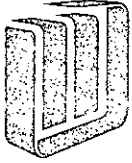


FILED by order
of the Board of Directors ⁹⁷⁸
The Metropolitan Water District
of Southern California
at its meeting held FEB 11 1992



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Daren E. Duff
Executive Secretary

February 4, 1992

To: Board of Directors (Finance & Insurance Committee--Information)
From: General Manager
Subject: Variance Reporting, December, 1991

Report

Attached are quarterly variance reports for the period ending December 31, 1991. Included are: (1) a cash basis summary which compares budget with actual receipts and expenditures by major categories, (2) an operations and maintenance summary which compares budget with cost by division and other major line items, and (3) variance explanations for both the cash basis summary and operations and maintenance summary.

Explanations are provided for variances in the cash basis summary if:

Actual receipts or expenditures vary from budget by \pm \$500,000 or more and the difference is at least 10 percent.

Explanations are provided for variances in the operations and maintenance summary if:

Costs are under budget by \$250,000 or more and the variance is at least 15 percent;

Costs are over budget by \$100,000 or more and the variance is at least 5 percent;

Costs vary from budget by \$500,000 or more regardless of the percentage difference.

Currently, operating revenues and expenses are below estimates. Year-end projections indicate receipts will be about \$71 million under estimates primarily due to incentive payments to member agencies under the Incremental Interruption

and Conservation Plan and discount sales under the seasonal storage program. Additionally, hydroelectric power generation is down and lower interest rate yields on District investments are producing less interest income than budgeted.

Expenditures are projected to be under the budget estimate by about \$9 million. MWD O&M is estimated to be about \$20 million below budget reflecting the five-point program to meet the financial challenge. The five-point program involves freezing 79 vacant O&M positions, curtailing travel and consulting expense by 25 percent, reducing material and supply costs by 20 percent, and deferring \$2 million in operating equipment purchases. This is offset by higher State Water Contract payments than budgeted and potential reservoir land purchases.

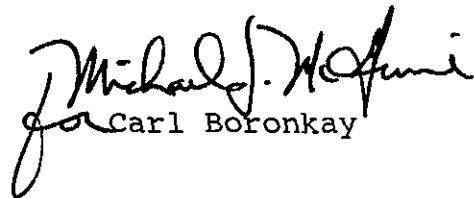
It is estimated that approximately \$265 million of rate stabilization funds will be used to cover revenue deficits and for transfers to restricted reserve funds and working capital.

Board Committee Assignment

This letter was sent for information to the Finance and Insurance committee because of its authority to study, advise and make recommendations with regard to preparation of budgets and authorization of appropriations, pursuant to Administrative Code Section 2441 (a) and (d).

Recommendation

For information only.


for Carl Boronkay

MCF:lg
047MCF

Attachments

BUDGET VS COST REPORT - CASH BASIS SUMMARY*
 JULY 1, 1991 - DECEMBER 31, 1991
 (IN MILLIONS OF DOLLARS)

39475

	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	VARIANCE** AMOUNT	PERCENT	
OPERATING RECEIPTS:						
Receipts from Water Sales	459.3	214.0	192.1	(21.9)	-10	(a)
OPERATIONS & MAINTENANCE EXPENDITURES:						
MWD O&M	220.0	106.0	100.7	5.3	5	
CRA Cost of Power	31.8	16.6	15.4	1.2	7	
Subtotal	251.7	122.6	116.1	6.5		
State Water Bank	33.0	4.0	9.4	(5.4)	-135	(b)
SWC Minimum OMP&R	79.5	43.9	43.7	0.1	0	
SWC Off-Aqueduct O&M	42.2	26.2	23.5	2.7	10	(c)
SWC Cost of Power	10.6	5.7	6.1	(0.4)	-7	
SWC Credits (O&M)	(15.0)	(7.0)	(6.3)	(0.7)	-10	(d)
Subtotal	150.3	72.7	76.4	(3.7)		
IID O&M and Indirect	5.8	4.6	4.6	0.0	0	
TOTAL O&M EXPENDITURES	407.8	199.9	197.1	2.8	1	
NET OPERATING REVENUES						
Receipts from Power Recoveries	20.0	10.7	5.7	(5.1)	-47	(e)
Interest on Investments	51.8	25.7	20.4	(5.3)	-21	(f)
ADJUSTED NET OPERATING REVENUES	123.3	50.5	21.0	(29.5)		
Less Prior Lien Revenue Bond Debt Service	26.5	11.7	11.5	0.2	3	
ADJUSTED NET OPERATING REVENUES						
AFTER PRIOR LIEN BONDS	96.8	38.8	9.6	(29.7)		
Jr. Lien Revenue Bond Debt Service	19.3	0.0	(1.3)	1.3	N/A	(g)
Commercial Paper Debt Service	3.0	1.5	1.1	0.4	30	
FUNDS AVAILABLE FROM OPERATIONS	74.5	37.3	9.8	(27.5)		
Tax Receipts	77.0	36.8	38.9	2.1	6	
PAYG and General Fund Expenditures	(50.0)	(25.0)	(19.8)	5.2	21	(h)
IID Capital	(19.1)	0.0	0.0	0.0	0	
Other Receipts(Expenditures)	(17.2)	(8.6)	(3.5)	5.1	59	(i)
Trust Acct.'s and Transfers	0.0	0.0	0.6	0.6		
FUNDS AVAILABLE	65.2	40.6	26.1	(14.5)		
LESS FIXED OBLIGATIONS:						
SWC Capital Payments	111.8	55.4	54.1	1.2	2	
SWC Off-Aqueduct Capital-net	66.9	41.5	28.1	13.4	32	(j)
Debt Service on G.O. Bonds	57.9	20.3	20.3	0.0	0	
Other Fixed Obligations	0.2	0.1	0.1	0.0	2	
TOTAL FIXED OBLIGATIONS	236.9	117.3	102.7	14.6		
CHANGE IN CASH ON HAND	(171.7)	(76.7)	(76.6)	0.1		
REVENUE BOND DEBT SERVICE COVERAGE	2.69	4.32	2.07			
JR. LIEN DEBT SERVICE COVERAGE	5.02	N/A	N/A			
CONSTRUCTION (Bond Proceeds)	242.0	121.0	77.5	43.5	36	(k)

* Excluding Trust Funds and Employee Deferred Compensation Fund.

** A positive variance is favorable to MWD, a negative variance is unfavorable.

Minor differences are due to rounding.

CASH BASIS SUMMARY
VARIANCE EXPLANATIONS
(Through December 31, 1991)

Criteria: ±\$500,000 and 10 percent or more

OPERATING RECEIPTS

- a. Receipts from water sales are 10 percent under budget estimates through December mainly due to incentive payments of approximately \$20 million to member agencies under the Incremental Interruption and Conservation Plan, and because of discount sales, approximately 228,000 acre-feet, under the Seasonal Storage Program. The budget anticipated that no water would be sold at the discounted seasonal storage rate during the fiscal year.

OPERATIONS AND MAINTENANCE EXPENDITURES

- b. Payments of \$9.4 million, paid in August, 1991, for State Water Bank water were originally estimated to be made later in the fiscal year.
- c. Off-Aqueduct O&M is 10 percent under budget because payments to DWR for MWD's share of reallocated costs have been less than budgeted.
- d. SWC credits received through December from DWR for 1990 cost adjustments, return of over collections for bond reserves, and surplus money investment fund interest earnings were less than anticipated.

OTHER RECEIPTS

- e. Receipts from power recoveries are 47 percent under budget mainly due to less energy produced at the hydroelectric power recovery plants. In addition, during the months of July, August, September, and November a few of the power plants were out of service.
- f. Interest received on investments is 21 percent under budget mainly due to declining reserve levels and the current downturn in market interest rates. It is anticipated the interest earnings will probably remain below budget estimates for the fiscal year.

DEBT SERVICE PAYMENTS

- g. The \$1.3 million is cash received from bond proceeds for accrued interest from July 1, 1991 to July 25, 1991 on the \$300 million junior lien revenue bond issue. The \$1.3 million will be used to pay debt service in January 1992 when the first interest payment on the \$300 million issue becomes due and payable.

FUNDS AVAILABLE FROM OPERATIONS

- h. Pay-As-You-Go and General Fund construction disbursements are \$5.2 million under budget reflecting reimbursements from outside agencies for relocations, service connection construction, and other services.
- i. Other receipts (expenditures) are \$5.1 million under budget mainly due to the timing of cash disbursements for operating equipment purchases.

FIXED OBLIGATIONS

- j. SWC Off-Aqueduct Capital is 32 percent under budget because payments to DWR for MWD's share of reallocated costs were less than budgeted and because SWC credits that were applied to capital payments had been budgeted under O&M.

CONSTRUCTION

- k. Construction expenditures from bond proceeds are 36 percent below budget mainly because work on the Garvey Reservoir has been delayed due to filing of the Environmental Impact Report; and payments for construction on the Jensen Treatment Plant expansion have been less than anticipated through December.

BUDGET VS. COST REPORT - OPERATIONS AND MAINTENANCE

JULY 1, 1991 - DECEMBER 31, 1991

PRELIMINARY REPORT

DESCRIPTION	TOTAL ANNUAL 1991-92 BUDGET	BUDGET-TO-DATE			COST-TO-DATE			DIFFERENCE		
		Labor	Other	Total	Labor	Other	Total	Amount	%	
Executive Offices	6,792,900	2,305,192	927,573	3,232,765	2,268,677	784,792	3,053,469	179,296	5.5	
Resources	8,203,200	1,628,847	2,315,210	3,944,057	1,347,562	1,335,562	2,683,124	1,260,933	32.0	(a)*
Engineering	15,162,200	5,844,212	1,347,287	7,191,499	4,913,313	1,224,632	6,137,945	1,053,554	14.6	(b)
Operations	80,582,800	27,581,197	11,432,472	39,013,669	26,716,635	12,540,667	39,257,302	(243,633)	(0.6)	
Planning	8,327,100	1,334,125	2,680,582	4,014,707	1,360,822	2,327,850	3,688,672	326,035	8.1	
Personnel	5,904,900	1,421,554	1,408,832	2,830,386	1,747,603	951,951	2,699,554	130,832	4.6	
Information Systems	16,828,100	4,289,662	4,671,814	8,961,476	3,618,130	3,654,310	7,272,440	1,689,036	18.8	(c)
Right of Way and Land	2,013,600	601,314	359,814	961,128	658,410	185,081	843,491	117,637	12.2	
Finance	6,652,300	2,024,568	1,162,312	3,186,880	1,844,186	1,098,626	2,942,812	244,068	7.7	
Public Affairs	6,022,200	1,160,302	1,736,370	2,896,672	1,197,255	1,127,024	2,324,279	572,393	19.8	(d)
Water Quality	8,654,000	2,750,167	1,374,795	4,124,962	2,798,274	1,215,576	4,013,850	111,112	2.7	
State Water Project/Conservation	29,653,600	1,338,223	16,809,551	18,147,774	1,261,667	13,278,334	14,540,001	3,607,773	19.9	(e)
Administrative Services	27,066,300	4,160,028	8,913,114	13,073,142	4,550,766	4,876,572	9,427,338	3,645,804	27.9	(f)
Environmental Compliance	10,252,600	1,998,927	2,931,744	4,930,671	1,400,692	1,884,500	3,285,192	1,645,479	33.4	(g)
Personnel Reduction Credit (Prorated to each division's labor budget-to-date)	(4,161,000)	0	0	0	0	0	0	0	-	
SUBTOTAL	227,954,800	58,438,320	58,071,470	116,509,790	55,683,992	46,485,477	102,169,469	14,340,321	12.3	
Taxes	67,100	0	35,700	35,700	0	107,437	107,437	(71,737)	(200.9)	
Contingency	2,000,000	0	975,379	975,379	0	0	0	975,379	100.0	(h)
Insurance Reserves	1,120,000	0	546,210	546,210	0	163,076	163,076	383,134	70.1	(i)
Depreciation of Minor Equipment	3,200,000	0	1,607,268	1,607,268	0	1,395,243	1,395,243	212,025	13.2	
Overhead Credit from Construction	(14,981,700)	0	(7,306,418)	(7,306,418)	0	(4,990,880)	(4,990,880)	(2,315,538)	(31.7)	(j)
Association Dues	630,000	0	564,000	564,000	0	524,668	524,668	39,332	7.0	
SUBTOTAL	(7,964,600)	0	(3,577,861)	(3,577,861)	0	(2,800,456)	(2,800,456)	(777,405)	21.7	
TOTAL OPERATION AND MAINTENANCE EXPENSE	219,990,200	58,438,320	54,493,609	112,931,929	55,683,992	43,685,021	99,369,013	13,562,916	12.0	

*VARIANCE REPORTING CRITERIA: Under budget \$250,000 or more and at least 15 percent
Over budget \$100,000 or more and at least 5 percent
Variance of \$500,000 or more regardless of percentage

OPERATIONS AND MAINTENANCE SUMMARY
VARIANCE EXPLANATIONS
(Through December 31, 1991)

Criteria: Under budget by \$250,000 and 15 percent or more
Over budget by \$100,000 and 5 percent or more
Variance of \$500,000 or more regardless of percentage

a. Resources Division under \$1,260,933 or 32.0 percent

Groundwater & Regional Resources Program. Personnel vacancies; one position frozen. Professional and Technical Services - Some contracts deferred; others in place but billings not received.

Reclaimed Water & Local Resource Development Program. Personnel vacancies; two positions frozen. Professional and Technical Services - Consultant use has been restricted. Incidental Expenses - Travel reduced.

Special Projects Program. Personnel vacancies. Professional and Technical Services - Some contracts deferred; others in place but billings not received.

Power Operations Program. Personnel vacancies. Professional and Technical Services - Delayed contract work has commenced.

b. Engineering Division under \$1,053,554; or 14.6 percent.

Engineering Program. Personnel vacancies; 15 positions frozen in Civil, Mechanical, Office Engineering, and Quality Control branches. Professional and Technical Services - Contracts in Structural and Quality Control Branches deferred.

Facilities Inspection Program. Personnel vacancies; some staff budgeted in this program shifted to work on Garvey Reservoir and Lake Perris Pumpback projects. Professional and Technical Services - Contracts deferred.

Material Quality Control Program. Personnel vacancies; two positions frozen.

b. Engineering Division (continued)

Survey Program. Personnel vacancies; three positions frozen; some staff assigned to Eastside Reservoir Project.

As-Built Program. Survey and Civil branch vacancies have resulted in delays in as-built work.

c. Information Systems Division under \$1,689,036; or 18.8 percent.

Division Management & Administrative Support Program. Personnel vacancies; two positions frozen. Professional and Technical Services - Use of strategic planning consultants reduced due to division reorganization.

Integrated Management Information Systems Program. Personnel vacancies; one position frozen. Professional and Technical Services - Implementation of disaster recovery program deferred. Materials and Supplies - Purchase of personal computer software delayed to coincide with delivery of hardware.

Communications & Network Operations Program. Personnel vacancies; one position frozen. Materials and supplies - Purchase of electronic and communication supplies curtailed. Equipment Rental - Minimal use of personal computer lease agreement.

d. Public Affairs Division under \$572,393; or 19.8 percent

Media Program. Fewer media tours conducted during first two quarters than anticipated.

Community Relations Program. Inspection Tours - Fewer inspection tours conducted during first two quarters than anticipated. Exhibits - Contracts for developing the 1992 county fairs program deferred; a portion of the funding for the Vista del Lago project deferred until next fiscal year.

Publications Program. Personnel vacancies. Incidental expense - Billings delayed; expenditures expected to match budget during subsequent quarters.

e. State Water Project and Conservation Division under \$3,607,773; or 19.9 percent

Water Conservation Program. Program has been reduced. Personnel vacancies. Professional and Technical Services - Contracts deferred.

e. State Water Project and Conservation Division (continued)

Bay-Delta Hearings. Professional and Technical Services - Consultant use reduced.

Water Transfers & Exchanges Program. Personnel vacancies. Professional and Technical Services - Consultant work in build-up phase.

f. Administrative Services Division under \$3,645,804; or 27.9 percent.

Facilities Management and Services Program. Rental expenditures and office furnishings purchases will be incurred during second half of year with move to the WCT facility.

g. Environmental Compliance Division under \$1,645,479; or 33.4 percent.

Regulation & Legislation Management Program. Personnel vacancies. Professional and technical services - Contracts deferred.

Compliance Implementation Program. Personnel vacancies; five positions frozen. Contractor/consultant services - Billing associated with hazardous materials management have been delayed; other contracts deferred.

h. Contingency under \$975,379; or 100 percent.

Contingency funds have not been required.

i. Insurance Reserves under \$383,134 or 70.1 percent.

The need for reserves for self-insured liability and property loss has been less than anticipated.

j. Overhead Credit from Construction over \$2,315,538; or 31.7 percent.

Less overhead incurred than budgeted, therefore amount of overhead charged to construction is smaller. Since this is a credit, it produces an unfavorable variance.