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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Baron E. Duff
EXECUTIVE SECRETARY

April 29, 1994

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

From: General Manager

Subject: Variance Reporting, March, 1994

Report

Attached are quarterly variance reports for the period ending March 31, 1994. 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 \$8.8 million over estimates at year-end based on preliminary projections. Water sales (cash basis) are expected to be over budget by about \$17.4 million based on water sales of

1.86 million acre-feet as compared to the budget of 1.8 million acre-feet. Taxes are estimated to be about \$5.8 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 \$1.1 million over estimate as a result of lengthening the maturity schedules and investing in new instruments authorized by the changes in the Statement of Investment Policy. Power recoveries are projected to be under budget by \$3.9 million based on the projected flows through the power plants.

Total year-end expenditures are projected to be under estimates by about \$103.4 million. State Water Contract payments are projected to be about \$70.4 million under budgets. 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 the 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 \$22.1 million under budget. Some conservation projects have been deferred into 1994-95 and power cost 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 \$10.9 million under budget.

Based on these estimates, it is expected that approximately \$65 million will be added to the Water Rate Stabilization Fund this fiscal year.

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:jg

Attachments

qrtlvcov

BUDGET VS COST REPORT - CASH BASIS SUMMARY*
 JULY 1, 1993 - MARCH 31, 1994
 (IN MILLIONS OF DOLLARS)

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	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	VARIANCE**		
				AMOUNT	%	
OPERATING RECEIPTS:						
Receipts from Water Sales	\$588.2	\$471.1	\$480.7	\$9.6	2.0%	
Receipts from Power Recoveries	19.0	14.7	10.8	(3.9)	-26.6%	(a)
Additional Revenues	50.0	28.0	28.6	0.4	1.8%	
TOTAL OPERATING RECEIPTS	\$657.2	\$513.9	\$520.0	\$6.1		
OPERATIONS & MAINTENANCE EXPENDITURES:						
MWD O&M & CRA Power	\$255.3	\$190.4	\$199.6	(\$9.2)	-4.8%	
SWC O&M and Power (Net)	131.4	108.7	57.8	50.9	46.8%	(b)
Water Transfers\Options	12.0	0.5	0.5	0.0	0.8%	
Additional CRA Supplies: O&M	6.7	6.7	4.6	2.1	31.1%	(c)
TOTAL O&M EXPENDITURES	\$405.3	\$306.3	\$262.5	\$43.8		
NET OPERATING REVENUES	\$251.9	\$207.6	\$257.5	\$49.9		
Interest on Investments	\$20.0	\$17.8	\$18.5	\$0.7	3.7%	
Revenue Bond/Commerical Paper Debt Service	(49.5)	(43.4)	(44.1)	(0.7)	1.6%	
FUNDS AVAILABLE FROM OPERATIONS	\$222.4	\$182.0	\$231.9	\$49.9		
Additional CRA Supplies - Capital	(\$42.2)	(\$37.9)	(\$15.9)	\$22.0	-58.2%	(d)
Pay-As-You-Go Construction	(50.0)	(37.0)	(20.4)	16.6	44.9%	(e)
Operating Equipment, Other Receipts, Trust Activity & General Fund Construction	(17.5)	(9.2)	8.0	17.2	187.6%	(f)
Tax Receipts	90.0	57.4	52.7	(4.7)	-8.3%	
State Water Contract Capital	(181.6)	(178.9)	(149.7)	29.2	-16.3%	(g)
G.O. Bond/Other Debt Service	(57.7)	(57.4)	(58.7)	(1.3)	2.4%	
CHANGE IN CASH ON HAND	(\$36.4)	(\$81.0)	\$47.9	\$128.9		
CONSTRUCTION EXPENDITURES						
FROM BONDS:	\$329.8	\$247.3	\$158.3	\$89.0	36.0%	(h)

* 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 March 31, 1994

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

OPERATING RECEIPTS

- (a) Receipts from power recoveries are \$3.9 million under budget because power plants have been operated at lower levels than were anticipated in the budget, and certain power plants have been out of service during this period.

OPERATIONS & MAINTENANCE

- (b) State Water Contract O&M and variable power expenditures are \$50.9 million less than budget due to: 1) revised costs for the calendar year 1993 billing for adjustments in the District's allocated share of Off-Aqueduct costs, 2) variable power unit rates being reduced to zero from July 1993 to December 1993, 3) higher credits received for prior period cost adjustments and return of bond cover, and 4) unanticipated refunds received for prior deposits and surplus money investment fund interest earnings for replacement of control systems.
- (c) 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 \$2.1 million under budget. The necessary adjustments will be made by the end of the fiscal year.

OTHER RECEIPTS AND EXPENDITURES

- (d) Capital payments for additional Colorado River Aqueduct supplies are \$22.1 million under budget mainly due to delays in the completion of the final Environmental Impact Report (EIR) for some projects. The payments will be made when the final EIR is issued.
- (e) Pay-As-You-Go construction disbursements are \$16.6 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 lower than anticipated expenditures on construction projects being funded from the PAYG Fund. Staff anticipates that PAYG expenditures will equal budget by the end of the fiscal year.
- (f) Operating equipment purchases, other receipts, trust activity, and General Fund construction are \$17.2 million under budget due to reimbursement and trust account activity transactions that are not included in the budget. This item also includes the unanticipated \$8.8 million received in March from the Castaic Lake Water Agency for the sale of a portion of the capacity in the Foothill Feeder.

CASH BASIS EXECUTIVE FINANCIAL SUMMARY
VARIANCE EXPLANATIONS
Through March 31, 1994

OTHER RECEIPTS AND EXPENDITURES (continued)

- (g) State Water Contract Capital payments are \$29.2 million under budget due to revised Off-Aqueduct costs for the calendar year 1993 billing, a reduction of approximately \$19 million. In addition, credits received in November for prior period cost adjustments and interest earnings were greater than anticipated.

CONSTRUCTION FROM BOND PROCEEDS

- (h) Construction expenditures from bond proceeds are 36.0 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 and the construction contract is less than original estimate; all Filtration Plants and the Distribution System Chemical Containment Program are experiencing delays in consultant design; and several scheduled capital improvement programs (i.e. the purchase of the Allen-McColloch Pipeline and the Information Systems Strategic Plan Phase were approved by the Board later than anticipated.

BUDGET VS. COST REPORT - OPERATIONS AND MAINTENANCE
 JULY 1, 1993 - MARCH 31, 1994
 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	4,078,475	1,579,376	5,657,851	4,263,102	1,543,830	5,806,932	(149,081)	(2.6)	
Resources	6,249,200	2,391,121	2,260,571	4,651,692	2,662,138	986,286	3,648,424	1,003,268	21.6	(a)*
Engineering	13,382,900	8,258,210	1,904,764	10,162,974	7,984,546	1,230,604	9,215,150	947,824	9.3	(b)
Operations	82,165,500	45,041,632	15,807,469	60,849,101	43,852,032	17,419,713	61,271,745	(422,644)	(0.7)	
Planning	6,482,300	1,776,737	3,059,110	4,835,847	1,988,660	2,527,846	4,516,506	319,341	6.6	
Personnel	6,799,900	2,918,513	2,138,234	5,056,747	2,579,468	1,355,605	3,935,073	1,121,674	22.2	(c)
Information Systems	16,509,200	6,907,056	5,380,397	12,287,453	6,608,822	4,354,897	10,963,719	1,323,734	10.8	(d)
Right of Way and Land	2,259,800	795,803	754,532	1,550,335	1,015,075	394,656	1,409,731	140,604	9.1	
Finance	6,472,100	3,333,238	1,474,305	4,807,543	3,274,234	1,286,082	4,560,316	247,227	5.1	
Public Affairs	5,346,000	2,029,122	1,909,679	3,938,801	2,062,534	793,264	2,855,798	1,083,003	27.5	(e)
Water Quality	8,197,200	4,392,028	1,690,664	6,082,692	4,590,963	1,273,846	5,864,809	217,883	3.6	
State Water Project/Conservation	26,302,200	3,129,606	14,847,636	17,977,242	2,871,441	14,304,069	17,175,510	801,732	4.5	(f)
Administrative Services	24,434,700	8,404,112	9,933,388	18,337,500	8,918,554	6,113,340	15,031,894	3,305,606	18.0	(g)
Environmental Compliance	11,054,000	3,345,692	4,789,965	8,135,657	3,296,008	2,371,832	5,667,840	2,467,817	30.3	(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	96,801,345	67,530,090	164,331,435	95,967,577	55,955,870	151,923,447	12,407,988	7.6	
Rental/Leases	8,811,000	0	6,608,226	6,608,226	0	4,784,949	4,784,949	1,823,277	27.6	(i)
Taxes	109,000	0	109,000	109,000	0	88,185	88,185	20,815	19.1	
Contingency	4,200,000	0	3,150,838	3,150,838	111,244	686,130	797,374	2,353,464	74.7	(j)
Implementation of Water Standby Charge	950,000	0	712,687	712,687	17,812	761,747	779,559	(66,872)	(9.4)	
Insurance Reserves	670,000	0	309,901	309,901	0	2,977,488	2,977,488	(2,667,587)	(860.8)	(k)
Depreciation of Minor Equipment	4,200,000	0	3,149,994	3,149,994	0	3,615,100	3,615,100	(465,106)	(14.8)	(l)
Overhead Credit from Construction	(24,142,900)	0	(18,112,009)	(18,112,009)	0	(12,727,239)	(12,727,239)	(5,384,770)	(29.7)	(m)
Association Dues	675,200	0	600,257	600,257	0	799,454	799,454	(199,197)	(33.2)	(n)
SUBTOTAL	(4,527,700)	0	(3,471,106)	(3,471,106)	129,056	985,814	1,114,870	(4,585,976)	132.1	
TOTAL OPERATION AND MAINTENANCE EXPENSE	216,441,100	96,801,345	64,058,984	160,860,329	96,096,633	56,941,684	153,038,317	7,822,012	4.9	

*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

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OPERATIONS AND MAINTENANCE SUMMARY
VARIANCE EXPLANATIONS
(Through March 31, 1994)

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 \$1,003,268; or 21.6 percent

Regional Water Resource Program - Professional and Technical Services - Some groundwater resource studies have been delayed because the sponsoring agency has not been ready to proceed. Metropolitan's decision to reduce funding to 25 percent of the cost of cooperative studies has resulted in several studies being given lower priority by the sponsoring member agencies. This program will remain under budget for the entire year.

Reclaimed Water and Local Resource Development Program - Professional and Technical Services - Consulting work for reclaimed water projects feasibility studies has been less than expected. This program will remain under budget for the entire year.

Special Projects Program - Professional and Technical Services - There has been a decrease in the need for consulting work on supply augmentation and water management programs. This program will remain under budget for the entire year.

b. Engineering Division under \$947,824; or 9.3%

Engineering Program - Incidental Expenses - Program is under budget due to delays in costs being incurred for Engineering and Intergraph software and the update for the construction specification handling system. Professional and Technical Services - Delays in a consultant study for contractor pre-qualification screening. A minimal budget variance is expected at year end.

Survey Program - Labor - Shift of personnel to Inland Feeder and Domenigoni Valley Reservoir projects have resulted in an O&M underrun. A minimal budget variance is expected at year end.

As-Built Program - Labor - Surface control monumenting activities delayed due to shift of survey personnel to Inland Feeder and Domenigoni Valley Reservoir projects. This program will remain under budget the entire year.

c. Personnel Division under \$1,121,674; or 22.2%

Personnel Program - Labor - Several positions were vacant during a portion of the year and temporary employees were reduced significantly. Professional and Technical Services - Reductions have occurred in the use of consultants and medical services. This program will remain under budget for the entire year.

d. Information Systems Division under \$1,323,734; or 10.8%

Integrated Management Information Systems Program - Labor - Staffing for the Help desk has been delayed until the last quarter of the fiscal year. Professional and Technical Services - Planned expenditures for Geographical Information System (GIS) and local area network consultants have been delayed until the last quarter of the fiscal year. Materials and Supplies - Purchase of District standard PC software (Attachmate and Microsoft site licenses) is considerably below plan, but will be in line with budget by fiscal year end. Incidental Expenses - Equipment maintenance fees are due in the last quarter of the fiscal year. A minimal budget variance is expected at year end.

e. Public Affairs Division under \$1,083,003; or 27.5%

Media Program - Media tours and travel expenses continue to be under budget; however activity is expected to increase for the remainder of the year.

Communication Relations Program - Moratorium of CRA, SWP, and one-day Director and GM-sponsored inspection trips has resulted in this program continuing to be under budget. One-day Domenigoni Valley project trips are increasing; but the costs are much lower than the three-day director-sponsored trips. This program will remain under budget for the entire year.

Education Program - Incidental Expenses - Major printing expenditures for the high school water politics module will carry over to the fourth quarter and costs are expected to match budget by year end.

Publications Program - Incidental Expenses - Redesign of People magazine and restoration of Aqueduct and Focus newsletter into a single publication (Aqueduct 2000) has resulted in slower production schedules than anticipated. Publication of the first issue was deferred to April with a revised two-issue publication schedule rather than the proposed six. This will result in a favorable variance for the remainder of the year.

f. State Water Project and Conservation Division under 801,732; or 4.5%

Water Transfers & Exchanges Program - Labor - Personnel vacancies. Professional and Technical Services - Consultant expenses are not as great as anticipated. This program will remain under budget for the entire year.

Water Conservation Program - Labor - Personnel vacancies. Professional and Technical Services - Some contracts are still being negotiated, others are in place, but billings have not been received. Contracts - Lack of resources by member agencies to match funding has resulted in delays in implementation of some conservation programs.

State Water Contract - Labor - Vacancies and utilization of Branch personnel on Bay/Delta projects have resulted in lower labor costs. Professional and Technical Services - Consultant needs have not materialized while some billings have not been received for contracts in place. This program will remain under budget for the entire year.

g. Administrative Services Division under \$3,305,606; or 18.0%

Facilities Management Program - Professional and Technical Services - Anticipated expenditures on the long-term headquarters building were delayed pending the selection of a permanent site. Incidental Expenses - Expenditures for office furnishings were delayed until the fourth quarter to coincide with the transfer of employees from the Sunset, Pasadena, and San Dimas facilities to Cal Plaza. Cost will remain under budget for the entire year.

h. Environmental Compliance Division under \$2,467,817; or 30.3%

Compliance Implementation Program - Professional and Technical Services - Delays on requests to prepare Risk Management Prevention Plans, ergonomics and confined space regulations have resulted in an underrun in this program which is expected to continue for the remainder of the year. Incidental Expenses - 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 waster recycled has kept costs under budget.

i. Rents/Leases under \$1,823,227; or 27.6%

One year base rent adjustment for Cal Plaza has kept rent expense low. Costs will approach budget by year end since the rent adjustment has expired and additional space is occupied, however, a favorable variance is expected for the entire year.

j. Contingency under \$2,353,464; or 74.7%

Contingencies have been required to fund activities connected with the Blue Ribbon Task Force and some O&M projects which were completed in last fiscal year that had carryover costs. Also see "Insurance Reserves".

k. Insurance Reserves over \$2,667,587 or 860.8%

This variance reflects settlement costs with the City of Monterey Park in conjunction with the Garvey Reservoir Dispute. The budget for insurance reserves will be supplemented with unexpended contingency funds to cover the costs.

l. Depreciation - Office Automation/Minor Equipment over \$465,106; or 14.8%

The value of office automation equipment being depreciated is greater than assumed for budget purposes. This has resulting in greater depreciation expense than budgeted. This program will remain over budget for the entire year.

m. Overhead Credit from Construction over \$5,384,770; or 29.7%

Less overhead has been incurred than budgeted, therefore the amount of overhead charged to construction is smaller. Since this is a credit, it produces an unfavorable variance which will continue for the remainder of the year.

n. Association Dues over \$199,197; or 33.2%

Six Agency Fund - Membership dues were \$172,376 more than budget because of a significant increase in the Committee's 1993-94 budget and the District's proportionate share of the budget. This will result in an unfavorable variance at year end.