

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

April 27, 1993

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

From: General Manager

Subject: Variance Reporting, March, 1993

Report

Attached are quarterly variance reports for the period ending March 31, 1993. 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.

Revenues and expenses are below estimates. Year-end projections indicate that total receipts will be \$48.4 million under estimates. Water sales (cash basis) are expected to be \$2.3 million less than budget based on sales of 1.911 million acre-feet. The budget was based on sales of 2.014 million acre-feet. The loss of the availability of

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service charge revenue and lower interest earnings on investments also contribute to total receipts projections less than budget. The availability of service charge was rescinded by the Board in July after the budget was adopted.

Expenditures are estimated to be about \$110.7 million under budget at year-end. This is due largely to lower State Water Contract (SWC) payments, credits received from the Department of Water Resources 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 reduced the variable power charges. Lower MWD O&M expenditures reflect on-going cost containment efforts. Required adjustments in reserves are estimated to be \$1 million more than budgeted, based on current cost projections for the 1992-93 and 1993-94 fiscal years.

Based on these estimates, it is expected that approximately \$32.5 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 General Manager

MCF/AMA:jg

Attachments

qrtllycov

**BUDGET VS COST REPORT - CASH BASIS SUMMARY\***  
**JULY 1, 1992 - MARCH 31, 1993**  
**(IN MILLIONS OF DOLLARS)**

	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	VARIANCE**	
				AMOUNT	PERCENT
<b>OPERATING RECEIPTS:</b>					
Receipts from Water Sales	528.1	406.2	426.6	20.4	5
Receipts from Power Recoveries	20.0	14.4	12.0	(2.4)	-17 (a)
Standby Charge	25.0	15.0	13.0	(2.0)	-13 (b)
Availability of Service Charge	25.0	15.0	0.0	(15.0)	-100 (c)
<b>TOTAL OPERATING RECEIPTS</b>	<b>598.1</b>	<b>450.6</b>	<b>451.6</b>	<b>1.0</b>	
<b>OPERATIONS &amp; MAINTENANCE EXPENDITURES:</b>					
MWD O&M and CRA Power	(259.7)	(197.2)	(165.0)	32.2	-16 (d)
SWC O&M and Power (Net)	(150.7)	(123.7)	(84.4)	39.3	-32 (e)
State Water Bank	(0.8)	(0.8)	(0.5)	0.3	-38
Additional CRA Supplies - O&M	(7.0)	(7.0)	(4.6)	2.4	-34 (f)
<b>TOTAL O&amp;M EXPENDITURES</b>	<b>(418.2)</b>	<b>(328.7)</b>	<b>(254.5)</b>	<b>74.2</b>	
<b>NET OPERATING REVENUES</b>	<b>179.9</b>	<b>121.9</b>	<b>197.1</b>	<b>75.2</b>	
Interest on Investments	40.0	35.7	17.5	(18.2)	-51 (g)
Revenue Bond/Commercial Paper Debt Service	(52.4)	(44.6)	(46.2)	(1.6)	4
<b>FUNDS AVAILABLE FROM OPERATIONS</b>	<b>167.5</b>	<b>113.0</b>	<b>168.4</b>	<b>55.4</b>	
Additional CRA Supplies - Capital	(30.1)	(30.1)	(26.6)	3.5	-12 (h)
PAYG and General Fund Expenditures	(7.4)	(5.6)	(11.5)	(5.9)	105 (i)
Operating Equip/Other Receipts/Trust Activity	(12.3)	(9.2)	0.7	9.9	-108 (j)
Tax Receipts	85.0	54.8	54.4	(0.4)	-1
State Water Contract Capital	(183.7)	(166.9)	(171.9)	(5.0)	3
GO Bond/Other Debt Service	(58.2)	(57.9)	(55.2)	2.7	-5
<b>CHANGE IN CASH ON HAND</b>	<b>(39.2)</b>	<b>(101.9)</b>	<b>(41.7)</b>	<b>60.2</b>	
<b>SR. LIEN DEBT SERVICE COVERAGE</b>	<b>6.79</b>	<b>N/A</b>	<b>N/A</b>		
<b>JR. LIEN DEBT SERVICE COVERAGE</b>	<b>8.43</b>	<b>N/A</b>	<b>N/A</b>		
<b>CONSTRUCTION EXPENDITURES FROM BONDS</b>	<b>328.0</b>	<b>246.0</b>	<b>184.1</b>	<b>61.9</b>	<b>25 (k)</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.

CASH BASIS EXECUTIVE FINANCIAL SUMMARY  
VARIANCE EXPLANATIONS  
(Through March 31, 1993)

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

OPERATING RECEIPTS

- a. Receipts from power recoveries are 17 percent under budget because several power plants have periodically been out of service during the fiscal year, mainly due to efforts to maximize deliveries from the Colorado River.
- b. Receipts from the water standby charge are 13 percent under budget due to the timing of collections for the charge. It is anticipated that actual collections will equal the budgeted amount of \$25 million by the end of the fiscal year.
- c. 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

- d. MWD O&M expenditures and CRA power are 16 percent 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. Net SWC O&M charges are 32 percent under budget due to O&M credits received from DWR related to prior year cost adjustments, return of bond cover and interest earnings on prior overpayments.
- f. The payment which was made to the Imperial Irrigation District in January included a capital and O&M portion. The portion of the payment that represents O&M expense has not been determined yet, thus reported O&M payments for additional CRA supplies are \$2.4 million under budget. The necessary adjustments will be made in subsequent months.

OTHER RECEIPTS AND EXPENDITURES

- g. Interest received on investments is \$18.2 million less than budget. The difference is mainly due to the continued downturn in market interest rates.

- h. Capital payments for additional Colorado River Aqueduct supplies are 12 percent under budget due to the timing of cash disbursements for the Palo Verde Irrigation District land following program.
- i. Pay-As-You-Go and General Fund construction disbursements are \$5.9 million more than budget due to enhancements to the procurement system, Phase 0, and construction of the Etiwanda Power Plant.
- j. Operating equipment purchases and other receipts and trust accounts are \$9.9 million under budget due to reimbursements, the timing of cash disbursements for operating equipment, unscheduled receipts from sales of surplus equipment, and trust account transactions which are not included in the budget.

CONSTRUCTION EXPENDITURES FROM BOND PROCEEDS

- k. Construction expenditures from bond proceeds are 25 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; 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; and adverse weather conditions delayed scheduled construction work at the Jensen and Mills Treatment Plants.

BUDGET VS. COST REPORT - OPERATIONS AND MAINTENANCE  
 JULY 1, 1992 - MARCH 31, 1993  
 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	3,886,074	1,371,553	5,257,627	3,985,718	1,238,655	5,224,373	33,254	0.6	
Resources	7,264,000	2,621,887	2,782,174	5,404,061	2,335,796	1,263,881	3,599,677	1,804,384	33.4	(a)*
Engineering	13,390,700	8,028,601	1,868,097	9,896,698	7,975,859	1,306,223	9,282,082	614,616	6.2	
Operations	84,015,000	44,388,514	18,357,679	62,746,193	43,698,950	13,110,140	56,809,090	5,937,103	9.5	
Planning	6,846,900	1,790,553	3,317,110	5,107,663	1,710,658	2,229,138	3,939,796	1,167,867	22.9	(d)
Personnel	6,763,500	2,678,948	2,347,903	5,026,851	2,739,770	1,398,903	4,138,673	888,178	17.7	(e)
Information Systems	16,739,600	6,618,701	5,822,950	12,441,651	6,423,117	5,176,185	11,599,302	842,349	6.8	
Right of Way and Land	1,974,600	744,748	723,604	1,468,352	919,191	205,806	1,124,997	343,355	23.4	(g)
Finance	6,535,800	3,414,346	1,425,208	4,839,554	3,155,839	1,135,195	4,291,034	548,520	11.3	(h)
Public Affairs	5,780,000	2,042,440	2,313,150	4,355,590	1,992,327	840,307	2,832,634	1,522,956	35.0	(i)
Water Quality	7,929,500	4,346,588	1,511,694	5,858,282	4,365,265	1,138,834	5,504,099	354,183	6.0	
State Water Project/Conservation	29,098,100	3,131,848	19,588,865	22,720,713	2,327,836	7,677,269	10,005,105	12,715,608	56.0	(j)
Administrative Services	32,622,400	8,280,439	16,617,986	24,898,425	8,281,246	8,157,547	16,438,793	8,459,632	34.0	(k)
Environmental Compliance	11,440,200	2,984,282	5,550,067	8,534,349	3,142,983	1,978,582	5,121,565	3,412,784	40.0	(l)
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	94,957,969	83,598,040	178,556,009	93,054,555	46,856,665	139,911,220	38,644,789	21.6	
Taxes	110,000	0	58,000	58,000	0	109,041	109,041	(51,041)	(88.0)	
Contingency	1,808,400	0	1,358,702	1,358,702	0	0	0	1,358,702	100.0	(m)
Implementation of Water Standby Charge	1,700,000	0	1,277,257	1,277,257	199	1,650,873	1,651,072	(373,815)	(29.3)	(n)
Insurance Reserves	1,070,000	0	803,920	803,920	4,952	270,650	275,602	528,318	65.7	(o)
Depreciation of Minor Equipment	3,000,000	0	2,250,000	2,250,000	0	2,792,842	2,792,842	(542,842)	(24.1)	(p)
Overhead Credit from Construction	(20,005,300)	0	(15,030,550)	(15,030,550)	0	(11,411,892)	(11,411,892)	(3,618,658)	(24.1)	(q)
Association Dues	917,100	0	917,100	917,100	0	777,189	777,189	139,911	15.3	
SUBTOTAL	(11,399,800)	0	(8,365,571)	(8,365,571)	5,151	(5,811,297)	(5,806,146)	(2,559,425)	30.6	
<b>TOTAL OPERATION AND MAINTENANCE EXPENSE</b>	<b>223,521,000</b>	<b>94,957,969</b>	<b>75,232,469</b>	<b>170,190,438</b>	<b>93,059,706</b>	<b>41,045,368</b>	<b>134,105,074</b>	<b>36,085,364</b>	<b>21.2</b>	

\*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 March 31, 1993)

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 \$1,804,384; or 33.4 percent

Groundwater & Regional Resources Program: Labor - Two positions not filled until middle of the fiscal year. Professional and Technical Services - Some contracts in place; others deferred; billings not received.

Reclaimed Water and Local Resource Development Program: Professional and Technical Services - Charges associated with Dyer Road Removal Project will fall in fourth quarter.

Special Projects Program: Labor - One position transferred from program and another position vacant for most of the year. Professional and Technical Services - Consultant costs will primarily fall in the 4th quarter of the fiscal year.

b. Engineering Division under \$614,616; or 6.2 percent

Engineering Program: Materials, supplies, and incidentals associated with the Intergraph software and maintenance have not been incurred as planned. Professional and Technical Services - Curtailed use of consultants for project management and structural design and analysis.

Facilities Inspection Program: Labor - vacancies. Professional and Technical Services - Consultant services have been deferred in Seismic Investigations Program.  
Material Quality Control Program: Labor - Three vacancies throughout the year.

c. Operations Division under \$5,937,103; or 9.5 percent

Water Treatment Program: Additional labor has been required to support the capital and major O&M projects at Jensen and Diemer Filtration Plants which resulted in an underrun for routine O&M.

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

Water Distribution System Maintenance Program: Garvey Reservoir repair project has been capitalized, resulting in cost adjustments from O&M to capital.

Control Systems Program: Diversion of labor charges to capital projects.

Operations Administration Services: Labor - vacancies. Professional and Technical Services - Some consultant projects have been deferred or reduced.

d. Planning Division under \$1,167,867; or 22.9 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: Labor - Loss of a temporary position. Professional and Technical Services - Some contracts had a late start; others are in place but billings have not been received; some projects delayed due to heavy workload.

Systems Analysis: Professional Services - Some consulting contracts have not been initiated and billings for contracts in place have not been received; some projects delayed due to heavy workload.

e. Personnel Division under \$888,178; or 17.7 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 being 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 physicals is lower than anticipated.



Human Resource Systems: Labor - Personnel temporary monies yet to be expended.  
Professional and Technical Services - Contracts in place, funds should be expended by end of the fiscal year.

- f. Information Systems Division under \$842,349; or 6.8 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. This master agreement was signed in January 1993. Professional Services - Some consulting services deferred.

- g. Right-Of-Way and Land Division under \$343,355; or 23.4 percent.

Land Management and Appraisal Program: Professional and Technical Services - Contract property appraisals and management consultants have been deferred.

- h. Finance Division under \$548,520; or 11.3 percent.

Accounting Operations: Labor - Personnel vacancies and one position transferred to Information Systems Division mid year.

Treasury Operations: Professional and Technical Services - Some contracts were deferred and others downsized.

- i. Public Affairs Division under \$1,522,956; or 35.0 percent

Media Program: Media tours and travel expenses are under budget due to additional austerity measures implemented this fiscal year. Advertising expenditures are expected to increase during the fourth quarter.

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, but will be completed during the current fiscal year.

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 fourth quarter.

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

j. State Water Project and Conservation Division under \$12,715,608; or 56.0 percent

Water Conservation Program: Labor - Personnel vacancies. Incidental Expenses - Many programs have either just received approval or are in the development stages. Programs have been delayed because of inability of member agencies and subagencies to provide matching funds.

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. Abundance of State Water Project and Colorado River supplies this year has also affected program delay.

k. Administrative Services Division under \$8,459,632; or 34.0 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 paper for reprographics is below expected level. Budgeted consultant services have not been utilized.

Facilities Management: Anticipated lease charges less than budget due to favorable lease agreement.

Graphic Services: Professional and Technical Services - Reduction in use of consultants. Materials and Supplies - Anticipated costs for software were not incurred pending selection of appropriate vendors. Incidental Expenses - Purchase of digital imager deferred.

- l. Environmental Compliance Division under \$3,412,784; or 40.0 percent.

Hazardous Materials and Waste Removal: Variance is due to less waste removal requirements than anticipated. Professional and Technical Services - Some delay in processing hazardous waste contracts, others are in place but billings have not been received.

Environmental Safety and Health: Labor - Personnel vacancies. Professional and Technical Services - Some contracts have been delayed due to the contract review process; some have not been initiated, others are in place but billings have not been received.

- m. Contingency under \$1,358,702; or 100 percent.

Contingency funds have not been required.

- n. Implementation of Water Standby Charge over \$373,815; or 29.3 percent

Costs for mailing of public hearing notices were incurred earlier than anticipated but costs should match budget by year-end.

- o. Insurance Reserves under \$528,318; or 65.7 percent.

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

p. Depreciation - Office Automation/Minor Equipment over \$542,842; or 24.1 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.

q. Overhead Credit from Construction over \$3,618,658; or 24.1 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.