were anticipated in the budget. Staff anticipates that debt service payments will equal budget by the end of the fiscal year.
- (l) MWD prepaid the 1989 Series A and Series B Certificates of Participation for the Allen-McColloch Pipeline during July 1995 from monies available in the General Fund. The funds were transferred to the General Fund during the prior fiscal year and were reimbursed from commercial paper proceeds during September.
- (m) PAYG construction expenditures are \$11.6 million under budget through September due to lower construction expenditures than anticipated as detailed below in line item (n). Staff anticipates that expenditures will equal budget by the end of the fiscal year.

BOND CONSTRUCTION EXPENDITURES

- (n) Construction expenditures from bond proceeds are 14.7 percent under budget through September mainly due to delays in awarding switchgear and pump procurement, landscape screening, and excavation on the East Dam for the Eastside Reservoir Project; delays with the San Diego Pipeline No. 6 project pending the results of negotiations between MWD and the San Diego County Water Authority; delays with the liner installation contract for the Garvey Reservoir Project; delays with right of way acquisition for the Perris Filtration Plant Study; and rescheduling of the Inland Feeder Project due to delays with property acquisition, and postponements of procurement for equipment and materials.