



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*Barbara E. Deff*  
Executive Secretary

February 28, 1994

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

From: General Manager

Subject: Variance Reporting, December, 1993

Report

Attached are quarterly variance reports for the period ending December 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.

Total receipts are expected to be about \$4 million under estimates at year-end based on preliminary projections. Water sales (cash basis) are expected to be over budget by about \$3 million based on water sales of 1.834 million acre-feet as compared to the budget of 1.8 million acre-feet. Taxes are estimated to be about \$4.2 million under budget. Tax collections will be less than budget because the 1994-95

assessed valuations are lower than estimated. Interest earnings are expected to be \$2.1 million under estimates due to lower interest rates than assumed in the budget, and power recoveries are projected to be under budget by \$.7 million.

Total year-end expenditures are projected to be under estimates by about \$102 million. State Water Contract payments are projected to be about \$68 million under budget. Credits are projected to be \$30 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 \$30.5 million under budget. Some conservation projects have been deferred into 1994-95 and power costs on the Colorado River Aqueduct have been lower than assumed in the budget.

The balance of the variance is related to water transfers and options which are estimated to be \$3.5 million under budget.

#### Board Committee Assignment

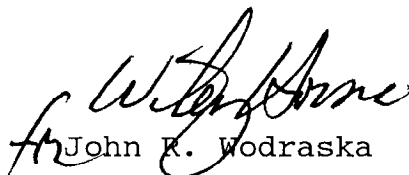
This letter was sent for information to:

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

BUDGET VS COST REPORT - CASH BASIS SUMMARY\*

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JULY 1, 1993 - DECEMBER 31, 1993

(IN MILLIONS OF DOLLARS)

	1992-93 ACTUAL	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	VARIANCE**	
					AMOUNT	PERCENT
OPERATING RECEIPTS:						
Receipts from Water Sales	\$526.5	\$588.2	\$338.1	\$338.1	(\$0.0)	-0.0%
Receipts from Power Recoveries	14.3	19.0	8.0	8.7	0.6	7.9%
Additional Revenues	23.7	50.0	14.5	14.5	0.0	0.0%
<b>TOTAL OPERATING RECEIPTS</b>	<b>\$564.5</b>	<b>\$657.2</b>	<b>\$360.6</b>	<b>\$361.2</b>	<b>\$0.6</b>	
OPERATIONS & MAINTENANCE EXPENDITURES:						
MWD O&M & CRA Power	\$229.5	\$255.3	\$130.0	\$135.9	(\$6.0)	-4.6%
SWC O&M and Power (Net)	77.1	131.4	73.8	28.5	45.4	61.4% (a)
Water Transfers/Options	1.8	12.0	0.5	0.5	0.0	0.8%
Additional CRA Supplies: O&M	4.6	6.7	4.6	4.6	0.0	0.0%
<b>TOTAL O&amp;M EXPENDITURES</b>	<b>\$313.1</b>	<b>\$405.3</b>	<b>\$208.9</b>	<b>\$169.5</b>	<b>\$39.4</b>	
<b>NET OPERATING REVENUES</b>	<b>\$251.4</b>	<b>\$251.9</b>	<b>\$151.7</b>	<b>\$191.7</b>	<b>\$40.0</b>	
Interest on Investments	\$18.8	\$20.0	\$12.6	\$10.3	(\$2.2)	-17.7% (b)
Revenue Bond/Commerical Paper Debt Service	48.5	49.5	24.7	26.8	(2.0)	-8.1% (c)
<b>FUNDS AVAILABLE FROM OPERATIONS</b>	<b>\$221.8</b>	<b>\$222.4</b>	<b>\$139.5</b>	<b>\$175.3</b>	<b>\$35.8</b>	
Additional CRA Supplies - Capital	(\$26.5)	(\$42.2)	(\$7.9)	(\$7.9)	\$0.0	0.0%
Pay-As-You-Go Construction	(10.1)	(50.0)	(13.6)	(6.9)	6.7	49.3% (d)
Operating Equipment, Other Receipts, Trust Activity & General Fund Construction	11.5	(17.5)	(2.8)	2.5	5.4	189.1% (e)
Tax Receipts	86.4	90.0	43.3	37.4	(6.0)	-13.8% (f)
State Water Contract Capital	(170.1)	(181.6)	(93.1)	(74.5)	18.7	-20.0% (g)
G.O. Bond/Other Debt Service	(56.8)	(57.7)	(18.9)	(19.9)	(1.0)	5.1%
<b>CHANGE IN CASH ON HAND</b>	<b>\$56.2</b>	<b>(\$36.4)</b>	<b>\$46.5</b>	<b>\$106.1</b>	<b>\$59.6</b>	
<b>CONSTRUCTION EXPENDITURES FROM BONDS</b>	<b>\$248.5</b>	<b>\$329.8</b>	<b>\$164.9</b>	<b>\$107.7</b>	<b>\$57.1</b>	<b>34.7% (h)</b>

\* 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 December 31, 1993

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

OPERATIONS AND MAINTENANCE EXPENDITURES

- (a) State Water Contract O&M and variable power expenditures are \$45.4 million less than budget due to revised costs for the calendar year 1993 billing for adjustments in the District's allocated share of Off-Aqueduct costs, variable power unit rates being reduced to zero from July 1993 to December 1993, and due to credits received for prior period cost adjustments and return of bond cover being greater than anticipated, and refunds received for prior deposits and surplus money investment fund interest earnings for replacement of control systems.

OTHER RECEIPTS AND EXPENDITURES

- (b) Interest on Investments are \$2.2 million under budget mainly due to lower interest rates than were anticipated in the Annual Budget.
- (c) Revenue bond and commercial paper debt service is \$2.0 million greater than budget due to bearer bonds for prior year payments being tendered for payment from July through December.
- (d) Pay-As-You-Go construction disbursements are \$6.7 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 and expenditures on capital projects being funded from the PAYG Fund have been lower than projected.
- (e) Operating equipment purchases, other receipts, trust activity, and General Fund construction are \$5.4 million under budget due to delays in purchases of operating equipment, and reimbursement and trust activity transactions that are not included in the budget.
- (f) Receipts from taxes are under budget by \$6.0 million because service area assessed values did not escalate as much as projected and receipts from prior-year delinquent taxes have been less than anticipated.
- (g) State Water Contract capital payments are \$18.7 million under budget due to revised Off-Aqueduct costs for calendar year 1993, a reduction of approximately \$19 million is being allocated over a five month period ending December 1993. In addition, credits received in November for prior period cost adjustments and interest earnings were greater than anticipated.

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CASH BASIS EXECUTIVE FINANCIAL SUMMARY  
VARIANCE EXPLANATIONS  
Through December 31, 1993

(continued)

CONSTRUCTION EXPENDITURES FROM BOND PROCEEDS

- (h) Construction expenditures from bond proceeds are 34.7 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. the purchase of the Allen-McColloch Pipeline, land acquisition for the Perris Filtration Plant, 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 - DECEMBER 31, 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	2,597,645	921,478	3,519,123	2,608,350	898,277	3,506,627	12,496	0.4	
Resources	6,249,200	1,565,115	1,457,503	3,022,618	1,741,211	483,913	2,225,124	797,494	26.4	(a)*
Engineering	13,382,900	5,448,522	1,237,828	6,686,350	5,156,991	930,009	6,087,000	599,350	9.0	(b)
Operations	82,165,500	29,445,861	10,180,364	39,626,225	28,706,432	11,077,803	39,784,235	(158,010)	(0.4)	
Planning	6,482,300	1,162,969	1,972,361	3,135,330	1,337,114	1,824,740	3,161,854	(26,524)	(0.8)	
Personnel	6,799,900	1,910,321	1,378,626	3,288,947	1,763,614	924,111	2,687,725	601,222	18.3	(c)
Information Systems	16,509,200	4,521,033	3,464,182	7,985,215	4,451,460	2,834,037	7,285,497	699,718	8.8	(d)
Right of Way and Land	2,259,800	500,150	468,349	968,499	649,915	150,663	800,578	167,921	17.3	
Finance	6,472,100	2,181,781	972,805	3,154,586	2,159,657	745,084	2,904,741	249,845	7.9	
Public Affairs	5,346,000	1,329,205	1,235,278	2,564,483	1,350,050	540,134	1,890,184	674,299	26.3	(e)
Water Quality	8,197,200	2,874,814	1,090,058	3,964,872	3,062,767	830,566	3,893,333	71,539	1.8	
State Water Project/Conservation	26,302,200	2,006,493	7,942,927	9,949,420	1,834,864	6,806,248	8,641,112	1,308,308	13.1	(f)
Administrative Services	24,434,700	5,571,812	6,206,816	11,778,628	5,939,557	4,018,936	9,958,493	1,820,135	15.5	(g)
Environmental Compliance	11,054,000	2,140,613	3,077,107	5,217,720	2,164,916	1,308,984	3,473,900	1,743,820	33.4	(h)
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	63,256,334	41,605,682	104,862,016	62,926,898	33,373,505	96,300,403	8,561,613	8.2	
Rental/Leases	8,086,100	0	4,405,484	4,405,484	0	2,651,132	2,651,132	1,754,352	39.8	(i)
Taxes	109,000	0	109,000	109,000	308	78,511	78,819	30,181	27.7	
Contingency	4,200,000	0	2,031,510	2,031,510	177,162	986,567	1,163,729	867,781	42.7	(j)
Implementation of Water Standby Charge	950,000	0	459,507	459,507	1,796	585,640	587,436	(127,929)	(27.8)	
Insurance Reserves	670,000	0	141,329	141,329	4,589	188,145	192,734	(51,405)	(36.4)	
Depreciation of Minor Equipment	4,200,000	0	2,099,996	2,099,996	0	2,375,260	2,375,260	(275,264)	(13.1)	(k)
Overhead Credit from Construction	(24,142,900)	0	(11,677,756)	(11,677,756)	0	(7,836,533)	(7,836,533)	(3,841,223)	(32.9)	(l)
Association Dues	675,200	0	485,106	485,106	0	718,306	718,306	(233,200)	(48.1)	(m)
SUBTOTAL	(13,338,700)	0	(6,351,308)	(6,351,308)	183,855	(2,904,104)	(2,720,249)	(3,631,059)	57.2	
TOTAL OPERATION AND MAINTENANCE EXPENSE	207,630,100	63,256,334	35,254,374	98,510,708	63,110,753	30,469,401	93,580,154	4,930,554	5.0	

\*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, 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 \$797,494; or 26.4 percent

Regional Water Resources Program - Incidental Expenses - Some groundwater resource studies have been delayed because the sponsoring agency has not been ready to proceed. Other studies are being pursued and expenditures will be received in the second half of fiscal year 1993-94.

Special Projects Program - Professional and Technical Services - EPA has delayed work on the San Gabriel project so the consultant has not been required.

b. Engineering Division under \$599,350; or 9 percent

Engineering Program - Incidental Expenses - Program is under budget due to delays in costs being incurred for Engineering and Intergraph Software, and the Construction Specification Handling System. Professional and technical Services - Delays in consultant projects for project management, MBE/WBE database design, and a consultant study for contractor pre-qualification screening.

c. Personnel Division under \$601,222; or 18.3 percent

Personnel Program - 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 billings are processed.

d. Information Systems Division under \$699,718; or 8.8 percent

Integrated Management Information Systems - Professional and Technical Services - Planned expenditures for Geographical Information System (G.I.S.) and Local Area Network (LAN) consultants have been delayed to the last six months.

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e. Public Affairs Division under \$674,299; or 26.3 percent

Media Program - Media tours and travel expenses continue to be under budget. Costs for these activities are not evenly spaced over a year and are expected to be expended in the second half of the fiscal year.

Community Relations - Incidental Expenses - Moratorium on CRA and SWP inspection trips continues. However, the one-day Domenigoni Valley project trips are growing in popularity and continue to be expensed, but not requiring significant sums as compared to the three-day director-sponsored trips.

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

f. State Water Project and Conservation under \$1,308,309; or 13.1 percent

State Water Project - Labor - Personnel vacancies. Professional and technical services - Under-utilization of consultants, some contracts in place, but billings not received.

Water Conservation Program - Labor - Personnel vacancies. Professional and Technical Services - Some contracts are still being negotiated, others in place, billings not received.

Water Transfer and Exchanges - Labor - Personnel vacancies. Some water transfer programs are being investigated and have either not been initiated or completed.



- g. Administrative Services Division under \$1,820,135; or 15.5 percent

Facilitates Management and Services Program - Professional and Technical Services - Anticipated consulting services in connection with MWD long-term headquarters building have been delayed pending final outcome of the selection of a permanent site.

Purchasing and Stores Program - Labor - Personnel vacancies; transfer of 4 positions to Division Management and Support resulted in this program being under budget.

- h. Environmental Compliance under \$1,743,820; or 33.4 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.

Regulation and Legislation Management - Labor - Variance due to reallocation of administrative support staff. Labor budgeted for Work Order No. 10160 charged to 10240.

- i. Rental/Leases under \$1,754,352; or 39.8 percent

One year base rent adjustment for Cal Plaza II is still in effect and has kept rent payments low. Costs will approach budget by year end as rent adjustments expire in December 1993.

- j. Contingency under \$867,781; or 42.7 percent.

The amount of contingency used has been limited to activities connected with the Blue Ribbon Task Force and some major O&M work orders closed out in last fiscal year with carryover costs.

- k. Depreciation - Office Automation/Minor Equipment over \$275,264; or 13.1 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.

- l. Overhead Credit from Construction under \$3,841,223; or 32.9 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.

- m. Association Dues over \$233,200; or 54.4 percent

Six Agency Fund - 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. Other dues payments were made during the first half of the year while budgeted for the second half of the year.