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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

[Signature]
Executive Secretary

June 24, 1992

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

From: General Manager

Subject: Response to Special Budget Committee Recommendations
Made at the 1992-93 Budget Workshop

Report

At its 1992-93 budget review meeting on May 4-5, 1992, the Special Budget Committee made a number of recommendations for staff consideration. This report summarizes the proposed action by management based on the committee's recommendations.

1. It was requested that analysis be performed on the impact that the construction of chemical containment facilities will have on the First Responder Program.

The construction of chemical containment facilities will reduce the possibility of exposure and liability due to a hazardous chemical spill at District facilities and enable the District to meet new regulations concerning the storage and transport of hazardous materials. While these containment facilities will reduce the risk of exposure to an accidental discharge, the first responder program must be maintained at current levels to comply with existing laws and regulations. Additionally, these employees serve a dual role as an important part of the District's preventive maintenance program.

2. It was requested that a status report on the implementation of the R. W. Beck study, Organization Review of the Operations Division, be provided.

It is anticipated that the General Manager's recommendation regarding the R. W. Beck study will be submitted to the Board of Directors in July or August 1992.

3. It was recommended that the number of staff allocated to administrative functions in the Environmental Compliance Division be examined.

The number of staff allocated to administrative functions reflects the necessary support required to accomplish the objectives and work plans outlined by the division for 1992-93. There are currently six administrative and support staff in the division as follows:

- 1 - Administrative Assistant I
- 1 - Administrative Secretary I
- 1 - Office Services Supervisor
- 1 - Office Services Assistant II
- 2 - Office Services Assistant I

The current ratio of administrative/clerical support to professional staff, 6:51, is consistent with that of other divisions in the District and is considered to be appropriate.

4. It was requested that a description of the high school program on water politics be provided.

The Water Politics unit currently being developed as part of the education program of the Public Affairs division consists of case studies at the high school level relating to contemporary water issues. Through critical thinking, debates and role playing, students will investigate the role of federal, state and local governments, water agencies and interest groups in water management decisions. Suggested case study topics will include:

"Who Can Use the Water? A look at Water Rights and Water Law in California",

"Saving Those who Can't Save Themselves: A Look at the Endangered Species Act",

"Risk Assessment: Is Safe Possible, and If So, How Much Is It Worth?", and

"When We Need More Water, Where Can It Come From?
Water Transfers in California".

The program will contain a teacher guide, student books, a map, a video and a student record sheet. The student record sheet provides an assessment of student knowledge of the subject and an evaluation of the course by the teacher incorporating student feedback and test scores.

5. It was recommended that the increase in the Governmental Relations program be explained.

The proposed funding increase in the Government Relations program reflects labor charges for one Senior Government Relations Representative, who formerly was a member of the Media Relations program. The balance of the labor increase is attributable to the contractual salary increase approved by the Board.

6. It was requested that the cost of the Price Waterhouse Management and Organizational Assessment of the Board of Directors study be provided.

Two contracts were entered into with Price Waterhouse to perform services associated with the management and organizational assessment of the Board of Directors. The first contract covered the preparation of the study, and the second provided for assistance in implementing the recommendations included in the report. The combined cost for these two contracts was \$193,300.

7. It was requested that the salary range of the Advance Planning Manager classification be provided.

The salary range of the Advance Planning Manager classification is \$35.03 - \$43.39 per hour, or \$73,152 - \$90,600 per annum.

8. It was recommended that the Request for Proposal for the Strategic Plan Study be reviewed by the Chair of the Board.

Assistant General Manager Michael J. McGuire reviewed a copy of the Request for Proposal for the Strategic Plan Study with the Chair of the Board of Directors and Macneil Stelle, Chair of the Organization and Personnel Committee, on May 27, 1992.

9. It was recommended that the work order currently titled "Benefits to State Officials" be renamed to better describe the function of this work order.

This work order was established to account for expenses which are related to Metropolitan funded programs dealing with State officials and are attributable to activities of District employees/representatives. All expenses of the District representative, the official and any other parties involved in the activities and paid for by the District is charged against this work order. This may include such expenses as meals, travel, lodging, etc. The description of this work order will be changed to "State Officials Expense".

10. It was recommended that the pink program sheets contained in the budget be revised to show the adopted budget amounts by work order.

The suggested revision would allow for a comparison of the adopted, projected and proposed budget amounts by work order. The amount of space needed to print the work order titles currently does not allow adequate space for including the adopted budget amounts; however, staff will continue to examine methods to incorporate the suggested revision into next year's budget.

11. Concern was expressed that Metropolitan's preventive maintenance program should not be deferred as a short-term solution to revenue increases.

The critical functions of Metropolitan's preventive maintenance program continue to be performed as scheduled. However, due to shortage of staff, the maintenance interval in some more routine activities is being extended, while some non-critical maintenance such as gardening and cosmetic painting is being deferred. This is done by freezing certain positions as they become vacant.

12. It was requested that an adequate contingency be included in the budget to provide funding for major unexpected expenditures.

The budget contains a \$2 million contingency work order. In addition, the District's working capital held in the Water Revenue Remainder Fund and the

General Fund will total \$130 million on June 30, 1992 and will be increased to \$175 million on June 30, 1993. These funds are held to provide a \$25 million self insurance reserve for emergency repairs and claims against the District, and \$105 million (\$150 million on June 30, 1993) to cover major unexpected expenditures or revenue shortfalls. In addition, other funds that could serve as a contingency reserve include the Water Rate Stabilization Fund, Treatment Surcharge Stabilization Fund, and the Pay-As-You-Go Fund. The total balance of these funds is estimated to be \$198 million on June 30, 1992.

13. It was requested that, if possible, future budgets identify full-time equivalent personnel included in consultant contracts.

Identifying FTEs for O&M consulting contracts in future budgets is currently being reviewed by staff. While such data could provide information related to total staffing requirements, there is a general concern that the FTE figures that such conversions will produce will be inaccurate and possibly misleading. Many consultant contracts are based on a lump sum amount with no standardized system of consultant labor hours or rate. Therefore, the accuracy of the information produced by such conversion could be suspect. This is due primarily to the fact that consultant hourly rates vary, and some projects are done by several consultants who themselves employ a wide range of personnel at different rates of compensation. Staff will continue to examine this issue and to find a way to incorporate this information in future budgets.

Board Committee Assignments

This letter was referred to:

The Special Budget Committee pursuant to its authority to make recommendations regarding the Annual Budget under Administrative Code Section 2531.

The Finance and Insurance Committee pursuant to its authority to make recommendations with regard to preparation of budgets under Administrative Code Section 2441(a).

Recommendation

For information only.



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