

A. Receive and File the Operating Budget to Actual Report through September 30, 2024

Agenda Item: 6A

December 16, 2024

TO: THE FINANCE COMMITTEE

Director Mike Gardner
Director Laura Roughton

FROM: Kevin C. Mascaro, Assistant General Manager/Chief Financial Officer

RECEIVE AND FILE THE OPERATING BUDGET TO ACTUAL REPORT THROUGH SEPTEMBER 30, 2024

RECOMMENDATION:

Staff requests that the Finance Committee recommend the Board of Directors:

1. Receive and file the Budget to Actual Report through September 30, 2024.

EXECUTIVE SUMMARY:

This letter reports Western Municipal Water District's operating results compared to the adopted operating budget. The information and attached reports are based on three months of financial activity for Fiscal Year 2024-2025. Overall, financial results are favorable compared with the budget by \$2.3 million. To put this amount into context, \$2.3 million is 1.4% of fiscal year 2024-2025 budgeted operating and non-operating revenues.

BUDGET IMPACT:

There is no budget impact associated with this reporting.

DETAIL:

Accompanying this letter are both Consolidated and Combined Reports. The Consolidated Report provides a summary of unaudited operating revenue, operating expense, non-operating revenue, and non-operating expense for all operations for the period of July 1, 2024, through September 30, 2024. The Combined Report provides similar information as the Consolidated Report for each of the major fund groups: general district, retail water, wastewater, wholesale water, and the

combined desalter funds. The general district also includes the fleet fund, an internal service fund.

Budget Report Format

Revenue and expenses are categorized into two separate areas: operating and non-operating. Operating revenue and expense are related to the primary activities of Western Water, which are water service and wastewater service, including indirect costs to provide these services and the funding of asset replacement reserves. Non-operating revenue and expense reflect all other revenue and expenses and are considered passive in nature, such as property tax revenue, investment income and interest expense. If revenue exceeds expense, the result is a surplus. Conversely, if expenses exceed revenue, the result is a deficit.

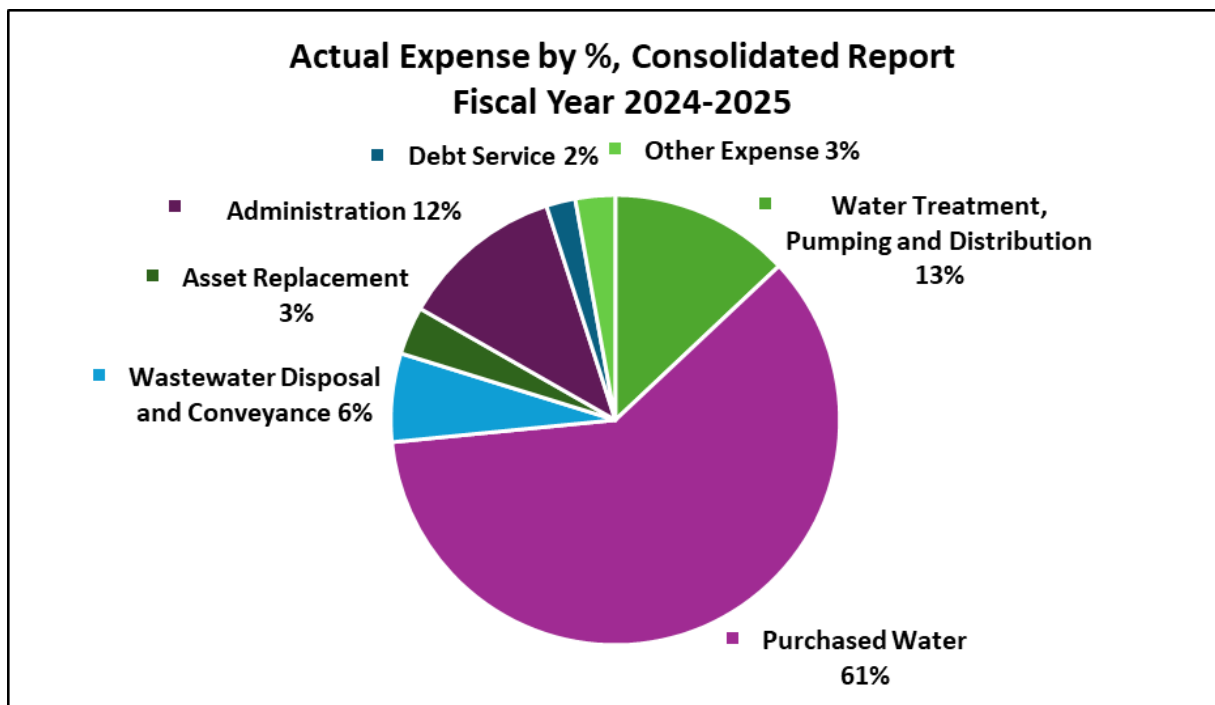
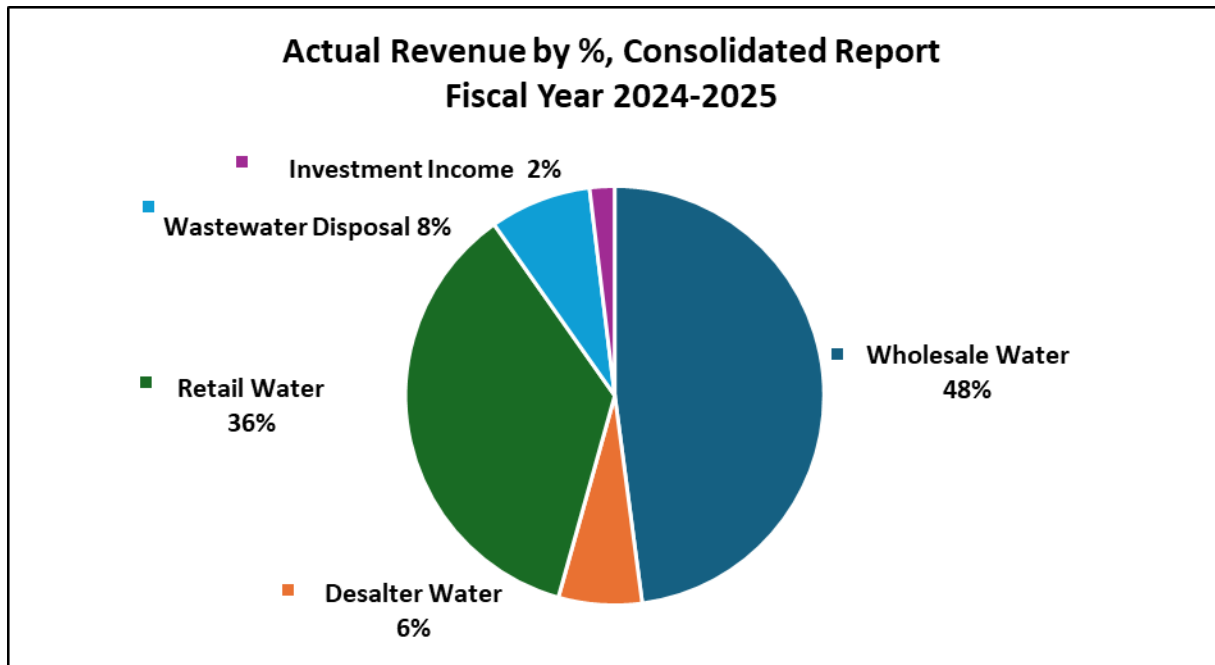
Fiscal Year Budget vs Actuals

The adopted budget for the full fiscal year projects a net surplus of \$1.3 million, but the budget for the first three months projects a net deficit of \$7.7 million. The deficit is largely due to the timing of property tax revenues received from the County of Riverside. Approximately 50% of property tax revenues are received in the months of December and January, and the remainder in May and June.

The Actual results for the first quarter show that Western Water ended the period with a net deficit of \$5.4 million. Comparing this actual net deficit of \$5.4 million with the budgeted net deficit of \$7.7 million results in a favorable variance of \$2.3 million.

Fiscal Year 2024-2025 (In Millions)	FYTD Budget	FYTD Actual	Favorable (Unfavorable) Variance
Operating Revenue	\$ 43.1	\$ 48.0	\$ 4.9
Operating Expense	(49.7)	(53.3)	(3.6)
Net Operating (Deficit)	(6.6)	(5.3)	1.3
Investment Income	-	0.9	0.9
Property Tax Revenue	-	-	-
Other Non-Operating Revenue	-	0.1	0.1
Debt Service	(1.1)	(1.1)	-
Other Non-Operating Expense	-	-	-
Net Non-Operating Surplus	(1.1)	(0.1)	1.0
Net Surplus	\$ (7.7)	\$ (5.4)	\$ 2.3

Note: Amounts in the schedule above are rounded which can affect total calculations.



The remainder of this staff report explains favorable and unfavorable variances between budgeted amounts and actual amounts for major revenue and expense categories.

Favorable variances exist when actual revenue exceeds the amount budgeted, while unfavorable variances exist when the amount budgeted exceeds actual revenue. The converse is true for

expenses – favorable variances exist when actual expenses are less than the amount budgeted, while unfavorable variances exist when the actual amount exceeds budgeted expenses. Explanations of variances are listed below for all line items which exceed a \$250,000 difference between Budget and Actual.

Variances over \$250,000 explained at the Consolidated Level

- Investment Income – This favorable variance of \$0.9 million or 1,935% is due to: greater than anticipated interest earnings on Western Water's investment portfolio in the amount of \$1.2 million, offset by realized losses on the sale of investments in the amount of \$0.3 million. Interest earnings on the investment portfolio are allocated to Asset Replacement and Capacity Charge funds first, with residual earnings, if any, allocated to the General District. Realized gains and losses are not budgeted due to their unpredictability.
- General & Administrative – This favorable expense variance of \$1.4 million or 19% is mainly due to lower than budgeted labor and fringe benefit costs in the amount of \$0.7 million, of which \$0.3 million was charged to various capital improvement projects and contract projects; and lower than budgeted other general and administrative expenses of \$0.7 million due to timing.

Variances over \$250,000 at the Consolidated Level, but explained at the Fund Level

Retail Water Variances

Retail water funds at the combined level have a \$0.9 million overall unfavorable variance compared with the budget.

- Retail Water Sales – This unfavorable water sales variance of \$1.5 million or 11% resulted from lower-than-expected demand from Western Water's retail water customers than budgeted.
- Purchased Water – This favorable variance of \$1.1 million or 9% corresponds to the lower-than-expected demand from retail customers as mentioned above.

Wastewater Variances

Wastewater actual results do not have a variance compared with the budget.

Wholesale Water Variances

Wholesale water funds at the combined level have a \$0.3 million overall favorable variance compared with the budget.

- Wholesale Water Sales – This favorable variance of \$5.9 million or 35% is the result of higher-than-expected demand from Western Water’s wholesale customers due to conservative budget estimates. This has a corresponding increase in the purchased water expense line item.
- Wholesale Water Service – This favorable variance of \$0.3 million or 66% is the result of higher revenue from the administrative service charge per acre-foot that Western Water assesses and corresponds to the higher-than-expected demand from wholesale customers as mentioned above.
- Purchased Water Expense – This favorable variance of \$5.9 million or 35% corresponds to the higher-than-expected demand from wholesale customers as mentioned above.

Combined Desalter Variances

The combined desalter enterprise has a \$0.1 million overall favorable variance compared with the budget.

Reason for Action:

Reporting operating results compared to the adopted budget provides information and contributes to public transparency regarding Western Water’s financial management.

Solution:

Receive and file the Operating Budget to Actual Report through September 30, 2024.

STRATEGIC PRIORITIES REFERENCE:

This action is in alignment with Western Water’s 2022-2025 Strategic Priority of Financial Stewardship.

PROPOSED DATE OF ACTION:

If approved by the Committee, this item is scheduled for consideration by the full Board of Directors at their meeting on January 8, 2025.

Finance Committee Meeting

December 16, 2024

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LEGAL COUNSEL REVIEW:

Not applicable.

Respectfully submitted by:

Kevin C. Mascaro, Assistant General Manager/Chief Financial Officer

Attachment:

1. Budget vs Actual for the Fiscal Year through September 30, 2024.

Western Municipal Water District
Budget vs. Actual for the Fiscal Year through September 30, 2024
Consolidated Report

	FY 2025 Annual Budget	YTD Budget	YTD Actual	Favorable (Unfavorable) Variance	
Operating Revenue					
Wholesale Water Sales	\$ 53,000,359	\$ 16,786,138	\$ 22,714,266	\$ 5,928,128	35%
Wholesale Water Service	1,404,773	421,852	697,614	275,762	65%
Desalter Water Sales	12,596,413	3,149,103	3,149,641	538	0%
Retail Water Sales	37,512,005	13,469,633	11,968,381	(1,501,252)	-11%
Retail Water Service	20,790,557	5,534,841	5,565,950	31,109	1%
Wastewater Disposal Revenue	15,079,293	3,397,659	3,316,654	(81,005)	-2%
Wastewater Disposal Service Charges	1,328,443	332,109	518,494	186,385	56%
Other Operating Revenue	19,200	19,200	20,173	973	5%
Total Operating Revenue	141,731,043	43,110,535	47,951,173	4,840,638	11%
Operating Expense					
Source of Supply	2,024,956	490,940	467,818	23,122	5%
Purchased Water	85,537,816	28,361,165	33,211,137	(4,849,972)	-17%
Water Pumping	8,719,367	2,179,872	2,165,877	13,995	1%
Water Treat., Transm. & Dist.	19,015,087	4,753,773	4,980,332	(226,559)	-5%
Customer Accounts	1,879,125	469,782	330,521	139,261	30%
Wastewater Disposal Charges	13,565,484	3,391,386	3,491,756	(100,370)	-3%
Asset Replacement Reserve Funding	7,609,035	1,902,258	1,900,400	1,859	0%
General & Administrative	19,305,854	7,223,589	5,870,546	1,353,043	19%
Special Improve. Studies & Projects	855,000	213,750	65,474	148,276	69%
Other Operating Expense	2,967,020	741,759	783,299	(41,540)	-6%
Total Operating Expense	161,478,744	49,728,275	53,267,161	(3,538,886)	-7%
Net Operating Surplus (Deficit)	(19,747,701)	(6,617,740)	(5,315,988)	1,301,752	20%

*Note: This budget to actual report is based on unaudited data. It is prepared for management-purposes only
and is not intended to convey Western's creditworthiness.*

Western Municipal Water District
Budget vs. Actual for the Fiscal Year through September 30, 2024
Consolidated Report

	FY 2025 Annual Budget	YTD Budget	YTD Actual	Favorable (Unfavorable) Variance	
Non-Operating Revenue					
Investment Income	177,440	46,442	945,007	898,565	1935%
Property Tax Revenue	28,866,383	(0)	-	0	
Other Non-Operating Revenue	508,728	32,712	128,598	95,886	293%
Grant Revenue	-	-	-	-	
Total Non-Operating Revenue	29,552,551	79,154	1,073,605	994,451	1256%
Non-Operating Expense					
Debt Service	8,375,371	1,141,555	1,154,063	(12,509)	-1%
Other Non-Operating Expense	110,682	27,672	(6,308)	33,980	123%
Total Non-Operating Expense	8,486,053	1,169,227	1,147,756	21,471	2%
Net Non-Oper. Surplus (Deficit)	21,066,498	(1,090,073)	(74,151)	1,015,922	93%
Net Surplus (Deficit)	\$ 1,318,796	\$ (7,707,812)	\$ (5,390,138)	\$ 2,317,674	30%

Western Municipal Water District
Budget vs. Actual for the Fiscal Year through September 30, 2024
General District Funds Combined

	FY 2025 Annual Budget	YTD Budget	YTD Actual	Favorable (Unfavorable) Variance	
Operating Revenue					
Other Operating Revenue	\$ 19,200	\$ 19,200	\$ 20,173	973	5%
Total Operating Revenue	19,200	19,200	20,173	973	5%
Operating Expense					
Administration	40,946,456	12,633,744	11,249,929	1,383,815	11%
Overhead Allocation	(32,709,929)	(8,177,484)	(8,339,856)	162,372	2%
Special Improve. Studies & Projects	855,000	213,750	65,474	148,276	69%
Asset Replacement Reserve Funding	1,531,538	382,884	382,884	-	0%
Other Operating Expense	2,035,720	508,935	510,364	(1,429)	0%
Total Operating Expense	12,658,785	5,561,829	3,868,795	1,693,034	30%
Net Operating Surplus (Deficit)	(12,639,585)	(5,542,629)	(3,848,622)	1,694,007	31%
Non-Operating Revenue					
Investment Income	124,451	33,194	923,013	889,819	2681%
Property Tax Revenue	19,727,000	(0)	-	0	
Property Tax Allocation	(559,768)	(139,941)	(139,941)	-	0%
Other Non-Operating Revenue	(508,497)	(130,044)	85,947	215,991	166%
Total Non-Operating Revenue	18,783,186	(236,791)	869,019	1,105,810	467%
Non-Operating Expense					
Debt Service	3,207,861	437,985	397,942	40,043	9%
Other Non-Operating Expense	79,462	19,866	(10,578)	30,444	153%
Total Non-Operating Expense	3,287,323	457,851	387,364	70,487	15%
Net Non-Oper. Surplus (Deficit)	15,495,863	(694,642)	481,655	1,176,297	169%
Net Surplus (Deficit)	\$ 2,856,278	\$ (6,237,271)	\$ (3,366,967)	\$ 2,870,304	46%

Western Municipal Water District
Budget vs. Actual for the Fiscal Year through September 30, 2024
Retail Water Funds Combined

	FY 2025 Annual Budget	YTD Budget	YTD Actual	Favorable (Unfavorable) Variance	
Operating Revenue					
Retail Water Sales	\$ 37,512,005	\$ 13,469,633	\$ 11,968,381	\$ (1,501,252)	-11%
Retail Water Service	20,790,557	5,534,841	5,565,950	31,109	1%
Wholesale Water Sales	229,584	63,810	58,009	(5,801)	-9%
Wholesale Water Service	7,817	1,953	2,119	166	8%
Total Operating Revenue	58,539,963	19,070,237	17,594,459	(1,475,778)	-8%
Operating Expense					
Source of Supply	2,022,897	490,424	465,016	25,408	5%
Purchased Water	32,767,046	11,638,837	10,556,764	1,082,073	9%
Water Pumping	7,079,979	1,770,015	1,812,073	(42,058)	-2%
Water Treat., Transm. & Dist.	12,630,406	3,157,611	3,407,272	(249,661)	-8%
Customer Accounts	1,879,125	469,782	330,507	139,275	30%
Asset Replacement Reserve Funding	4,309,840	1,077,456	1,077,456	-	0%
G&A Expense Allocation	7,382,961	1,836,799	2,019,805	(183,006)	-10%
Other Operating Expense	599,960	149,988	245,475	(95,487)	-64%
Total Operating Expense	68,672,214	20,590,913	19,914,368	676,544	3%
Net Operating Surplus (Deficit)	(10,132,251)	(1,520,676)	(2,319,909)	(799,234)	-53%
Non-Operating Revenue					
Investment Income	52,989	13,248	21,994	8,746	66%
Property Tax Revenue	9,139,383	(0)	-	0	
Other Non-Operating Revenue	1,017,225	162,756	42,651	(120,105)	-74%
Total Non-Operating Revenue	10,209,597	176,004	64,645	(111,359)	-63%
Non-Operating Expense					
Debt Service	1,573,753	241,998	260,416	(18,417)	-8%
Other Non-Operating Expense	27,220	6,807	2,570	4,237	62%
Total Non-Operating Expense	1,600,973	248,805	262,986	(14,181)	-6%
Net Non-Oper. Surplus (Deficit)	8,608,624	(72,801)	(198,341)	(125,539)	-172%
Net Surplus (Deficit)	\$ (1,523,627)	\$ (1,593,477)	\$ (2,518,250)	\$ (924,773)	-58%

Western Municipal Water District
Budget vs. Actual for the Fiscal Year through September 30, 2024
Wastewater Funds Combined

	FY 2025 Annual Budget	YTD Budget	YTD Actual	Favorable (Unfavorable) Variance	
Operating Revenue					
Wastewater Disposal Revenue	\$ 15,079,293	\$ 3,397,659	\$ 3,316,654	\$ (81,005)	-2%
Wastewater Disposal Service Charges	1,328,443	332,109	518,494	186,385	56%
Total Operating Revenue	16,407,736	3,729,768	3,835,148	105,380	3%
Operating Expense					
Wastewater Disposal Charges	12,889,543	3,222,399	3,277,329	(54,930)	-2%
Asset Replacement Reserve Funding	1,096,820	274,209	272,351	1,859	1%
G&A Expense Allocation	1,531,395	382,851	385,443	(2,592)	-1%
Other Operating Expense	97,165	24,291	20,520	3,771	16%
Total Operating Expense	15,614,923	3,903,750	3,955,642	(51,892)	-1%
Net Operating Surplus (Deficit)	792,813	(173,982)	(120,494)	53,489	31%
Non-Operating Revenue					
Investment Income	-	-	-	-	
Total Non-Operating Revenue	-	-	-	-	
Non-Operating Expense					
Debt Service	912,699	222,915	268,779	(45,863)	-21%
Other Non-Operating Expense	4,000	999	1,700	(701)	-70%
Total Non-Operating Expense	916,699	223,914	270,479	(46,564)	-21%
Net Non-Oper. Surplus (Deficit)	(916,699)	(223,914)	(270,479)	46,564	21%
Net Surplus (Deficit)	\$ (123,886)	\$ (397,896)	\$ (390,972)	\$ 6,924	2%

Western Municipal Water District
Budget vs. Actual for the Fiscal Year through September 30, 2024
Wholesale Water Funds Combined

	FY 2025 Annual Budget	YTD Budget	YTD Actual	Favorable (Unfavorable) Variance	
Operating Revenue					
Wholesale Water Sales	\$ 52,770,775	\$ 16,722,328	\$ 22,656,257	\$ 5,933,929	35%
Wholesale Water Service	1,396,956	419,899	695,495	275,596	66%
Total Operating Revenue	54,167,731	17,142,227	23,351,752	6,209,525	36%
Operating Expense					
Purchased Water	52,770,770	16,722,328	22,654,373	(5,932,045)	-35%
Water Pumping	-	-	3,773	(3,773)	
Water Treat., Transm. & Dist.	29,101	7,269	16,103	(8,834)	-122%
Asset Replacement Reserve Funding	20,837	5,208	5,208	-	0%
G&A Expense Allocation	1,326,631	340,595	348,141	(7,546)	-2%
Total Operating Expense	54,147,339	17,075,400	23,027,597	(5,952,197)	-35%
Net Operating Surplus (Deficit)	20,392	66,827	324,155	257,328	385%
Non-Operating Revenue					
Property Tax Allocation	559,768	139,941	139,941	-	0%
Total Non-Operating Revenue	559,768	139,941	139,941	-	0%
Net Non-Oper. Surplus (Deficit)	559,768	139,941	139,941	-	0%
Net Surplus (Deficit)	\$ 580,160	\$ 206,768	\$ 464,096	\$ 257,328	124%

Western Municipal Water District
Budget vs. Actual for the Fiscal Year through September 30, 2024
Combined Desalter Fund

	FY 2025 Annual Budget	YTD Budget	YTD Actual	Favorable (Unfavorable) Variance	
Operating Revenue					
Desalter Water Sales	\$ 12,596,413	\$ 3,149,103	\$ 3,149,641	\$ 538	0%
Total Operating Revenue	12,596,413	3,149,103	3,149,641	538	0%
Operating Expense					
Source of Supply	2,059	516	2,802	(2,286)	-443%
Water Pumping	1,639,388	409,857	350,031	59,826	15%
Water Treat.,Transm. & Dist.	6,355,580	1,588,893	1,556,958	31,935	2%
Customer Accounts	-	-	14	(14)	
Wastewater Disposal Charges	675,941	168,987	214,427	(45,440)	-27%
Asset Replacement Reserve Funding	650,000	162,501	162,501	-	0%
G&A Expense Allocation	828,340	207,084	207,084	-	0%
Other Operating Expense	234,175	58,545	6,941	51,604	88%
Total Operating Expense	10,385,483	2,596,383	2,500,759	95,624	4%
Net Operating Surplus/(Deficit)	2,210,930	552,720	648,882	96,162	17%
Non-Operating Revenue					
Investment Income	-	-	-	-	
Other Non-Operating Revenue	-	-	-	-	
Total Non-Operating Revenue	-	-	-	-	
Non-Operating Expense					
Debt Service	2,681,058	238,656	226,928	11,729	5%
Total Non-Operating Expense	2,681,058	238,656	226,928	11,729	5%
Net Non-Oper. Surplus/(Deficit)	(2,681,058)	(238,656)	(226,928)	11,729	5%
Net Surplus/(Deficit)	\$ (470,128)	\$ 314,064	\$ 421,955	\$ 107,891	34%