

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

January 26, 1993

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

From: General Manager

Subject: Variance Reporting, December, 1992

Report

Attached are quarterly variance reports for the period ending December 31, 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 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.

Current operating revenues are slightly over budget, but total receipts are expected to be \$7 million under estimates based on preliminary year-end projections. Water sales (cash basis) are expected to exceed budget by \$28 million based on sales of 2.061 million acre-feet. The budget was based on sales of 2.014 million acre-feet. The loss of the availability of service charge and lower interest earnings on investments combined to offset the expected

increase in water sales earnings. The availability of service charge was rescinded by the Board in July after the budget was adopted.

Expenditures are estimated to be about \$43 million under budget at year-end. This is due largely to 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 prior year cost adjustments were applied to reduce the variable power charges. Lower MWD O&M expenditures reflect on-going cost containment efforts. Required adjustments in reserves are estimated to be \$4 million more than budgeted, based on revisions to the projected 1992-93 and 1993-94 costs.

Based on these estimates, it is expected that approximately \$62 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.

  
for Carl Boronkay

MCF/AMA:lg

Attachments

qrtl cov. bdl

**BUDGET VS COST REPORT - CASH BASIS SUMMARY\***  
**JULY 1, 1992 - DECEMBER 31, 1992**  
**(IN MILLIONS OF DOLLARS)**

|   | ANNUAL<br>BUDGET | BUDGET<br>TO DATE | ACTUAL<br>TO DATE | VARIANCE**  |               |
|---|------------------|-------------------|-------------------|-------------|---------------|
|   |                  |                   |                   | AMOUNT      | PERCENT       |
| <b>OPERATING RECEIPTS:</b>                        |                  |                   |                   |             |               |
| Receipts from Water Sales                         | 528.1            | 276.1             | 303.0             | 26.9        | 10 (a)        |
| Receipts from Power Recoveries                    | 20.0             | 11.2              | 9.7               | (1.5)       | -13 (b)       |
| Standby Charge                                    | 25.0             | 10.0              | 7.5               | (2.5)       | -25           |
| Availability of Service Charge                    | 25.0             | 0.0               | 0.0               | 0.0         | 0 (c)         |
| <b>TOTAL OPERATING RECEIPTS</b>                   | <b>598.1</b>     | <b>297.3</b>      | <b>320.2</b>      | <b>22.9</b> |               |
| <b>OPERATIONS &amp; MAINTENANCE EXPENDITURES:</b> |                  |                   |                   |             |               |
| MWD O&M and CRA Power                             | (259.7)          | (132.2)           | (114.2)           | 18.0        | -14 (d)       |
| SWC O&M and Power (Net)                           | (150.7)          | (81.3)            | (66.6)            | 14.7        | -18 (e)       |
| State Water Bank                                  | (0.8)            | (2.8)             | (0.5)             | 0.3         | -38           |
| Additional CRA Supplies - C&M                     | (7.0)            | (4.6)             | (4.6)             | 0.0         | 0             |
| <b>TOTAL O&amp;M EXPENDITURES</b>                 | <b>(418.2)</b>   | <b>(218.9)</b>    | <b>(185.9)</b>    | <b>33.0</b> |               |
| <b>NET OPERATING REVENUES</b>                     | <b>179.9</b>     | <b>78.4</b>       | <b>134.3</b>      | <b>55.9</b> |               |
| Interest on Investments                           | 40.0             | 22.3              | 12.2              | (10.1)      | -45 (f)       |
| Revenue Bond/Commercial Paper Debt Service        | (52.4)           | (26.4)            | (25.1)            | 1.3         | -5            |
| <b>FUNDS AVAILABLE FROM OPERATIONS</b>            | <b>167.5</b>     | <b>74.3</b>       | <b>121.4</b>      | <b>47.1</b> |               |
| Additional CRA Supplies - Capital                 | (30.1)           | (7.0)             | (7.4)             | (0.4)       | 6             |
| PAYG and General Fund Expenditures                | (7.4)            | (3.7)             | (8.5)             | (4.8)       | 130 (g)       |
| Operating Equip/Other Receipts/Trust Activity     | (12.3)           | (6.1)             | (0.2)             | 5.9         | -97 (h)       |
| Tax Receipts                                      | 85.0             | 40.2              | 42.3              | 2.1         | 5             |
| State Water Contract Capital                      | (183.7)          | (98.5)            | (93.6)            | 4.9         | -5            |
| GC Bond/Other Debt Service                        | (58.2)           | (19.9)            | (19.9)            | 0.0         | 0             |
| <b>CHANGE IN CASH ON HAND</b>                     | <b>(39.2)</b>    | <b>(20.7)</b>     | <b>34.1</b>       | <b>54.8</b> |               |
| <b>SR. LIEN DEBT SERVICE COVERAGE</b>             | <b>6.79</b>      | N/A               | N/A               |             |               |
| <b>JR. LIEN DEBT SERVICE COVERAGE</b>             | <b>8.43</b>      | N/A               | N/A               |             |               |
| <b>CONSTRUCTION EXPENDITURES FROM BONDS</b>       | <b>328.0</b>     | <b>164.0</b>      | <b>114.1</b>      | <b>49.9</b> | <b>30 (i)</b> |

\* Excluding Trust Funds and Employee Deferred Compensation Fund.

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

Minor differences are due to rounding.

BUDGET VS. COST REPORT - OPERATIONS AND MAINTENANCE  
 JULY 1, 1992 - DECEMBER 31, 1992  
 PRELIMINARY REPORT

| DESCRIPTION  | TOTAL ANNUAL<br>1992-93 BUDGET | BUDGET-TO-DATE |             |             | COST-TO-DATE |             |             | DIFFERENCE  |        |      |
|--|--------------------------------|----------------|-------------|-------------|--------------|-------------|-------------|-------------|--------|------|
|  |                                | Labor          | Other       | Total       | Labor        | Other       | Total       | Amount      | %      |      |
| Executive Offices:   | 7,103,500                      | 2,509,273      | 885,435     | 3,394,708   | 2,515,236    | 835,895     | 3,351,131   | 43,577      | 1.3    |      |
| Resources  | 7,264,000                      | 1,692,976      | 1,796,093   | 3,489,069   | 1,510,415    | 1,107,610   | 2,618,025   | 871,044     | 25.0   | (a)* |
| Engineering  | 13,390,700                     | 5,184,142      | 1,205,994   | 6,390,136   | 5,230,819    | 1,124,222   | 6,355,041   | 35,095      | 0.5    |      |
| Operations   | 84,015,000                     | 29,038,704     | 12,066,284  | 41,104,988  | 28,618,199   | 11,313,913  | 39,932,112  | 1,172,876   | 2.9    | (b)  |
| Planning   | 6,846,900                      | 1,156,177      | 2,141,433   | 3,297,610   | 1,197,423    | 1,383,062   | 2,580,485   | 717,125     | 21.7   | (c)  |
| Personnel  | 6,763,500                      | 1,729,823      | 1,515,742   | 3,245,565   | 1,043,366    | 896,188     | 2,739,554   | 506,011     | 15.6   | (d)  |
| Information Systems  | 16,739,600                     | 4,273,755      | 3,759,135   | 8,032,890   | 4,237,140    | 3,179,608   | 7,416,748   | 616,142     | 7.7    | (e)  |
| Right of Way and Land  | 1,974,600                      | 480,891        | 467,138     | 948,029     | 633,621      | 86,285      | 719,906     | 228,123     | 24.1   |      |
| Finance  | 6,535,800                      | 2,204,677      | 934,393     | 3,139,070   | 2,063,060    | 797,044     | 2,860,104   | 278,966     | 8.9    |      |
| Public Affairs   | 5,780,000                      | 1,321,766      | 1,546,228   | 2,867,994   | 1,279,446    | 568,187     | 1,847,633   | 1,020,361   | 35.6   | (f)  |
| Water Quality  | 7,929,500                      | 2,898,341      | 1,007,796   | 3,906,137   | 2,883,940    | 650,311     | 3,534,251   | 371,886     | 9.5    |      |
| State Water Project/Conservation   | 29,098,100                     | 1,999,742      | 13,879,640  | 15,879,382  | 1,482,090    | 3,528,681   | 5,010,771   | 10,868,611  | 68.4   | (g)  |
| Administrative Services  | 32,622,400                     | 5,532,772      | 10,179,640  | 15,712,412  | 5,269,337    | 5,167,094   | 10,436,431  | 5,275,981   | 33.6   | (h)  |
| Environmental Compliance   | 11,440,200                     | 1,926,978      | 3,582,970   | 5,509,948   | 2,009,891    | 1,367,805   | 3,377,696   | 2,132,252   | 38.7   | (i)  |
| Personnel Reduction Credit (Prorated to each<br>division's labor budget to date) | (2,583,000)                    | 0              | 0           | 0           | 0            | 0           | 0           | 0           | --     |      |
| SUBTOTAL   | 234,920,800                    | 61,950,016     | 54,967,921  | 116,917,937 | 60,773,983   | 32,005,905  | 92,779,888  | 24,138,049  | 20.6   |      |
| Taxes  | 110,000                        | 0              | 56,700      | 56,700      | 0            | 110,326     | 110,326     | (53,626)    | (94.6) |      |
| Contingency  | 1,808,400                      | 0              | 877,140     | 877,140     | 0            | 0           | 0           | 877,140     | 100.0  | (j)  |
| Implementation of Water Standby Charge   | 1,700,000                      | 0              | 824,561     | 824,561     | 0            | 761,457     | 761,457     | 63,104      | 7.7    |      |
| Insurance Reserves   | 1,070,000                      | 0              | 518,988     | 518,988     | 4,481        | 195,431     | 199,912     | 319,076     | 61.5   | (k)  |
| Depreciation of Minor Equipment  | 3,000,000                      | 0              | 1,500,000   | 1,500,000   | 0            | 1,849,946   | 1,849,946   | (349,946)   | (23.3) | (l)  |
| Overhead Credit from Construction  | (20,005,300)                   | 0              | (9,703,306) | (9,703,306) | 0            | (6,914,114) | (6,914,114) | (2,789,192) | (28.7) | (m)  |
| Association Dues   | 917,100                        | 0              | 791,700     | 791,700     | 0            | 629,290     | 629,290     | 162,410     | 20.5   |      |
| SUBTOTAL   | (11,399,800)                   | 0              | (5,134,217) | (5,134,217) | 4,481        | (3,367,664) | (3,363,183) | (1,771,034) | 34.5   |      |
| TOTAL OPERATION AND MAINTENANCE EXPENSE  | 223,521,000                    | 61,950,016     | 49,833,704  | 111,783,720 | 60,778,464   | 28,638,241  | 89,416,705  | 22,367,015  | 20.0   |      |

\*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

CASH BASIS EXECUTIVE FINANCIAL SUMMARY  
VARIANCE EXPLANATIONS  
(Through DECEMBER 31, 1992)

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

OPERATING RECEIPTS

- a. Receipts from water sales are 10 percent greater than budget since sales are 61,000 acre-feet more than budget for July through December.
- b. Receipts from power recoveries are 13 percent under budget because several power plants have been periodically out of service during the fiscal year, mainly due to efforts to maximize deliveries from the Colorado River.
- c. Receipts from the proposed \$25 million 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. The District will be receiving revenue of approximately \$25 million from a standby charge during the fiscal year. As of December 31, 1992 \$7.5 million has been received from the standby charge.

OPERATIONS AND MAINTENANCE EXPENDITURES

- d. MWD O&M expenditures and CRA power are \$18 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.
- e. SWP O&M and variable power charges are \$14.7 million under budget due to O&M credits received from DWR related to prior year cost adjustments and interest earnings on prior overpayments.

OTHER RECEIPTS

- f. Interest received on investments is \$10.1 million less than budget. The difference is mainly due to reduced cash balances and the downturn in market interest rates from levels anticipated during the budget cycle.

FUNDS AVAILABLE FROM OPERATIONS

- g. Pay-As-You-Go and General Fund construction disbursements are \$4.8 million more than budget mainly due to the timing of construction outlays.
- h. Operating equipment purchases and other receipts are \$6.6 million under budget due to reimbursements, the timing of cash disbursements for operating equipment, and unscheduled receipts from sales of surplus equipment.

CONSTRUCTION FROM BOND PROCEEDS

- i. Construction expenditures from bond proceeds are 30 percent below budget mainly because work on the Garvey Reservoir has been delayed due to litigation opposing the project; 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.

OPERATIONS AND MAINTENANCE SUMMARY  
VARIANCE EXPLANATIONS  
(Through December 31, 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 \$871,044; or 25.0 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 \$1,172,876; or 2.9 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 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 \$717,125; or 21.7 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.

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

Strategic Planning: Professional Services - Some consulting contracts have not been initiated and billings for contracts in place have not been received.

- d. Personnel Division under \$506,011; or 15.6 percent.

Personnel Program: Professional and Technical Services - Some contracts are in place but billings in progress. Funds will be totally expended by fiscal year end.

Medical: Professional and Technical Services - Contracts are in place, billings in progress, examinations to be scheduled. Funds are not expected to be totally expended due to anticipated regulatory changes that have not yet been implemented by OSHA. In addition, the number of employees projected to be medically examined is lower than anticipated.

- e. Information Systems Division under \$616,142; or 7.7 percent.

Integrated Management Information Systems Program: Materials and Supplies - Purchase of personal computer maintenance supplies and software has been delayed until award of the comprehensive microcomputer hardware and software service agreement. This master agreement was signed in January 1993.

- f. Public Affairs Division under \$1,020,361; or 35.6 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 will be expended later than anticipated.

Publications Program: One issue each of Aqueduct, Focus and People magazine and several brochures will be not be produced this year as additional austerity measures are implemented.

Education Program: Printing of Admiral Splash and Water for Ursa is presently in process and will be reflected during the third quarter.



Government Relations: Tours and travel expenses have been curtailed as part of the austerity measures.

g. State Water Project and Conservation Division under \$10,868,611; or 68.4 percent

Water Conservation Program: Labor - Personnel vacancies. Incidental Expenses - Many programs have 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.

h. Administrative Services Division under \$5,275,981; or 33.6 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 delayed 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.

- i. Environmental Compliance Division under \$2,132,252; or 38.7 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.

- j. Contingency under \$887,140; or 100 percent.

Contingency funds have not been required.

- k. Insurance Reserves under \$319,076; or 61.5 percent.

The need to use insurance reserves has been minimal this year.

- l. Depreciation - Office Automation/Minor Equipment over \$349,946; or 23.3 percent.

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

- m. Overhead Credit from Construction over \$2,789,192; or 28.7 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.