

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

September 30, 1993

To: Board of Directors (Special Budget Committee--Information)
From: General Manager
Subject: Responses to Special Budget Committee Recommendations Made at
the April 19-20, 1993 Meeting

Report

At its 1993-94 budget review meeting on April 19-20, 1993, 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 a review be conducted regarding the appropriateness of funding projects prior to certification of an environmental impact report.

Funding of projects occurs in several phases. Prior to the certification of an environmental impact report for a project, there are numerous activities that must occur. Examples of these activities are the preparation of feasibility studies as well as the environmental impact report itself. Under CEQA guidelines, it is appropriate to fund these kinds of activities prior to the EIR certification. On occasion, it has also been necessary to purchase potential sites for projects where there is an immediate threat of development to preserve the area for consideration in the EIR evaluation.

Project activities that are inappropriate to fund prior to the EIR certification include construction, clearing or grading of land, and improvements to existing public structures.

It is believed that this review was requested as a result of the Hemet School District challenge of the Domenigoni Reservoir Project EIR. In that situation, the school district sued Metropolitan

after the certification of the EIR to insure Metropolitan's compliance with mitigation planned in the EIR. Funding of the design phase of the project occurred at the time of the certification and prior to the filing of the litigation. The only party which preserved its right to sue on the EIR was the school district. Due to the critical time schedule for completion of the project, it was decided to continue with the expenditures for design during the pendency of the litigation. This decision was made because Metropolitan's financial exposure in the litigation was quantifiable in the worst case and was deemed a cost which would have to be borne in the event the litigation could not be settled. Fortunately, the case was settled and progress on the project was not delayed. This is an unusual situation and one that staff always seeks to avoid.

2. It was recommended that the costs for a peer review of the Engineering Division be included in either the General Manager's budget or be funded from the contingency account.

A peer review committee comprised of representatives from public and private agencies was established to review the operations of the Engineering and Operations division. The costs associated with the peer review are being gathered and will be funded from the contingency account. A draft report of the peer review committee is tentatively scheduled to be released mid-October.

3. It was recommended that, when possible, specialized pieces of equipment that Metropolitan owns be made available for member agencies' use.

It is Metropolitan's practice to make available to member agencies equipment and specialized services when there is a need. For example, when a San Diego County Water Authority pipeline ruptured in 1991, Metropolitan's machine shop was able to fabricate the necessary section and assisted in the repair. Metropolitan is reimbursed for these services. The types of equipment and services available include: (a) mobile chlorinators (b) mobile dechlorinators; (c) corrosion control equipment; (d) global positioning system survey

equipment; (e) machining and fabrication services; and (f) training and certification. It should be noted that the use of these specialized pieces of equipment by member agencies may require recalibration, purchase of software, and training for their employees.

4. It was requested that the amount of time spent on administrative and accounting functions for organizations such as the San Joaquin Trust, Six-Agency Committee and the Civil Defense Fund be reviewed.

It is estimated that the staff spends an average .25 FTE per year on administrative and accounting functions for the above organizations. The workload spans the entire year with some of these organizations having peak periods. The District is the lead agency in these organizations and serves as the appointed trustee for some of them. In some cases Metropolitan retains the interest earnings from the trusts which offsets administrative costs. In other instances such as the East Orange County Feeder No. 2 Trust where Metropolitan is the lead agency, the District receives the benefits of operational flexibility and assured maintenance schedules and standards.

5. It was requested that a list of projects not currently being accomplished by the Auditor's Department be provided.

A list of projects that the Auditor's Department is not accomplishing due to a lack of staff was transmitted to the Board of Directors on April 20, 1993.

6. It was recommended that if the Special Audit Committee agrees to the addition of two positions for the Auditor that the Board authorize the transfer of two positions from either the General Manager's or General Counsel's department to the Auditor's department.

The staff complement for the Audit Department has remained at eight positions although the Auditor has requested two additional staff in the 1993-94 budget. Currently, the Special Audit Committee is

awaiting input requested from the General Manager concerning the Audit Department's staffing requirements and work plan. This matter will be handled by the Special Audit Committee in November, 1993.

To avoid undesired conflicts related to position authorization that could strain relationships between the three departments, the Board may wish to consider authorizing separate personnel complements for each department.

7. It was recommended that the Vice Chairs of the Board discuss the scope of the Blue Ribbon Panel with the Chair, that a report be prepared that clearly defines the scope, and that the Special Budget Committee recommend a budget based on that report to be funded from the contingency account.

The Blue Ribbon Panel has been organized into four subcommittees which are focusing on (1) business practices, processes and programs; (2) human resources/diversity; (3) integrated resources plan, rate structure, and long-term revenues; and (4) external relations/organizational governance. It is estimated that the cost associated with the Panel's work will be approximately \$250,000. This covers the costs of the Executive Director, additional consulting assistance and expenses associated with the operations of the Panel such as meals and out-of-pocket expenses. This will be funded from the contingency account.

8. It was requested that the names of Operations Division branch managers be included on the organization chart.

The names of Operations Division branch managers were included on the organization chart in the final budget.

9. It was requested that transfers between programs be clearly identified with the budget document.

In future budgets, transfers between programs will be clearly identified.

10. It was recommended that quarterly reports on property acquisitions be prepared and indicate successful sales.

The Right-of-Way and Land Division currently maintains a quarterly report of its property acquisitions and dispositions. This report is submitted quarterly to the Land Committee by the General Manager.

11. It was recommended that an analysis of the District's leasing policy be performed.

Strategic Objective 4.9 - Property Management requires the Right of Way and Land Division (R/W) to "develop a plan for optimizing the use of District property by June 1995". The recommended analysis of the District's leasing will be carried out by R/W in connection with the implementation of this objective.

12. It was requested that a report be prepared on the cost differential of purchasing generic brands of personal computers compared to the current contract.

A Board letter entitled, Current Personal Computer Use and Proposed 1993-94 Budget, was submitted to the Finance and Insurance Committee at its June 1993, meeting that addressed the issues covered in this recommendation. A copy of the Board letter is attached.

13. It was recommended that a study be prepared analyzing personal computer needs, including how pc's are used and where they are located.

A Board letter entitled, Current Personal Computer Use and Proposed 1993-94 Budget, was submitted to the Finance and Insurance Committee at its June, 1993 meeting that addressed the issues covered in recommendation nos. 12 and 13,. The letter was received and filed. A copy of the Board letter is attached.

14. It was recommended that personal computer upgrade be phased in over several years.

It is estimated that approximately 1,200 computers need to be upgraded. The purchase of these machines will be phased in over time. For fiscal year 1993-94 approximately 300 personal computers are scheduled to be upgraded.

15. It was recommended that the policy regarding the disposal of personal computers be formalized and adopted by the Board of Directors.

Under existing policy, personal computers are treated in the same way as other obsolete equipment. Information Systems releases obsolete equipment to Administrative Services for salvage. Obsolete equipment including computers and peripherals are auctioned through a company under contract with Metropolitan. These items are presented in lots and auctioned to the highest bidder "as is, where is". A new policy that would allow sale or release of this equipment to member agencies, schools, other governmental units, and non-profit organizations at a fair market value is being formulated by Public Affairs and Administrative Services for consideration by the Board of Directors.

16. It was requested that the purchasing policies be reviewed to ensure that Metropolitan is purchasing materials, supplies, and equipment at the lowest cost.

Under existing policy, all contracts estimated at \$5,000 or more are made under the competitive bid process (Administrative Code 8103). In addition to cost, other value factors such as quality, on-time delivery, vendors' financial stability, etc., are considered when awarding a contract. An item with a low purchase price may result in overall higher costs to the District when these other factors are considered.

Another program recently implemented is Just-In-Time delivery that utilizes a stockless inventory concept designed to reduce cost of excess inventory, warehouse, insurance and other costs associated with repetitive ordering.

17. It was requested that the desalination demonstration project be reviewed and that a cost comparison between desalination and water transfers/exchanges be prepared.

MWD's target is to develop, to the extent possible, agreements for 500,000 AF of option water which permits flexibility in meeting dry-year demands while minimizing cost. Option water represents water available by long-term agreement for dry years. Metropolitan will also purchase spot water which is more of an emergency supply. The cost of option and spot water ranges from a low of \$125/AF up to \$250/AF plus the cost of transportation. The cost of desalted water on the other hand has been forecast by several studies to be around \$1200/AF. Santa Barbara, for example, has a state of the art plant which has operated and guaranteed water at \$1960/AF. Further, there have been some recent bids in the State which have ranged from \$1400 to \$1900 per acre foot. The District's conceptual design estimate of desalted seawater costs for a full scale plant is approximately \$700/AF. It is expected that the 5 MGD Demonstration Plant will produce desalted seawater at \$1000/AF.

18. It was requested that the size, location and total cost of a permanent headquarters site be revisited.

The Building Task Force is evaluating four alternative sites for Metropolitan's permanent headquarters. These sites include the winner of RFP No. 47 - Catellus' proposed Union Station development, Times Mirror Square (an existing building in Los Angeles), redevelopment of the existing headquarters at 1111 Sunset, and development of existing Metropolitan property in La Verne.

The evaluation will include an analysis of the relative cost of each alternative, including hard and soft costs, as well as the cost of land and entitlements. In addition, each site will be evaluated in terms of available financing alternatives, site compatibility, access to mass transit, and long-run operating costs. Each alternative will be evaluated on a value basis. That is, both cost and benefits will be evaluated, in an effort to ensure the most effective long-term solution is selected.

19. It was requested that an analysis of the cost effectiveness of renting vs. purchase of a passenger tour bus be prepared.

The proposed passenger tour bus is a 28 passenger vehicle with two wheelchair positions that when not in use can be quickly replaced with removable seats. The bus contains ample rear baggage and overhead storage. Its estimated life-span is seven years or 350,000 miles. The approximate purchase cost is \$130,000. The lease cost of the vehicle would total \$144,300 for a five year period. At the end of the five year period, a purchased bus could be sold for salvage and net additional income for the District. Based on the above figures, it would be more cost effective for the District to purchase the bus.

20. It was requested that in future budgets, replacement and new operating equipment items be listed separately.

Replacement and new operating equipment items will be listed separately in future budgets.

21. It was requested that mailing lists for publications be reviewed and purged.

A publication mailing list was reviewed and purged in January 1993, eliminating approximately 15,000 names. The next mailing list purge will be conducted in two to three years.

22. It was recommended that a Board letter be prepared regarding the Government Finance Officer's Association budget award.

A Board letter regarding the Government Finance Officer's Association budget award was prepared and submitted at the June, 1993 Board of Directors meeting. A copy of the letter is attached.

23. It was recommended that the Assistant General Managers review the Environmental Compliance and Administrative Services divisions budgets and report their findings back to the Special Budget Committee.

A review of the Environmental Compliance Division was conducted and oral report presented to the Special Budget Committee at its May 18, 1993 meeting. The results of a survey conducted to compare MWD's environmental compliance program with thirteen other programs in both the public and private sectors, revealed that the average number of employees in a comparable organization was 79, compared to 49 for MWD. The average annual budget for a comparable organization was \$17 million compared to \$11 million for Metropolitan. It was further reported that the Environmental Compliance Division is run with 15 fewer employees than was recommended by the Dames and Moore report in 1992. The importance of the division to the District and the efficient manner in which it is being run was voiced by Assistant General Managers Wiley Horne and Richard Balcerzak.

24. It was recommended that in future years the capital improvement program be reviewed prior to the O&M budget review.

The capital improvement program will be reviewed prior to the O&M budget review in future years.

25. It was requested that on a continuing basis all vacancies be examined with the goal of reducing the number of positions.

All vacancies are considered to be District pool positions. A committee consisting of the three assistant general managers has been established and is responsible for determining which of these pool positions can be filled. Pool positions are allocated to the divisions based on the highest District priorities.

26. It was requested that the Subcommittee on Financial Policy and the Special Committee on Legislation continue to pursue connection/capacity fee authority.

Connection/capacity fee authority is reviewed with these committees on an ongoing basis.

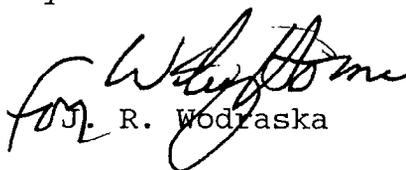
The objective of "growth paying its' fair share" is included in the ongoing Financial Structure Study currently being discussed with the Special Committee on Financial Policy and the member agency managers. Completion of this study is expected before the end of the year.

Board Committee Assignment

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.

Recommendation

For information only.


J. R. Wodraska

AMA/MCF/LHB:jg

Attachments

P:\Finserv\Budget\RESSBC

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

May 20, 1993

(Finance and Insurance Committee--Information)
 Board of Directors (Engineering and Operations Committee--Information)

General Manager

Current Personal Computer Use and Proposed 1993/94
 Budget

Report

During the meetings to consider the proposed 1993/94 annual budget held by the Special Budget Committee on April 19-20 and May 18, 1993, the committee asked for additional information regarding the number of new personal computers requested, the number of personal computers currently owned by the District and their use, and prices estimated for personal computers in the 1993/94 budget. Staff agreed to submit a detailed report to address the questions of the committee prior to the adoption of the 1993/94 annual budget.

Requests for Capital Equipment

Capital equipment is budgeted annually at the division level. Staff completes an "Operating Equipment Budget Request" form which identifies the item, where it will be used, its purpose, how the job is currently done, and whether the item is new, a replacement, or a reorder. The request is then reviewed and approved or disapproved by the branch manager, assistant division head, and division head before presentation to the Assistant General Manager.

Following the Special Budget Committee meeting of May 8, 1993, an extensive review of 1993/94 personal computer budget request was conducted under the direction of the Assistant General Managers. Each division reviewed the personal computers currently in use, as well as their proposed purchases and rejustified them, in writing, to their respective Assistant General Manager. Upon completion of this review, 607 personal computers were requested for the 1993/94 budget and approved by the Assistant General Managers.

Current Personal Computer Utilization

Current personal computer usage, by division, is reflected in Attachment A-1; an age analysis of personal computers currently owned by the District is contained in Attachment A-2; and the categories of justification and the corresponding quantities for the 1993/94 budget request are shown on Attachment A-3. The average age of a personal computer currently owned by the District is 3.9 years.

Personal computers have become a commodity as important to an employee's job performance as a telephone. At the District, secretarial staff use personal computers (standalone or LAN connected) for text processing, procurement, calendaring, and timekeeping. Professional staff perform analytical studies using spreadsheets, databases, graphics, text processing, and mainframe applications such as budget, Water Accounting Classification and Invoicing (WACI), Material Safety Data Sheet (MSDS), cost inquiry, procurement, and application development. Managers review and approve staff work and communicate via personal computers.

Product/Supplier Selection

Personal computer acquisition is accomplished through a rigorous process of product evaluation, District business requirements assessment, and competitive bids for supplier selection. Selection of products is based on factors such as business needs, application software to be used, connectivity to the District's data network, product quality, duration of warranty, useful product life due to modular design of hardware, cost savings in staff training through use of only a few vendors, financial stability of the vendor, business practices of the vendor, and integration with other products currently owned by the District.

Selection of suppliers is based on product prices offered, ability to meet the District's required schedules and to provide support services, ability to perform installation and repair of equipment, suppliers' financial stability, business track record, and willingness to submit to audits by District staff. This process is followed to ensure that the District receives the best value for the price paid. Not all vendors and suppliers can meet the standards required by the District. Many vendors have not been in business long enough to show that they will be viable in today's highly price-competitive computer market. Our process is designed to select those vendors that will most likely meet the District requirements both now and in the future.

Currently, the District purchases four types of general purpose personal computers. Their hardware configuration and pricing are as follows:

	Clerical	Manager	Typical Professional	Power User
Monitor	14" REM (\$455)	14" REM (\$455)	14" REM (\$455)	17" REM (\$1,065)
CPU	486/25M-120 (\$2,089)	486/25M-120 (\$2,025)	486/33M-340 (\$2,785)	486/66M-510 (\$3,119)
*RAM	6mb	4mb	8mb	8mb
*Video Contrllr	Q-Vision	Q-Vision	Q-Vision	Q-Vision
*Oper System	DOS	DOS	DOS	DOS
*Oper Environ	Windows	Windows	Windows	Windows
*Point Device	Mouse	Mouse	Mouse	Mouse
**TOTAL	\$ 2,544	\$ 2,480	\$ 3,240	\$ 4,184

- * Bundled in CPU pricing
- REM - reduced emission monitor
- **Prices as of May 20, 1993

The current personal computer product vendor is ComPaq, which was selected by technical and cost comparison with all major personal computer manufacturers during the most recent product evaluation. Staff chose the ComPaq personal computer because, to a large extent, it is the only Extended Industry Standard Architecture (EISA) vendor which offers upgrades for its major internal components across a product line. Using such "modular" machines means that once in place, instead of replacing an entire personal computer, internal components such as processor boards and CPU chips can be replaced at a much cheaper cost. Use of modular machines reduces the workload of technicians through easier maintenance and repair. The ComPaq personal computers also integrate more effectively with our local area network servers which are also ComPaq machines. Other personal computer brands, such as Dell, AST, Gateway, and Packard Bell do not offer this kind of cost saving modularity within the same price range.

As a business strategy staff has elected to use as low a product mix as possible. In the Information Systems Strategic Plan (ISSP) prepared by Andersen Consulting in March 1991, it was observed that the District owned at least eight different brands of personal computer workstations. The study recommended a much lower product mix to reduce overall costs of system management in such areas as hardware maintenance, spare parts inventory, system integration and staff training.

May 20, 1993

Staff has also elected to purchase all 486 processor PCs for three reasons. First, the software which will be purchased for the ISSP Phase I Business Systems (Finance, Human Resources, Materials and Environmental) require this processor. Second, the older model 386 processors are no longer manufactured and will only be available as long as current supplies last. Third, new versions of other software products are now written for 486 processors.

As technology changes, staff will continue to review and refine the requirements for computer equipment to ensure that they are in compliance with the direction established by the Board.

Board Committee Assignments

This letter is referred for information to:

The Engineering and Operations Committee because it has jurisdiction over the contracting programs and the ordering of equipment or materials and selection of consultants to be used pursuant to Administrative Code Section 2431(b) and (h); and

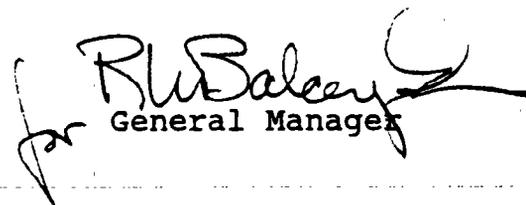
The Finance and Insurance Committee because of its authority to study, advise and make recommendations with regard to the preparation of budgets pursuant to Administrative Code Section 2441(a) and because it has jurisdiction over appropriations pursuant to Administrative Code Section 2441(d).

Recommendation

For information only.

JDB:sm
Attachments

C:MM:BdLtr:CompUse


for General Manager

CURRENT PERSONAL COMPUTER USE

	Networking & Monitoring (1)	Shared Use (2)	Employee	Temporary/ Consultant	TOTAL
Legal	0	1	28	0	29
Audit	3	6	8	0	17
Office of General Mgr.	0	0	9	0	9
Executive Secretary	0	0	8	0	8
Admin. Services	3	40	90	0	133
Engineering	33	0	394	213	640
Env. Compliance	6	20	66	15	107
Finance	8	3	69	1	81
Information Systems	186	97	123	19	425
Operations	31	14	276	13	334
Personnel	7	6	76	0	89
Planning	1	8	35	3	47
Public Affairs	0	7	33	0	40
Resources	0	5	42	3	50
Right of Way	0	3	46	6	55
State Water Project	1	14	39	1	55
Water Quality	12	7	63	7	89
TOTAL	291	231	1,405	281	2,208

- (1) Networking & Monitoring: includes LAN servers, LAN and data network management related PCs, and Water Quality and Control Systems metering and tracking PCs.
- (2) Shared Use: includes training facilities, telecommuting, common office use, multiple loaner pools, and diagnostic PCs for technicians.

3.9

MWD PC Age/Platform Distribution

Platform	Age of PC						Totals
	1 Year	2 Years	3 Years	4 Years	5 Years	5+ Years	
8088					56	33	89
80286		8	175	228	293	428	1132
80386		219	270	130			619
80486	300	14					314
RISC (SUN/MAC)	9	25	20				54
Totals	309	266	465	358	349	461	2208

Average age of MWD Personal Computers: 3.9 Years

1993-94 BUDGETED WORKSTATIONS

	1st Time User	New Temp/Cont	Repl.	Loaner Pool	Tele- commuting	Home	PC Mntce.	LAN/ WAN	Metering & Tracking	Training	Other	TOTAL
Legal			2									2
Audit	1		3									4
Office of General Mgr.			1									1
Executive Secretary												0
Admin. Services	2		18								18	38
Engineering		95	61					3				159
Env. Compliance			17		3			3			5	28
Finance			45									45
Information Systems		2	33	10			6	21	7	22		101
Operations	30	3	66	1							2	102
Personnel		3	30									33
Planning	1		4									5
Public Affairs			31								1	32
Resources			4	1								5
Right of Way			21	4								25
State Water Project				4								4
Water Quality	1		12		1				7		2	23
TOTAL	35	103	348	20	4	0	6	27	14	22	28	607

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

May 25, 1993

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

From: General Manager

Subject: Government Finance Officers Association Distinguished Budget Presentation Award

Report

The Government Finance Officers Association (GFOA) presented the Distinguished Budget Presentation Award to Metropolitan in recognition of the quality of its 1992-93 Annual Budget. GFOA is a leading professional organization of finance officers from cities, counties, and special districts throughout the United States and Canada. Currently, over 10,000 public agencies belong to GFOA. This is the fourth time that the District has been so honored.

The Distinguished Budget Presentation Award is granted annually by GFOA to public organizations whose budget document meets established program criteria in four areas: (1) as a policy document; (2) as an operations guide; (3) as a financial plan; and (4) as a communication device. The budget review process is open only to GFOA members and requires that each competing agency submit its adopted budget for evaluation by a panel of judges appointed by the association. Only those agencies whose budgets meet the criteria outlined above are granted the distinguished award. Of the 630 applications submitted for consideration during the 1992-93 fiscal year, 489 have been granted to date, of which Metropolitan is one.

The budget review panel consists of finance officers from GFOA member agencies. These judges are not only familiar with budgeting in general, they are people with strong background and experience in various aspects of public sector and enterprise budgeting. The rating process is carried out in strict confidence without the competing agencies' knowledge of who their raters are before or after the award is presented. Each reviewer provides specific input and rates the budget in 36 different areas. This year, Metropolitan was ranked "especially notable" or "proficient" in 34 of the 36 areas examined. The 1991-92 budget was

ranked "proficient" or "especially notable" in 27 of the 36 areas.

The 36 areas of review contain 105 rating points. Metropolitan received 41 points in the "especially notable/exemplary" category, 59 points in the "proficient" category, and 5 points in the "needs improvement" category. The "needs improvement" ratings were related to the lack of a glossary of terms and an explanation of our accounting basis. These items will be included in the final budget.

The budget review committee was especially complimentary of the clearly stated objectives, straight forward financial presentation, well thought out performance measures and objectives, and inclusion of a multi-year forecast of revenues and expenditures in the budget presentation. The essence of the District's participation in this budget review process is to continue to seek ways of improving our budget presentation.

Board Committee Assignment

This letter is referred for information to the Finance and Insurance Committee pursuant to its authority to study, advise and make recommendations with regard to preparation of budgets under Administrative Code Section 2441(a).

Recommendation

For information only.


for General Manager

AMA:jg

gfoabrd