

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

November 3, 1993

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

From: General Manager

Subject: Variance Reporting, September, 1993

Report

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

Operating revenues are currently slightly under budget, and total receipts are expected to be \$8.5 million under estimates at year-end based on preliminary projections. Water sales (cash basis) and taxes are expected to be under budget by about \$4 million and \$4.5 million, respectively. Water sales are projected to be 1.798 million acre-feet as compared to the budget of 1.8 million acre-feet. Tax

collections will be less than budget because the 1994-95 assessed valuations are lower than estimated.

Total year-end expenditures are projected to be under estimates by about \$83 million. State Water Contract payments are projected to be \$63 million under budget. Credits are projected to be \$28 million more than budgeted. Most of the additional credits are related to the return of replacement account over payments. Off-aqueduct charges are projected to be \$22 million less than estimates due to a reallocation of 1993 charges among the contractors. The balance of the underrun is primarily due to reduced variable power costs resulting from lower unit rates based on revised delivery estimates and prior year cost adjustments.

Colorado River supplies are anticipated to be \$20 million under budget primarily because implementation of some conservation projects included in the Metropolitan/Imperial Irrigation District Conservation Agreement have been delayed in order to complete environmental documentation.

Board Committee Assignment

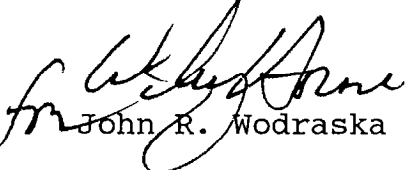
This letter was sent for information to:

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 John R. Wodraska

MCF:jg

Attachments
sept93co

BUDGET VS COST REPORT - CASH BASIS SUMMARY*
JULY 1, 1993 - SEPTEMBER 30, 1993
(IN MILLIONS OF DOLLARS)

	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	VARIANCE**	
				AMOUNT	PERCENT
OPERATING RECEIPTS:					
Receipts from Water Sales	\$588.2	\$154.7	\$157.3	\$2.6	1.7%
Receipts from Power Recoveries	19.0	2.4	3.8	1.4	59.0% (a)
Additional Revenues	50.0	0.0	0.4	0.4	100.0%
TOTAL OPERATING RECEIPTS	\$657.2	\$157.1	\$161.6	\$4.5	
OPERATIONS & MAINTENANCE EXPENDITURES:					
MWD O&M & CRA Power	\$255.3	\$64.8	\$68.4	(\$3.7)	-5.7%
SWC O&M and Power (Net)	131.4	31.6	32.4	(0.9)	-2.8%
Water Transfers\Options	12.0	0.0	0.0	0.0	0.0%
Additional CRA Supplies: O&M	6.7	4.6	4.6	0.0	0.0%
TOTAL O&M EXPENDITURES	\$405.3	\$100.9	\$105.5	(\$4.6)	
NET OPERATING REVENUES	\$251.9	\$56.2	\$56.1	(\$0.1)	
Interest on Investments	\$20.0	\$8.5	\$7.6	(\$1.0)	-11.2% (b)
Revenue Bond/Commerical Paper Debt Service	49.5	20.4	21.8	(1.3)	-6.5%
FUNDS AVAILABLE FROM OPERATIONS	\$222.4	\$44.3	\$41.9	(\$2.4)	
Additional CRA Supplies - Capital	(\$42.2)	(\$5.0)	(\$5.3)	(\$0.3)	6.9%
Pay-As-You-Go Construction	(50.0)	(1.5)	(0.3)	1.2	81.2% (c)
Operating Equipment, Other Receipts, Trust Activity & General Fund Construction	(17.5)	(2.2)	(1.5)	0.7	31.2% (d)
Tax Receipts	90.0	8.4	6.6	(1.8)	-21.0% (e)
State Water Contract Capital	(181.6)	(66.8)	(63.3)	3.5	-5.3%
G.O. Bond/Other Debt Service	(57.7)	(18.9)	(18.7)	0.0	0.0%
CHANGE IN CASH ON HAND	(\$36.4)	(\$41.7)	(\$40.5)	\$1.2	
CONSTRUCTION EXPENDITURES FROM BONDS	\$329.8	\$82.4	\$61.4	\$21.0	25.5% (f)

* Excluding Bond Construction Funds, Excess Earnings Funds, other Trust Funds, and the Deferred Compensation Fund.

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

Minor differences are due to rounding.

CASH BASIS EXECUTIVE FINANCIAL SUMMARY
VARIANCE EXPLANATIONS
(Through September 30, 1993)

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

OPERATING RECEIPTS

- (a). Receipts from power recoveries are \$1.4 million over budget because several power plants were operated at higher levels than was anticipated in the budget due to increased water deliveries.

OTHER RECEIPTS AND EXPENDITURES

- (b). Interest on Investments are \$1.0 million under budget mainly due to lower interest rates than were anticipated in the Annual Budget.
- (c). Pay-As-You-Go construction disbursements are \$1.2 million less than budget due to the retirement of plant assets remaining on the records in June which were reflected in July as receipts to the fund.
- (d). Operating equipment purchases, other receipts, trust activity, and General Fund construction are \$700,000 under budget due to delays in purchases of operating equipment, and reimbursement and trust activity transactions that are not included in the budget.
- (e). Receipts from taxes are under budget by 21.0 percent because receipts from prior-year delinquent taxes have been less than anticipated.

CONSTRUCTION EXPENDITURES FROM BOND PROCEEDS

- (f). Construction expenditures from bond proceeds are 25.5 percent below budget mainly because of delays in Right of Way acquisition for the Domenigoni Valley Reservoir; capacity charges incurred to date are not reflected in actual charges for the South County Pipeline Joint Participation program due to the question concerning the proper accounting methodology; Mills Filtration Plant bid/award was delayed coupled with the construction bid for plant expansion being less than original estimate; all Filtration Plants and the Distribution System Chemical Containment Program is experiencing delays in consultant design; and several scheduled capital improvement programs (i.e. Allen-McColloch Pipeline purchase, Perris Filtration Plant Land Acquisition, and the Information Systems Strategic Plan Phase 1) have been approved by the Board later than anticipated.

BUDGET VS. COST REPORT - OPERATIONS AND MAINTENANCE
 JULY 1, 1993 - SEPTEMBER 30, 1993
 PRELIMINARY REPORT

DESCRIPTION	TOTAL ANNUAL 1993-94 BUDGET	BUDGET-TO-DATE			COST-TO-DATE			DIFFERENCE		
		Labor	Other	Total	Labor	Other	Total	Amount	%	
Executive Offices	7,275,800	1,385,179	491,374	1,876,553	1,398,882	441,371	1,840,253	36,300	1.9	(a)*
Resources	6,249,200	834,590	777,208	1,611,798	923,296	177,985	1,101,281	510,517	31.7	
Engineering	13,382,900	2,933,243	657,848	3,591,091	2,754,537	540,307	3,294,844	296,247	8.2	
Operations	82,165,500	15,697,844	5,426,831	21,124,675	15,334,208	6,102,885	21,437,093	(312,418)	(1.5)	(b)
Planning	6,482,300	620,147	1,051,753	1,671,900	707,585	735,071	1,442,656	229,244	13.7	
Personnel	6,799,900	1,018,670	735,147	1,753,817	979,335	380,746	1,360,081	393,736	22.5	
Information Systems	16,509,200	2,410,818	1,847,259	4,258,077	2,384,807	1,433,758	3,818,565	439,512	10.3	(c)
Right of Way and Land	2,259,800	263,396	245,508	508,904	336,438	62,244	398,682	110,222	21.7	
Finance	6,472,100	1,163,423	488,208	1,651,631	1,169,249	351,597	1,520,846	130,785	7.9	
Public Affairs	5,346,000	702,552	634,540	1,337,092	723,863	219,649	943,512	393,580	29.4	(d)
Water Quality	8,197,200	1,532,980	581,271	2,114,251	1,660,904	466,201	2,127,105	(12,854)	(0.6)	
State Water Project/Conservation	26,302,200	1,011,699	3,677,160	4,688,859	967,069	3,145,414	4,112,483	576,376	12.3	
Administrative Services	24,434,700	2,964,862	3,306,384	6,271,246	3,138,443	2,791,091	5,929,534	341,712	5.4	(e)
Environmental Compliance	11,054,000	1,000,896	1,450,484	2,451,380	1,149,556	571,807	1,721,363	730,017	29.8	
Personnel Reduction Credit (Prorated to each division's labor budget-to-date)	(1,962,000)	0	0	0	0	0	0	0	--	
SUBTOTAL	220,968,800	33,540,299	21,370,975	54,911,274	33,628,172	17,420,126	51,048,298	3,862,976	7.0	
Rental/Leases	8,086,100	0	2,202,742	2,202,742	0	747,896	747,896	1,454,846	66.0	(f)
Taxes	109,000	0	6,000	6,000	308	6,201	6,509	(509)	(8.5)	
Contingency	4,200,000	0	1,083,292	1,083,292	0	0	0	1,083,292	100.0	(g)
Implementation of Water Standby Charge	950,000	0	245,031	245,031	0	280,337	280,337	(35,306)	(14.4)	
Insurance Reserves	670,000	0	70,506	70,506	1,612	128,767	130,379	(59,873)	(84.9)	
Depreciation of Minor Equipment	4,200,000	0	1,049,998	1,049,998	0	1,173,652	1,173,652	(123,654)	(11.8)	(h)
Overhead Credit from Construction	(24,142,900)	0	(6,227,102)	(6,227,102)	0	(4,201,454)	(4,201,454)	(2,025,648)	(32.5)	(i)
Association Dues	675,200	0	77,377	77,377	0	583,745	583,745	(506,368)	(654.4)	(j)
SUBTOTAL	(13,338,700)	0	(3,694,898)	(3,694,898)	1,920	(2,028,752)	(2,026,832)	(1,668,066)	45.1	
TOTAL OPERATION AND MAINTENANCE EXPENSE	207,630,100	33,540,299	17,676,077	51,216,376	33,630,092	15,391,374	49,021,466	2,194,910	4.3	

*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, 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 \$510,518; or 31.7 percent

Professional and technical services - Some contracts in place, billings being processed. Other contracts still being negotiated.

b. Personnel Division under \$393,736; or 22.5 percent

Personnel - Labor - Personnel vacancies and reduction in use of temporary employees. Professional and Technical Services - Contracts in place, billings in progress, funds are expected to be expended as budgeted.

c. Public Affairs Division under \$393,580; or 29.4 percent

Community Relations - Incidental Expenses - Moratorium on CRA and SWP inspection trips continues. Only the one-day Domenigoni Valley project trips are being expensed.

Education Program - Incidental Expenses - Major printing expenditures for the high school water politics module will carry over to the second quarter.

Publications Program - Incidental Expenses - Redesign of People magazine has resulted in a slower production schedule than anticipated. The first issue of a new external communique has been deferred to January with a revised three-issue publication schedule rather than the proposed six. This will result in a fiscal variance for the remainder of the year.

- d. State Water Project and Conservation under \$576,376; or 12.3 percent

State Water Project - Labor - Personnel vacancies. Professional and technical services - Contracts in place, billings not received.

- e. Environmental Compliance under \$730,017; or 29.8 percent

Compliance Implementation - Professional and Technical Services - Contracts in place, billings not received. Successful implementation of source reduction/waste minimization program coupled with less than expected soil contamination from the mercury replacement project and increase in the amount of hazardous waste recycled has kept cost noticeably under budget.

General Environmental Compliance Issues - Labor - Variance due to reallocation of administrative support staff. Labor budgeted for Work Order No. 10160 charged to 10240.

- f. Rental/Leases under \$1,454,896; or 66 percent

One year base rent adjustment for Cal Plaza II is still in effect and has kept rent payments low. Costs will be in line with budget when rent adjustments expire in December 1993.

- g. Contingency under \$1,083,292; or 100 percent.

Contingency funds have not been required.

- h. Association Dues over \$506,368; or 54.4 percent

Six Agency Fund - The annual dues payment was made in September 1993 while the budget anticipated payment in October. Additionally, membership dues were \$172,376 more than budgeted because of a significant increase in the Committee's 1993-94 budget and the District's proportionate share of the budget, per the General Manager's report dated August 24, 1993.

- i. Depreciation - Office Automation/Minor Equipment over \$123,839; or 11.8 percent.

The value of office automation equipment being depreciated is greater than assumed for budget purposes. This has resulted in greater depreciation expense than budgeted.

- j. Overhead Credit from Construction under \$2,025,648; or 32.5 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.