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**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*Loren E. Duff*  
EXECUTIVE SECRETARY

October 24, 1994

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

From: General Manager

Subject: Variance Reporting, September, 1994

Report

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

Receipts are currently 14 percent over budget. The preliminary year-end estimate for water sales (cash basis) is \$615.5 million, or \$36.3 over budget. Water sales are projected to be 1.989 million acre-feet.

Tax receipts are projected to be \$8.7 million under budget due to lower assessed valuations, and other receipts for interest and power recoveries are projected to be slightly over budget at the end of the year.

Total year-end expenditures are projected to be under estimates by about \$66.6 million. State Water Contract payments are projected to be about \$52.0 million under budget. Credits are projected to be \$37.7 million more than budgeted. Most of the additional credits are related to the return of replacement account over payments and adjustments of prior years' charges. The balance of the underrun is due to revised off-aqueduct charges based on a reallocation of charges among the contractors.

Colorado River supplies are anticipated to be \$8.2 million under budget because some conservation projects have been deferred.

The balance of the variance is lower MWD O&M costs which are estimated to be \$6.4 million under budget.

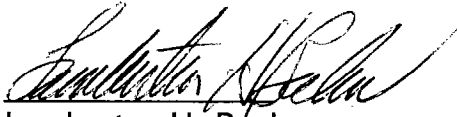
Based on these estimates, it is expected that approximately \$40 million will be added to the Water Rate Stabilization Fund this fiscal year.

#### Recommendation

For information only.

John R. Wodraska  
General Manager

Submitted by:

  
Lambertus H. Becker  
Acting Chief Financial Officer

Concur:

  
John R. Wodraska  
General Manager

Attachments

**BUDGET VS. COST REPORT**

CASH BASIS  
(\$ in Thousands)

FISCAL YEAR 1994-95

	ANNUAL BUDGET	BUDGET THRU SEPT. 94	ACTUAL THRU SEPT. 94	VARIANCE		X-REF.
				DOLLARS	PERCENT	
<b>RECEIPTS</b>						
WATER SALES	\$615,627	\$159,066	\$179,494	\$20,428	12.8%	(a)
TAXES	87,654	8,176	8,728	552	6.8%	
STANDBY CHARGES	50,000	442	1,378	936	211.8%	(b)
INTEREST	24,000	9,314	10,339	1,025	11.0%	(c)
POWER RECOVERIES	18,000	2,279	4,809	2,530	111.0%	(d)
OTHER	750	186	324	138	74.2%	
<b>TOTAL</b>	<b>\$796,031</b>	<b>\$179,463</b>	<b>\$205,072</b>	<b>\$25,609</b>		
<b>EXPENDITURES</b>						
O&M	224,989	58,824	53,264	5,560	9.5%	
OPERATING EQUIPMENT	3,586	1,200	339	861	71.8%	(e)
<b>STATE WATER SUPPLIES</b>						
SWC CAPITAL	127,813	51,447	51,447	0	0.0%	
SWC OMP&R	89,321	22,479	22,427	52	0.2%	
OFF AQUEDUCT	103,972	26,130	24,043	2,087	8.0%	
SWC VARIABLE POWER	15,981	5,572	4,941	631	11.3%	(f)
SWC CREDITS	(40,000)	0	(77,684)	77,684	100.0%	(g)
WATER TRANSFERS/OPTIONS	24,000	0	10	(10)	100.0%	
<b>COLORADO RIVER SUPPLIES</b>						
IID CAPITAL	18,385	0	372	(372)	-100.0%	
IID O&M AND INDIRECT	6,621	4,600	4,600	0	0.0%	
ALL AMERICAN/COACHELLA	10,033	3,000	0	3,000	100.0%	(h)
PVID	5,513	2,757	5,056	(2,299)	-83.4%	(i)
ARIZONA GROUNDWATER	10,000	5,000	0	5,000	100.0%	(j)
CRA POWER	34,472	7,089	6,938	151	2.1%	
<b>MWD CAPITAL PROGRAM</b>						
REVENUE BOND DEBT SERVICE	78,830	38,257	38,220	37	0.1%	
G.O. BOND DEBT SERVICE	57,070	18,112	17,846	266	1.5%	
COMM PAPER DEBT SERVICE	1,800	450	704	(254)	-56.4%	
SDCWA 1ST AQUEDUCT	150	37	101	(64)	-173.0%	
PAYG CONSTRUCTION	89,417	30,113	34,060	(3,947)	-13.1%	(k)
<b>TOTAL</b>	<b>\$861,953</b>	<b>\$275,067</b>	<b>\$186,684</b>	<b>\$88,383</b>		
<b>NET CHANGE IN CASH</b>	<b>(\$65,922)</b>	<b>(\$95,604)</b>	<b>\$18,388</b>	<b>\$113,992</b>		
<b>BOND CONSTRUCTION EXPENDITURES</b>	<b>\$445,083</b>	<b>\$117,213</b>	<b>\$41,211</b>	<b>\$76,002</b>	<b>64.8%</b>	<b>(l)</b>

**CASH BASIS SUMMARY  
VARIANCE EXPLANATIONS  
Through September 30, 1994**

**Criteria: (plus or minus) \$500,000 and 10 percent variance**

**RECEIPTS:**

- (a) Receipts from water sales are \$20.4 million (12.8%) greater than budgeted as water sales from May to July were 77,000 acre-feet higher than budgeted.
- (b) Water Standby Charges are \$ 0.9 million over budget mainly due to payments received from prior year delinquencies and the 90 day tax payment deferral given to taxpayers in Los Angeles County that were impacted by the January 1994 earthquake.
- (c) Interest on Investments are \$1.0 million greater than budget due to lengthening the average maturity and higher interest rates.
- (d) Receipts from power recoveries are \$2.5 million over budget because increased flows through the plants resulted in higher power production, and Southern California Edison is accelerating their payment schedule.

**EXPENDITURES:**

- (e) Operating equipment is \$.9 million under budget due to the timing of the purchases of operating equipment through September.
- (f) Variable power charges from the SWP are \$0.6 million under budget through the month of September. Staff anticipates that expenditures will continue to run under budget due to adjustments expected this calendar year from the Department of Water Resources (DWR). Expenditures are expected be more in line with monthly budget amounts by the end of the third quarter.
- (g) Credits of \$77.7 million have been received through September from the DWR. The credits received thus far relate to the Oroville replacement fund (\$26.9 million), Control Systems replacement fund (\$4.6 million), Excess Variable replacement deposits (\$17.3 million), adjustments to 1993 Off Aqueduct power charges (\$16.4 million), and return of bond cover and interest earnings from prior periods (\$12.5 million).
- (h) Payments for the All American Canal and Coachella Canal Lining projects are \$3.0 million under budget because the Coachella Project has been deferred and the All American Project is currently under staff review.
- (i) Payments made to PVID are \$2.3 million over budget through the month of September. The budget anticipated 2 payments, one in August 1994 and the other in February 1995, however, the payments to the landowners were made in July and August.
- (j) Payments for the Arizona Groundwater project are \$5.0 million under budget because the project has been delayed pending further staff review.

- (k) Pay-As-You-Go construction disbursements are \$3.9 million less than budget due to lower than anticipated expenditures through September on construction projects being funded from the PAYG Fund.
  
- (l) Construction expenditures from bond proceeds are 64.8 percent below budget. The Mills Filtration Plant had delays in contractor mobilization and there have been delays in the repair of Garvey Reservoir. The Chemical Containment Program for the distribution system and all filtration plants is expected to be less than originally anticipated as District personnel will design the project, rather than using consultants as originally planned, and has been delayed due to ongoing risk analysis which will omit some construction originally planned, reducing overall costs. Certain aspects of San Diego Pipeline No. 6 have been delayed pending results of the IRP which delayed release of RFP's for geotechnical investigations. Minor delays in the start-up of the Ozone program have resulted in an under run of costs. There are also delays in the site acquisition for Perris Filtration Plant, the Central Pool Augmentation Filtration Plant and the Inland Feeder. Staff anticipates expenditures to reflect current schedules of the Capital Programs as the fiscal year progresses

BUDGET VS. COST REPORT - OPERATIONS AND MAINTENANCE  
 JULY 1, 1994 - SEPTEMBER 30, 1994  
 PRELIMINARY REPORT

DESCRIPTION	TOTAL ANNUAL 1994-95 BUDGET	BUDGET-TO-DATE			COST-TO-DATE			DIFFERENCE		
		Labor	Other	Total	Labor	Other	Total	Amount	%	
Executive Offices (G.M.)	4,726,400	772,289	460,739	1,233,028	743,755	379,758	1,123,513	109,515	8.9	
Engineering	18,116,800	3,789,612	1,059,611	4,849,223	3,665,420	581,236	4,246,656	602,567	12.4	(a)
Operations	83,315,000	15,852,849	5,895,983	21,748,832	15,306,733	6,192,674	21,499,407	249,425	1.1	
Planning and Resources	39,823,900	2,701,015	5,120,292	7,821,307	2,526,312	5,093,092	7,619,404	201,903	2.6	
Personnel	6,097,200	909,007	686,306	1,595,313	951,612	449,093	1,400,705	194,608	12.2	
Information Systems	17,003,600	2,477,203	1,967,310	4,444,513	2,286,299	1,456,254	3,742,553	701,960	15.8	(b)
Finance	6,697,000	1,202,515	530,319	1,732,834	1,194,410	462,153	1,656,563	76,271	4.4	
Public Affairs	6,770,900	816,789	788,917	1,605,706	796,205	471,961	1,268,166	337,540	21.0	(c)
Water Quality	8,374,500	1,568,469	622,736	2,191,205	1,625,122	345,141	1,970,263	220,942	10.1	
Administrative Services	18,359,500	2,701,029	2,102,733	4,803,762	2,843,989	1,793,597	4,637,586	166,176	3.5	
Environmental Compliance	11,266,200	1,110,291	1,548,884	2,659,175	1,235,110	1,073,445	2,308,555	350,620	13.2	
Legal Department	3,729,300	740,532	235,233	975,765	691,882	234,938	926,820	48,945	5.0	
Audit Department	1,017,700	233,474	32,806	266,280	219,203	8,488	227,691	38,589	14.5	
Personnel Reduction Credit (Prorated to each division's labor budget-to-date)	(3,228,000)	0	0	0	0	0	0	0	--	
SUBTOTAL	222,070,000	34,875,074	21,051,869	55,926,943	34,086,052	18,541,830	52,627,882	3,299,061	5.9	
Rental/Leases	11,144,800	0	2,786,195	2,786,195	2,113	3,152,706	3,154,819	(368,624)	(13.2)	(d)
Taxes	93,100	0	6,000	6,000	0	4,494	4,494	1,506	25.1	
Contingency	4,400,000	0	1,134,877	1,134,877	0	0	0	1,134,877	100.0	(e)
Implementation of Water Standby Charge	400,000	0	200,000	200,000	9,820	232,003	241,823	(41,823)	(20.9)	
Insurance Reserves	450,000	0	53,478	53,478	0	504,474	504,474	(450,996)	(843.3)	(f)
Depreciation of Minor Equipment	5,300,000	0	1,324,999	1,324,999	0	1,665,480	1,665,480	(340,481)	(25.7)	(g)
Overhead Credit from Construction	(23,063,100)	0	(5,948,593)	(5,948,593)	0	(4,266,645)	(4,266,645)	(1,681,948)	(28.3)	(h)
Association Dues	800,000	0	67,060	67,060	0	606,763	606,763	(539,703)	(804.8)	(i)
SUBTOTAL	(475,200)	0	(375,984)	(375,984)	11,933	1,899,275	1,911,208	(2,287,192)	608.3	
TOTAL OPERATION AND MAINTENANCE EXPENSE	221,594,800	34,875,074	20,675,885	55,550,959	34,097,985	20,441,105	54,539,090	1,011,869	1.8	

\*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

1qtrevbvc  
 BASED ON NEW REORGANIZATION

41135

OPERATIONS AND MAINTENANCE SUMMARY  
VARIANCE EXPLANATIONS  
(Through September 30, 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. Engineering Division under \$602,567; or 12.4 percent

Engineering Program - Incidental Expenses - Intergraph maintenance, software and engineering specialty software costs have not been incurred. In addition, the program to track MBE/WBE subcontractor payments and revise the A-Agreement Procedure Manual is in the start-up phase. Costs are expected to normalize by year-end.

b. Information Systems Division under \$701,960; or 15.8 percent

Integrated Management Information Systems - Labor - Four personnel vacancies. Incidental Expenses - Delay in purchasing PC software and parts in July and August pending blanket order finalization.

c. Public Affairs Division under \$337,540; or 21.0 percent

Community Programs - Incidental Expenses - Inspection trips were not conducted in July and August as anticipated. Professional and Technical Services - Production of an inspection trip video required by the Americans With Disabilities Act and development of new exhibit graphics at Hoover Dam are scheduled for the second quarter.

Government Relations Program - Labor - Delay in filling budgeted positions and associated equipment and supplies.

d. Rental/Leases over \$368,624; or 13.2 percent

Increase in cost over budget was due to tenant improvement in connection with the cafeteria at Cal Plaza.

e. Contingency under \$1,134,877; or 100 percent.

There has been no requirement for the contingency fund during the first quarter.

f. Insurance Reserves over \$450,996; or 43.3 percent

The number of third party claims that were settled in the first quarter were higher than anticipated; and due to the damage resulting from the failure of a domed access cover on the Santa Monica Feeder, settlements will probably exceed the budget for the entire year.

g. Depreciation - Office Automation/Minor Equipment over \$340,481; or 25.7 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.

h. Overhead Credit from Construction under \$1,681,948; or 28.3 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.

i. Association Dues over \$539,703; or 804.8percent

Six Agency Fund - Costs were significantly over budget because membership dues payments planned for the second quarter were made during the first quarter.