



MWD

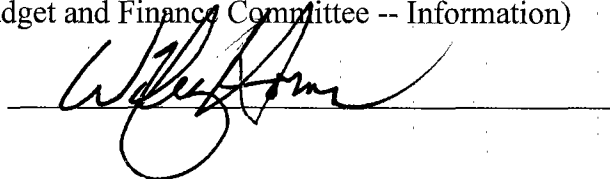
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

9-6

January 28, 1997

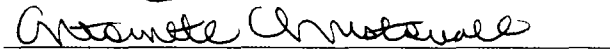
To: Board of Directors (Budget and Finance Committee -- Information)

From: For General Manager



Submitted by: Lambertus H. Becker

for Chief Financial Officer



Subject: December 1996, Variance Report

RECOMMENDATION

For information only.

DETAILED REPORT

Second Quarter Report

The budget versus actual variance report for the quarter ending December 31, 1996, is attached for your review. Explanations are provided for variances when actual receipts or expenditures vary from budget by \pm \$500,000 and the difference is at least 10 percent.

Currently, receipts are \$78.4 million over budget primarily due to higher water sales during the summer and fall months. Water sales are about 89,400 acre-feet over budget through December. Expenditures are \$6.1 million under budget due to lower State Water Project power costs, receipt of credits from the Department of Water Resources earlier than anticipated, and lower Colorado River Aqueduct power costs. More detailed explanations are provided in the attachment.

Year-End Projections

Projected year-end receipts are estimated to be \$837.5 million. This is 3.1 percent over budget. Water sales are projected to match the budget of 1.664 million acre-feet. Even though water sales were higher than budget during the summer and fall months, the heavy winter rains experienced in December and January will result in lower than budgeted water sales for the remainder of the cash year (May - April sales). Receipts from taxes, interest earnings, readiness to serve, connection maintenance and power recovery are anticipated to meet or be slightly higher than budget projections. Miscellaneous income is projected to be \$8.4 higher than budget due to the sale of the Bolsa Chica property.

Projected year-end expenditures are estimated to be \$843.1 million, which is approximately \$49.3 million more than the budget. This reflects the temporary funding of the design and construction of the Union Station Headquarters Building from the General Fund. Upon completion of the Headquarters Building, the Metropolitan Water District Asset Financing Authority Corporation will issue debt and the proceeds from that sale will be used to reimburse the General Fund.

State Water Contract payments are anticipated to be \$3.4 million under budget, while pumping costs on the Colorado River Aqueduct are projected to be \$5.3 million less than budget. Favorable interest rates will result in lower debt service costs on outstanding commercial paper coupled with the recent \$377.5 million revenue bond issue (\$4.2 million).

Based on these estimates, it is expected that expenditures will exceed receipts by approximately \$5.5 million.

Attachment

BUDGET VS. COST REPORT
CASH BASIS
(\$ in Thousands)

FISCAL YEAR 1996-97

RECEIPTS

	ANNUAL BUDGET	BUDGET THRU December 1996	ACTUAL THRU December 1996	VARIANCE		X-REF.
				DOLLARS	PERCENT	
WATER SALES	\$602,681	\$334,390	\$387,538	\$53,148	15.9%	(a)
TAXES	82,620	39,109	46,059	6,950	17.8%	(b)
INTEREST	47,280	19,269	25,990	6,721	34.9%	(c)
SALE OF HYDROELECTRIC POWER	12,035	6,261	9,721	3,460	55.3%	(d)
READINESS-TO-SERVE CHARGES	64,050	18,579	18,389	(190)	-1.0%	
CONNECTION MAINTENANCE CHARGES	2,978	1,488	1,441	(47)	-3.2%	
OTHER	750	372	8,747	8,375	2251.3%	(e)

TOTAL RECEIPTS

\$812,394 \$419,468 \$497,885 \$78,417

EXPENDITURES

O&M	213,268	107,737	110,528	(2,791)	-2.6%	
OPERATING EQUIPMENT	7,070	3,534	2,543	991	28.0%	(f)

STATE WATER SUPPLIES

SWC CAPITAL	139,132	71,288	71,288	0	0.0%	
SWC OMP&R	94,517	53,030	53,033	(3)	0.0%	
OFF AQUEDUCT	41,916	18,165	17,056	1,109	6.1%	
SWC VARIABLE POWER	9,118	6,801	5,643	1,158	17.0%	(g)
SWC CREDITS	(50,871)	(8,756)	(20,479)	11,723	-133.9%	(h)
BAY DELTA CATEGORY III FUNDING	10,000	0	0	0	0.0%	

WATER TRANSFERS \ OPTIONS (1)

2,058 2,058 2,058 0 0.0%

COLORADO RIVER SUPPLIES

IID CAPITAL	6,781	0	0	0	0.0%	
IID O&M AND INDIRECT	3,779	0	0	0	0.0%	
CRA POWER	37,364	18,784	9,237	9,547	50.8%	(i)

MWD CAPITAL PROGRAM

REVENUE BOND DEBT SERVICE	106,330	59,466	57,277	2,189	3.7%	
G.O. BOND DEBT SERVICE	56,332	16,312	16,314	(2)	0.0%	
COMM. PAPER DEBT SERVICE	9,974	4,167	2,636	1,531	36.7%	(j)
PAYG CONSTRUCTION	107,000	52,482	71,868	(19,386)	-36.9%	(k)

TOTAL EXPENDITURES

\$793,768 \$405,068 \$399,002 \$6,066

NET CHANGE IN CASH

\$18,626 \$14,400 \$98,883 \$84,483

CONSTRUCTION

EXPENDITURES (As Revised) * | \$517,813 | \$225,800 | \$186,467 || \$39,333 | -17.4%| (l)

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

(1) \$34M will be deposited into the Water Transfer Fund during the fiscal year.

* Includes PAYG Construction, also shown in table above.

X-REF. = the variance explanations

CASH BASIS SUMMARY
VARIANCE EXPLANATIONS
Through December 31, 1996

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

RECEIPTS:

- (a) Water sales are 111,600 acre-feet, or 12.4 percent over budget (May to October deliveries), due to the warmer than normal summer weather in the District's service area.
- (b) Taxes are \$6.9 million over budget due to collections received during December that were not anticipated until January.
- (c) Interest on investments are \$6.7 million over budget due to the lengthening of the average portfolio maturity date of investments, increases in overall interest rates and an increase in the amount of money available to invest due to higher than anticipated water sales.
- (d) Revenues from power recoveries are \$3.5 million over budget due to higher water demands and the subsequent increase in water flow through the power plants.
- (e) Other revenues are \$8.4 million over budget as a result of a gain on the sale of land for the Bolsa Chica property.

Expenditures

- (f) Purchases of Operating Equipment are \$1.0 million under budget as computer purchases have been delayed pending completion of all related contracts.

STATE WATER SUPPLIES

- (g) State Water Contract variable power costs are \$1.2 million, or 17.0 percent, under budget. Expenditures are under budget due to prior year cost credits and adjustments for 1995 and 1996 carryover entitlements and revised delivery rates, resulting in lower monthly payments to DWR during the first half of this fiscal year.

Continued

(h) Credits of \$20.5 million were received during the first half of the fiscal year from the Department of Water Resources. The credits are attributable to 1995 calendar year cost adjustments for Off-Aqueduct Power facilities bond cover and interest, water system revenue bond cover and interest, and the water system revenue bond cover and interest for the East Branch Enlargement facilities. The budget anticipated that certain of these credits would be received later in the fiscal year. It is anticipated that credits will approximate budget of \$50.9 million by the end of the fiscal year.

COLORADO RIVER SUPPLIES

(i) CRA power is \$9.5 million under budget due primarily to lower supplemental energy rates than anticipated in the budget.

MWD CAPITAL PROGRAM

(j) Debt service payments for the District's commercial paper program are \$1.5 million under budget. The primary factor explaining the variance is the timing of commercial paper maturities and lower than anticipated interest rates.

(k) Expenditures for the PAYGO Construction Program are \$19.4 million or 36.9 percent more than budgeted due to accelerated payments from this funding source through December 1996. It is anticipated that payments during the second half of the year will be reduced so that the total will approximate the budget by the end of the fiscal year.

(l) Assuming a budget of \$225.8 million through December 1996, construction expenditures from bond proceeds and PAYGO are 17.4 percent under budget mainly due to delays with implementation of the Local Groundwater Storage agreements with member agencies (\$3.2 million); delays with award of the Garvey Reservoir Liner contract (\$4.5 million); and delays in payments to the contractor on the Union Station project as a result of incorrect invoices submitted by the contractor (\$9.2 million). In addition, the Rate Refinement Process (RRP) has impacted the Inland Feeder Program with a new online date of 2004 (\$8.4 million) as well as other implementation dates are being considered for the Jensen and Mills Filtration Plants Oxidation Retrofit Program (\$13.9 million).