

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

November 2, 1992

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

From: General Manager

Subject: Variance Reporting, September, 1992

Report

Attached are quarterly variance reports for the period ending September 30, 1992. 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 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.

While operating revenues are currently slightly over budget, preliminary year-end projections indicate that total receipts will be about \$14 million under estimate. Water sales are expected to exceed budget by \$23 million based on sales of 2.075 million acre-feet. The budget assumed sales of 2.014 million acre-feet. This favorable position is offset by the loss of the \$25 million from the

availability of service charge coupled with lower interest earnings on investments. The availability of service charge was rescinded by the Board in July after the budget was adopted.

Expenditures are estimated to be about \$28 million under budget at year-end. This primarily reflects lower State Water Contract (SWC) payments and reduced MWD operations and maintenance (O&M) expenses. SWC payments are below budget because the 1993 bill was lower than the estimate used in the budget and additional credits have been received. Lower MWD O&M expenditures reflect cost containment efforts. Adjustments in reserves are estimated to be \$4 million less than budgeted, based on projected 1992-93 and 1993-94 costs.

Based on these estimates, it is estimated that approximately \$76 million of rate stabilization funds will be used this fiscal year to cover revenue deficits and for transfers to restricted reserve funds and working capital.

Board Committee Assignments

This letter was sent for information to:

The Special Budget Committee pursuant to its authority review budgets under Administrative Section 2531.

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.


Carl Boronkay

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Attachments

BUDGET VS COST REPORT - CASH BASIS SUMMARY*
JULY 1, 1992 - SEPTEMBER 30, 1992
(IN MILLIONS OF DOLLARS)

	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	VARIANCE**	
				AMOUNT	PERCENT
OPERATING RECEIPTS:					
Receipts from Water Sales	528.1	128.1	132.9	4.8	4
Receipts from Power Recoveries	20.0	6.7	5.6	(1.1)	-16 (a)
Standby Charge	25.0	0.0	0.0	0.0	0
Availability of Service Charge	25.0	2.5	0.0	(2.5)	-100 (b)
TOTAL OPERATING RECEIPTS	598.1	137.3	138.5	1.2	
OPERATIONS & MAINTENANCE EXPENDITURES:					
MWD O&M and CRA Power	(259.7)	(68.8)	(57.0)	11.8	-17 (c)
SWC O&M and Power (Net)	(150.7)	(36.3)	(23.5)	12.8	-35 (d)
State Water Bank	(0.8)	(0.8)	(0.4)	0.4	-50
Additional CRA Supplies - O&M	(7.0)	(4.6)	(4.6)	0.0	0
TOTAL O&M EXPENDITURES	(418.2)	(110.5)	(85.5)	25.0	
NET OPERATING REVENUES	179.9	26.8	53.0	26.2	
Interest on Investments	40.0	16.9	8.2	(8.7)	-51 (e)
Revenue Bond/Commercial Paper Debt Service	(52.4)	(20.3)	(19.3)	1.0	-5
FUNDS AVAILABLE FROM OPERATIONS	167.5	23.4	41.9	18.5	
Additional CRA Supplies - Capital	(30.1)	(7.0)	(5.2)	1.8	-26 (f)
PAYG and General Fund Expenditures	(7.4)	(1.9)	(3.1)	(1.2)	63 (g)
Operating Equip/Other Receipts/Trust Activity	(12.3)	(3.1)	0.9	4.0	-129 (h)
Tax Receipts	85.0	9.4	6.7	(2.7)	-29 (i)
State Water Contract Capital	(183.7)	(68.8)	(59.3)	9.5	-14 (j)
GO Bond/Other Debt Service	(58.2)	(19.8)	(18.3)	1.5	-8
CHANGE IN CASH ON HAND	(39.2)	(67.8)	(36.4)	31.4	
SR. LIEN DEBT SERVICE COVERAGE	6.79	N/A	N/A		
JR. LIEN DEBT SERVICE COVERAGE	8.43	N/A	N/A		
CONSTRUCTION EXPENDITURES FROM BONDS	328.0	82.0	35.0	47.0	57 (k)

* Excluding Trust Funds and Employee Deferred Compensation Fund.

** A positive variance is favorable; a negative variance is unfavorable.

Minor differences are due to rounding.

CASH BASIS EXECUTIVE FINANCIAL SUMMARY
VARIANCE EXPLANATIONS
(Through SEPTEMBER 30, 1992)

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

OPERATING RECEIPTS

- a. Receipts from power recoveries are 17 percent under budget because several of the power plants have been out of service during the first quarter of the fiscal year.
- b. Receipts from the availability of service charge will be \$0 for the year because the charge was rescinded by the Board in July after the budget was adopted.

OPERATIONS AND MAINTENANCE EXPENDITURES

- c. MWD O&M expenditures and CRA power are \$11.8 million under budget due to cost savings realized from continuing austerity measures and lower than budgeted supplemental energy rates for pumping on the Colorado River Aqueduct.
- d. SWC O&M and variable power charges are \$12.8 million under budget due to O&M credits received from DWR related to prior year cost adjustments and interest interest earnings on prior overpayments.

OTHER RECEIPTS AND EXPENDITURES

- e. Interest received on investments is \$8.6 million less than budget. The difference is mainly due to the timing of interest collections and the continued downturn in market interest rates.
- f. The \$1.8 million variance for Additional CRA Supplies-Capital relates to payments made for the Palo Verde Land Fallowing Agreement. The budget anticipated that the first payment for the land fallowing agreement in August would be approximately \$7 million.
- g. Pay-As-You-Go and General Fund construction disbursements are \$1.2 million above budget due to greater than anticipated payments related to the Procurement System and the Water Accounting Classification and Invoicing System automation projects. It is anticipated that these disbursements will match the budget estimate by the end of the fiscal year.

- h. Operating equipment purchases and other receipts and trust accounts are \$3.9 million under budget due to reimbursements, the timing of cash disbursements for operating equipment, receipts from sales of surplus equipment, and trust account transactions which were not included in the budget.
- i. Tax receipts are under budget by \$2.7 million due to the timing of receipts from current and delinquent taxes and an increase in the number of unpaid taxes for foreclosures assumed to be a result of the recession in California.
- j. SWC capital payments are 14 percent under budget because credits received from DWR related to prior year cost adjustments and interest earning on prior overpayments were greater than anticipated through September.

CONSTRUCTION EXPENDITURES FROM BONDS

- k. Construction expenditures from bond proceeds are 57 percent below budget mainly because work on the Garvey Reservoir has been delayed due to objections to the Environmental Impact Report; payments for construction on the Jensen Treatment Plant expansion were less than anticipated; and right-of-way procurement and design work has been delayed on the Cleveland Tunnel, San Diego Pipeline No. 6, the Inland Feeder and other projects due to environmental considerations and deferrals in accordance with the General Manager's austerity program.

BUDGET VS. COST REPORT - OPERATIONS AND MAINTENANCE
 JULY 1, 1992 - SEPTEMBER 30, 1992
 PRELIMINARY REPORT

DESCRIPTION	TOTAL ANNUAL 1992-93 BUDGET	BUDGET TO DATE			COST-TO-DATE			DIFFERENCE		
		Labor	Other	Total	Labor	Other	Total	Amount	%	
Executive Offices	7,103,500	1,337,155	474,846	1,812,001	1,365,576	519,332	1,884,908	(72,907)	(4.0)	
Resources	7,264,000	902,161	963,221	1,865,382	803,762	575,505	1,379,267	486,115	26.1	(a)*
Engineering	13,390,700	2,762,549	646,759	3,409,308	2,815,926	441,799	3,257,725	151,583	4.4	
Operations	84,015,000	15,541,196	6,650,892	22,192,090	15,754,340	5,679,791	21,434,131	757,959	3.4	(b)
Planning	6,846,900	734,211	1,182,864	1,917,075	725,519	794,662	1,520,181	396,894	20.7	(c)
Personnel	6,763,500	921,795	812,876	1,734,671	993,984	489,529	1,483,513	251,158	14.5	
Information Systems	16,739,600	2,277,420	2,015,977	4,293,397	2,319,358	1,512,517	3,831,875	461,522	10.7	(d)
Right of Way and Land	1,974,600	256,259	250,520	506,779	345,975	11,624	357,599	149,180	29.4	
Finance	6,535,800	1,174,838	484,682	1,659,520	1,128,302	340,674	1,468,976	190,544	11.5	
Public Affairs	5,780,000	699,950	749,627	1,449,577	688,373	279,103	967,476	482,101	33.3	(e)
Water Quality	7,929,500	1,439,971	503,898	1,943,869	1,553,875	336,481	1,890,356	53,513	2.8	
State Water Project/Conservation	29,098,100	1,022,253	7,366,461	8,388,714	771,947	1,594,435	2,366,382	6,022,332	71.8	(f)
Administrative Services	32,622,400	2,802,140	4,013,570	6,815,710	2,671,871	1,888,688	4,560,559	2,255,151	33.1	(g)
Environmental Compliance	11,440,200	1,026,857	1,921,509	2,948,366	1,103,680	656,701	1,760,381	1,187,985	40.3	(h)
Personnel Reduction Credit (Prorated to each division's labor budget-to-date)	(2,583,000)	0	0	0	0	0	0	0	--	
SUBTOTAL	234,920,800	32,898,758	28,037,702	60,936,460	33,042,488	15,120,841	48,163,329	12,773,131	21.0	
Taxes	110,000	0	2,600	2,600	0	809	809	1,791	68.9	
Contingency	1,808,400	0	470,401	470,401	0	0	0	470,401	100.0	(i)
Implementation of Water Standby Charge	1,700,000	0	442,203	442,203	0	379,563	379,563	62,640	14.2	
Insurance Reserves	1,070,000	0	278,327	278,327	3,589	70,750	74,339	203,988	73.3	
Depreciation of Minor Equipment	3,000,000	0	750,000	750,000	0	918,014	918,014	(168,014)	(22.4)	(j)
Overhead Credit from Construction	(20,005,300)	0	(5,203,777)	(5,203,777)	0	(3,428,179)	(3,428,179)	(1,775,598)	(34.1)	(k)
Association Dues	917,100	0	449,700	449,700	0	136,187	136,187	313,513	69.7	(l)
SUBTOTAL	(11,399,800)	0	(2,810,546)	(2,810,546)	3,589	(1,922,856)	(1,919,267)	(891,279)	31.7	
TOTAL OPERATION AND MAINTENANCE EXPENSE	223,521,000	32,898,758	25,227,156	58,125,914	33,046,077	13,197,985	46,244,062	11,881,852	20.4	

*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 September 30, 1992)

- 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 \$486,115; or 26.1 percent

Groundwater & Regional Resources Program: Labor - Personnel vacancies. Professional and Technical Services - Some planned studies have not been initiated; others are in place but billings have not been received.

b. Operations Division under \$757,959; or 3.4 percent

Water Treatment Program: Jensen Filtration Plant - Some labor charges diverted from routine O&M to capital and major O&M projects and less water has been treated has been than projected for this quarter.

Protective Services Program: Contract billings are being processed and will be paid within the fiscal year.

c. Planning Division under \$396,894; or 20.7 percent

Advance Planning and System Planning: Labor - Personnel vacancies. Professional and Technical Services - Some contracts have not been initiated; others are in place but billings have not been received.

Environmental Investigations: Labor - Personnel vacancies. Professional and Technical Services - Majority of the expenditures are scheduled for the second quarter of this fiscal year.

Water Supply and Demand: Professional and Technical Services - Some contracts have not been initiated; others are in place but billings have not been received.

Administration: Professional Services - Some contracts are delayed; others are in place but billings have not been received.

d. Information Systems Division under \$467,522; or 10.7 percent.

Integrated Management Information Systems Program: Materials and Supplies - Purchase of personal computer maintenance supplies and software delayed until award of the comprehensive microcomputer hardware and software service agreement.

e. Public Affairs Division under \$482,101; or 33.3 percent

Media Program: Media tours and travel expenses are under budget due to additional austerity measures implemented this fiscal year. Advertising expenditures occur sporadically throughout the year.

Community Relations Program: Inspection Trips were cancelled by action of the Board of Directors. Exhibit payments for Vista del Lago are being expended later than anticipated.

Publications Program: Expenditures for publishing the Aqueduct/Focus publications are scheduled and will deplete much of the budgeted amount; however the number and frequency of distribution will be reduced as a cost control measure.

Education Program: Many education activities began in September. Major printing expenditures will be reflected during the second quarter.

f. State Water Project and Conservation Division under \$6,022,332; or 71.8 percent

Water Conservation Program: Labor - Personnel vacancies. Incidental Expenses - Many programs have just either just received approval or are in the development stages. Expenditures are expected to match budget by the end of the year.

Water Transfers & Exchanges Program: Labor - Personnel vacancies. Professional and Technical Services - Some consultant contracts have not been initiated because the timetable for projects has been revised.

g. Administrative Services Division under \$2,255,151; or 33.1 percent.

Purchasing and Stores: Labor - Personnel vacancies; overtime and temporary labor has been significantly reduced to control costs.

Office Services: Materials and Supplies - Purchase of records management software pending vendor selection. Purchase of paper for reprographics is below expected level due to carryover of paper purchased during the last quarter of fiscal year 1991/92.

Facilities Management: Anticipated lease charges not incurred during the first quarter. Costs associated with relocations scheduled for the second and third quarters should match budget estimates for the remainder of the fiscal year.

Graphic Services: Professional and Technical Services - Costs for training on the Aztek Professional Design Software was deferred until later in the fiscal year as work load prevented the release of production staff in graphics services for training purposes.

Fleet Management: Charges to Rideshare Program were delayed as staff underwent training prior to implementation of the program. Charges will be incurred at increased levels during the next three quarters.

- h. Environmental Compliance Division under \$1,187,985; or 40.3 percent.

Hazardous Materials and Waste Removal: Variance is due to less waste removal requirements than anticipated.

Environmental Safety and Health: Labor - Personnel vacancies. Professional and Technical Services - Some contracts have not been initiated, others are in place but billings have not been received.

- i. Contingency under \$470,401; or 100 percent.

Contingency funds have not been required.

- j. Depreciation - Office Automation/Minor Equipment over \$168,014; or 22.4 percent.

The value of office automation equipment is greater than assumed for budget purchases which has resulted in greater depreciation expense than budgeted. It is anticipated that an unfavorable variance will exist for the entire fiscal year.

- k. Overhead Credit from Construction over \$1,775,598; or 34.1 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.

- l. Association Dues under \$313,513; or 69.7 percent.

Bill for the Six Agency Committee has been received and payment is being processed.