



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

FEB 14 1995

*Harold E. Duff*  
EXECUTIVE SECRETARY February 8, 1995

(Special Budget Committee--Information)  
To: Board of Directors (Finance & Insurance Committee--Information)  
From: General Manager  
Subject: Variance Reporting, December, 1994

Report

Attached are quarterly variance reports for the period ending December 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 variance in the operations and maintenance summary if:

Costs are under budget by \$250,000 or more than 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 \$24.5 million over estimates at year-end based on preliminary projections. Water sales (cash basis) are projected to be \$647.9 million, or \$32.3 million over budget based on sales of 1.92 million acre-feet. Due to the recent heavy rains, this estimate will be reduced if water demands for February, March and April are substantially depressed.

Tax receipts are projected to \$10.1 million under budget due to lower assessed valuations. Receipts from the water standby charge and power recoveries are projected to be slightly under budget, however, interest earnings are projected to be \$4.4 million over budget reflecting higher interest rates and longer maturities.

Total year-end expenditures are projected to be under estimates by about \$94.8 million. State Water Contract payments are projected to be about \$57.9 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 overpayments and adjustments of prior years' charges. The balance of the under run is due to revised off-aqueduct charges based on a reallocation of charges among the contractors.

Colorado River supplies are anticipated to be \$32.8 million under budget primarily because some conservation projects have been deferred.

The balance of the variance is lower MWD O&M costs which are estimated to be \$3.9 million under budget.

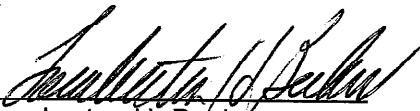
Based on these estimates, it is expected that approximately \$56.5 million will be added to the Water Rate Stabilization Fund this fiscal year. It should be noted that this estimate may be reduced if water sales remain below budget estimates.

#### Recommendation

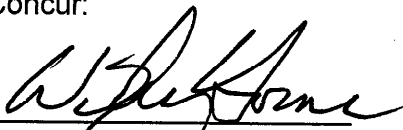
For information only.

John R. Wodraska  
General Manager

Submitted by:

  
Lambertus H. Becker  
Acting Chief Financial Officer

Concur:

  
John R. Wodraska  
General Manager

Attachments

MCF:jg  
varcov.doc

**BUDGET VS. COST REPORT**

CASH BASIS  
(\$ in Thousands)

FISCAL YEAR 1994-95	ANNUAL BUDGET	BUDGET THRU DEC. 94	ACTUAL THRU DEC. 94	VARIANCE		X-REF.
				DOLLARS	PERCENT	
<b>RECEIPTS</b>						
WATER SALES	\$615,627	\$332,309	\$371,665	\$39,356	11.8%	(a)
TAXES	87,654	42,212	38,152	(4,060)	-9.6%	
STANDBY CHARGES	50,000	14,487	18,894	4,407	30.4%	(b)
INTEREST	24,000	13,975	14,170	195	1.4%	
POWER RECOVERIES	18,000	7,593	8,245	652	8.6%	
OTHER	750	372	453	81	21.8%	
<b>TOTAL</b>	<b>\$796,031</b>	<b>\$410,948</b>	<b>\$451,579</b>	<b>\$40,631</b>		
<b>EXPENDITURES</b>						
O&M	224,989	114,921	111,665	3,256	2.8%	
OPERATING EQUIPMENT	3,586	1,500	1,994	(494)	-32.9%	
<b>STATE WATER SUPPLIES</b>						
SWC CAPITAL	127,813	64,859	65,045	(186)	-0.3%	
SWC OMP&R	89,321	52,451	44,853	7,598	14.5%	(c)
OFF AQUEDUCT	103,972	60,972	43,909	17,063	28.0%	(d)
SWC VARIABLE POWER	15,981	9,238	8,324	914	9.9%	
SWC CREDITS	(40,000)	(12,000)	(77,684)	65,684	547.4%	(e)
WATER TRANSFERS\OPTIONS	24,000	0	612	(612)	100.0%	(f)
<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	6,534	70	6,464	98.9%	(g)
PVID	5,513	2,757	5,056	(2,299)	-83.4%	(h)
ARIZONA GROUNDWATER	10,000	5,000	0	5,000	100.0%	(i)
CRA POWER	34,472	16,145	14,612	1,533	9.5%	
<b>MWD CAPITAL PROGRAM</b>						
REVENUE BOND DEBT SERVICE	78,830	43,036	42,278	758	1.8%	
G.O. BOND DEBT SERVICE	57,070	18,112	18,951	(839)	-4.6%	
COMM PAPER DEBT SERVICE	1,800	900	1,154	(254)	-28.2%	
SDCWA 1ST AQUEDUCT	150	75	151	(76)	-101.3%	
PAYG CONSTRUCTION	89,417	47,728	42,248	5,480	11.5%	(j)
<b>TOTAL</b>	<b>\$861,953</b>	<b>\$436,828</b>	<b>\$328,210</b>	<b>\$108,618</b>		
<b>NET CHANGE IN CASH</b>	<b>(\$65,922)</b>	<b>(\$25,880)</b>	<b>\$123,369</b>	<b>\$149,249</b>		
<b>BOND CONSTRUCTION EXPENDITURES</b>	<b>\$445,083</b>	<b>\$252,273</b>	<b>\$108,082</b>	<b>\$144,191</b>	<b>57.2%</b>	<b>(k)</b>

**CASH BASIS SUMMARY  
VARIANCE EXPLANATIONS  
Through December 31, 1994**

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

**RECEIPTS:**

- (a) Receipts from water sales are \$39.4 million (11.8%) greater than budgeted as water sales from May to October were 112,200 acre-feet (11.5%) higher than budgeted.
- (b) Water Standby Charges are \$ 4.4 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.

**EXPENDITURES:**

- (c) State Water Contract OMP&R payments are \$7.6 million under budget as the budget anticipated two payments in December. The December and January payments will be made in January 1995.
- (d) Off-aqueduct power is \$17.1 million under budget due to adjustments from the Department of Water Resources reducing MWD's allocated share of off-aqueduct power costs in 1994, and because the budget anticipated two payments in December. The December payment will be made in January 1995.
- (e) Credits of \$77.7 million have been received through December 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). Through the month of December, the budget anticipated \$12 million in credits resulting in a favorable variance of \$65.6 million through December 1994.
- (f) Water Transfers\Options is \$612,000 over budget as payments were made to secure options on 60,000 acre-feet of water through the Department of Water Resources. Due to the amount of precipitation received in December and January these options will be recommended for cancellation in a February Board letter and approximately \$480,000 is expected to be returned.
- (g) Payments for the All American Canal and Coachella Canal Lining projects are \$6.5 million under budget because the Coachella Project has been deferred and the All American Project has not yet been initiated.
- (h) Payments made to PVID are \$2.3 million over budget through the month of December. The budget anticipated two payments, one in August 1994 and the other in February 1995, however, the payments to the landowners were made in July and August. Therefore, this item will be at budget by the end of the fiscal year.

- (i) Payments for the Arizona Groundwater project are \$5.0 million under budget because the project has been delayed pending further staff review.
- (j) PAYG Construction expenditures are \$5.5 million under budget due to overall lower expenditures in construction.
- (k) Construction expenditures from bond proceeds are 57.2 percent below a straight line 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 actual design costs are under estimate, and some construction has been eliminated as a result of on-going risk analysis, thus reducing overall costs. Certain aspects of San Diego Pipeline No. 6 have been delayed. There are also delays in the site acquisition for Perris Filtration Plant, the Central Pool Augmentation Filtration Plant and the Inland Feeder. The Domenigoni Valley Reservoir Project has construction expenditures for the last half of fiscal year 1994-95 that will reduce the variance, also the Allen McColloch Pipeline payment of approximately \$20 million is due during the last half of fiscal year 1994-95.

BUDGET VS. COST REPORT - OPERATIONS AND MAINTENANCE  
 JULY 1, 1994 - DECEMBER 31, 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	4,726,400	1,522,322	901,549	2,423,871	1,456,918	689,286	2,146,204	277,667	11.5	
Engineering	18,116,800	7,069,070	1,914,544	8,983,614	6,961,798	1,056,135	8,017,933	965,681	10.7	(a)
Operations	83,315,000	31,564,643	11,734,880	43,299,523	29,703,893	12,120,263	41,824,156	1,475,367	3.4	(b)
Planning and Resources **	44,923,900	5,416,373	12,505,474	17,921,847	4,948,892	14,187,740	19,136,632	(1,214,785)	(6.8)	(c)
Human Resources	6,097,200	1,807,906	1,364,940	3,172,846	1,804,676	806,142	2,610,818	562,028	17.7	(d)
Information Systems	17,003,600	4,911,014	3,892,922	8,803,936	4,548,419	2,663,391	7,211,810	1,592,126	18.1	(e)
Finance	6,697,000	2,391,586	1,084,581	3,476,167	2,368,701	1,039,762	3,408,463	67,704	1.9	
Public Affairs	6,770,900	1,644,392	1,666,905	3,311,297	1,555,413	957,325	2,512,738	798,559	24.1	(f)
Water Quality	8,374,500	3,081,941	1,234,885	4,316,826	3,168,518	825,580	3,994,098	322,728	7.5	
Administrative Services	18,359,500	5,371,871	4,181,983	9,553,854	5,373,889	4,403,385	9,777,274	(223,420)	(2.3)	
Environmental Compliance	11,266,200	2,308,373	3,214,925	5,523,298	2,360,631	1,922,589	4,283,220	1,240,078	22.5	(g)
Personnel Reduction Credit (Prorated to each division's labor budget-to-date)	(3,228,000)	0	0	0	0	0	0	0	--	
<b>SUBTOTAL GENERAL MANAGERS DEPT.</b>	<b>222,423,000</b>	<b>67,089,491</b>	<b>43,697,588</b>	<b>110,787,079</b>	<b>64,251,748</b>	<b>40,671,598</b>	<b>104,923,346</b>	<b>5,863,733</b>	<b>5.3</b>	
General Counsel Department	3,729,300	1,472,788	467,840	1,940,628	1,414,417	271,623	1,686,040	254,588	13.1	
Audit Department	1,017,700	464,340	65,247	529,587	438,284	18,613	456,897	72,690	13.7	
	<b>227,170,000</b>	<b>69,026,619</b>	<b>44,230,675</b>	<b>113,257,294</b>	<b>66,104,449</b>	<b>40,961,834</b>	<b>107,066,283</b>	<b>6,191,011</b>	<b>5.5</b>	
Rental/Leases	11,144,800	0	5,572,390	5,572,390	4,330	5,712,312	5,716,642	(144,252)	(2.6)	
Taxes	93,100	0	64,860	64,860	0	99,967	99,967	(35,107)	(54.1)	
Contingency	4,400,000	0	2,289,710	2,289,710	0	0	0	2,289,710	100.0	(h)
Implementation of Water Standby Charge	400,000	0	399,996	399,996	17,103	439,280	456,383	(56,387)	(14.1)	
Insurance Reserves	450,000	0	224,994	224,994	473	915,060	915,533	(690,539)	(306.9)	(i)
Depreciation of Minor Equipment	5,300,000	0	2,649,998	2,649,998	0	3,254,584	3,254,584	(604,586)	(22.8)	(j)
Overhead Credit from Construction	(23,063,100)	0	(11,155,465)	(11,155,465)	0	(8,323,183)	(8,323,183)	(2,832,282)	(25.4)	(k)
Association Dues	800,000	0	645,298	645,298	0	673,711	673,711	(28,413)	(4.4)	
<b>SUBTOTAL</b>	<b>(475,200)</b>	<b>0</b>	<b>691,781</b>	<b>691,781</b>	<b>21,906</b>	<b>2,771,731</b>	<b>2,793,637</b>	<b>(2,101,856)</b>	<b>(303.8)</b>	
<b>TOTAL OPERATION AND MAINTENANCE EXPENSE</b>	<b>226,694,800</b>	<b>69,026,619</b>	<b>44,922,456</b>	<b>113,949,075</b>	<b>66,126,355</b>	<b>43,733,565</b>	<b>109,859,920</b>	<b>3,761,877</b>	<b>3.4</b>	

\*\* Additional \$5.1 million augmentation was approved by the Board in October 1994, No. 41083, for the Water Conservation Credits Program.

\*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, 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 \$965,681; or 10.7 percent

Engineering Program - Labor - Personnel vacancies. Incidental Expenses - Intergraph maintenance, software and engineering specialty software costs have not been incurred as anticipated during the first half of the year. Costs are expected to normalize by year-end.

b. Operations Division under \$1,475,367; or 3.4 percent

Colorado River Aqueduct Operations - Labor - Personnel vacancies. Incidental Expenses - Variance is due to lower than budgeted expenses for this program.

Water Treatment - Labor - Personnel vacancies. Moreover, some labor cost for this program was inadvertently charged against Operations Administrative Services program.

Maintenance Shop Services - Labor - Variance is due to charges to capital projects and personnel vacancies.

Emergency Preparedness and Protective Services - Professional and Technical Services - Variance is due to a time lag in the security contract billing.

- c. Planning and Resources Division over \$1,214,785; or 6.8 percent

Water Conservation Program - Other Contracts - Variance is due to increased conservation efforts more than anticipated during the first half of the year. With a \$5.2 million budget augmentation by the Board of Directors in October 1994, and reimbursement from member agencies, costs are expected to be in balance with the budget by year-end.

- d. Human Resources Division under \$562,028; or 17.7 percent

Personnel Program - Professional and Technical Services - In order to achieve savings from the Early Retirement program, recruitments have been held to a minimum thus the use of medical consultants and outside medical services has been reduced because fewer preemployment physical examinations have been performed. Related incidental expenses also have been reduced.

- e. Information Systems Division under \$1,592,126; or 18.1 percent

Integrated Management Information Systems - Labor - Personnel vacancies and early retirements labor savings.  
Professional and Technical Services - Payment of Microsoft software licenses and various hardware maintenance contracts will occur in the last quarter of the year.

- f. Public Affairs Division under \$798,559; or 24.1 percent

Community Programs - Incidental Expenses - The majority of the director-sponsored inspection trips will be conducted in January through June of 1995 and expenses associated with the planning and implementation of the Strategic Plan American Assembly, public forum meetings, and director emeritus luncheons will not be incurred until early 1995. In addition, the development of new exhibit graphics upon which participation in several fairs and trade shows are based will not be completed until early Spring

Publications Program - Incidental Expenses - Variance is due to delay in launching the District's employee newsletter People on a monthly basis because of equipment purchase delays. Professional and Technical Services - Some contracts are still under negotiation while billings for other contracts are being processed.

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Government Relations Program - Labor - Delay in filling budgeted positions.

- g. Environmental Compliance Division under \$1,240,078; or 22.5 percent

Compliance Implementation Program - Incidental Expenses - Variance is due to the successful implementation of source reduction and waste minimization program and more cost effective methods of remediating soil contamination.  
Professional and Technical Services - Variance due to delays in billings/payment processing.

- h. Contingency under \$2,289,710; or 100 percent.

There has been no requirement for the contingency fund during the first half of the year.

- i. Insurance Reserves over \$690,539; or 306.9 percent

The number of third party claims that were settled in the first half of the fiscal year 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.

- j. Depreciation - Office Automation/Minor Equipment over \$604,586; or 22.8 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.

- k. Overhead Credit from Construction under \$2,832,282; or 25.4 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.