

APPROVED  
By the Board of Directors of  
The Metropolitan Water District  
of Southern California  
at its meeting held

8-1

JUN 14 1994



**MWD**  
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*[Signature]*  
EXECUTIVE SECRETARY

May 27, 1994

To: Board of Directors (Executive Committee--Action)  
(Finance and Insurance Committee--Action)  
From: General Manager  
Subject: Transmittal of the 1994-95 Annual Budget

Report

This letter transmits the Annual Budget for fiscal year 1994-95. Changes from the April 22, 1994 transmittal of the Proposed 1994-95 Annual Budget have been underlined. Estimated receipts from water sales, taxes, interest, power recoveries, and other income total \$796.0 million. Estimated expenditures, including capital construction to be paid from bond proceeds, total \$1.3 billion. Expenditures to be funded from operating revenues total \$861.9 million. These expenditures coupled with transfers of \$18.2 million to restricted reserves to comply with bond covenants and Board policies result in a revenue shortfall of \$84.1 million to be funded from the Water Rate Stabilization Fund (WRSF). Expenditures for capital projects that will be funded from construction funds total \$445.1 million.

A meeting of the Special Budget Committee was held to consider the Proposed Annual Budget on May 2 and 3, 1994. The Committee examined in detail each division's budget, including divisional summary sheets, the 3- and 10-year outlooks, operating equipment, and supporting documents. Upon conclusion of the deliberations, the Committee unanimously recommended approval of the 1994-95 budget.

Changes which occurred since the Special Budget Committee met that have an impact on the 1994-95 budget include shifting \$20 million in Pay-As-You-Go funding from 1993-94 to 1994-95, shifting a \$10.5 million payment to Imperial Irrigation District from 1993-94 to 1994-95, and scheduled payments for the acquisition of the Allen McColloch Pipeline. These changes are explained in detail under the Expenditures Section of this letter.

As a result of shifting some PAYG expenditures and the IID payment to 1994-95, the balance in the WRSF at June 30, 1994 is estimated to be \$30.5 million more than assumed in the

Proposed Budget. These funds will be expended in 1994-95, and the expected use of WRSF for 1994-95 is \$84.1 million. This is \$32.3 million more than estimated in the Proposed Budget. In addition to the shift of \$30.5 million from 1993-94 to 1994-95, \$3.4 million will be required to fund interest and O&M payments associated with the Allen McColloch Pipeline acquisition. This is partially offset by lower reserve transfers than were estimated in the Proposed Budget for a net increased use of WRSF of \$1.8 million between now and June 30, 1995.

Water sales for 1994-95 are estimated to be 1.85 million acre-feet and deliveries are estimated to be 2.1 million acre-feet. The difference between sales and deliveries is related to the revised cooperative storage program. The revised program will provide member agencies with limited funds on hand the opportunity to obtain increased deliveries of imported water for storage when it is available and pay for the water later when it is used. It is projected that up to 250,000 acre-feet will be delivered to member agencies under the revised program during 1994-95.

The current water supply outlook has precipitation and snowpack water content for the Colorado River Basin at 92 percent of normal and 71 percent of the average annual maximum, respectively. Precipitation for the Northern Sierra eight-station index is 30.7 inches or 65 percent of average for the season-to-date total. The Department of Water Resources (DWR) has classified 1994 as a critical year.

In spite of the poor precipitation levels in Northern California this past winter, reservoir storage is at normal levels due to high carryover from last year. Since there is potential for very poor State Water Project supplies in 1995, DWR has not increased contractor allocations during 1994. We are currently working with DWR to plan project operations such that at least 500,000 acre-feet of carryover storage will be available in San Luis Reservoir on December 1, 1994 in case of another dry year.

Based on this outlook, there is a potential for water supply shortages in the later part of the 1994-95 fiscal year that could result in additional costs for transfer water or lower water revenues than projected in the budget.

The philosophy employed in my first budget at Metropolitan is to use business case analyses and on-going efficiency improvements to continue to contain costs while improving service delivery to member agencies and public. The Strategic Plan objective for the Operations and Maintenance (O&M) budget was to hold O&M increases below the Consumer Price Index (CPI). I am

pleased to report that this objective has been met. The 1994-95 proposed O&M budget is 1.0 percent less than the projected CPI increase of 3.5 percent. Three successful measures taken to accomplish this include "Managing Dollars" instead of managing positions, re-engineering, and facilities consolidation. These are discussed in more detail under "Personnel Trends". Additionally, these measures have resulted in a decrease in O&M temporary labor and reductions in consulting budgets for 1994-95.

Metropolitan has been aggressively seeking ways to reduce costs since October 1991. A cost containment program was implemented at that time, and 79 positions were frozen; purchases of materials, supplies and operating equipment were reduced as well as travel expenditures and consultant use. When comparing current estimates to the year 2000 to those developed in 1991, projected cumulative cost reductions are over \$2.6 billion.

The major themes for the 1994-95 fiscal year are (1) to complete the Integrated Resources Plan and develop a revised Capital Improvement Program; (2) to implement a comprehensive Bay/Delta Management Plan that will guide Metropolitan's statewide water strategies during the 1990s and forge new partnerships with environmental, agricultural, and regulatory interests; (3) to expand and strengthen our relationships with legislative offices and promote communication among legislators, community leaders, MWD directors and management, and our business community; and (4) to continue to re-engineer our business processes to improve efficiency, minimize cost increases, and improve service to the member agencies.

#### 1993-94 MAJOR ACCOMPLISHMENTS

The District's primary objectives as outlined in the Strategic Plan are (1) to provide a reliable and affordable water supply; (2) to provide value to its customers in a cost effective manner; (3) to develop and maintain financial resources to meet our customers' needs in an efficient, effective and equitable manner; (4) to plan and construct high-quality facilities, and operate and maintain them in a manner that ensures reliability, safety, and security; (5) to integrate environmental values and awareness in its decision-making; (6) to provide a work environment that fosters empowerment and accountability, performance and career enhancement, well-being and mutual respect; and (7) to collectively cooperate with our Member Agencies and their sub agencies to provide a reliable water supply to Southern California. Progress has been made in each of these areas. Some of the major accomplishments in the current fiscal year are explained below.

### Water Supply

- A interim draft Integrated Resources Planning (IRP) report was completed in March 1994. The IRP process requires intense coordination with the member agencies, groundwater basin managers, and the public. The IRP process evaluates alternative resource mixes based on a set of regional goals and objectives such as: (1) maintaining and improving supply reliability; (2) minimizing regional costs; (3) minimizing risk; (4) maximizing supply flexibility and adaptability; (5) achieving public acceptance; and (6) satisfying environmental and local economy considerations. The interim draft will be evaluated through a series of workshops and at a Strategic Assembly that is scheduled for June, after which a final IRP report will be developed.

- A proposed strategic plan for achieving environmentally and economically sound policies in the San Francisco Bay/Sacramento-San Joaquin Delta was developed. Metropolitan also provided leadership to the Urban Water Coalition, which consists of agencies in Northern, Central and Southern California, to pursue a solution to the proposed EPA standards for the Bay/Delta that meets environmental objectives while providing flexibility to reduce water supply impacts.

- Work proceeded on Metropolitan's water transfer and exchange program. Discussions were begun with Areias Dairy Farms to transfer up to 5,000 acre-feet per year of Central Valley Project San Joaquin River exchange water, and an agreement was signed with Semitropic Water Storage District in Kern County, allowing underground storage of 45,000 acre-feet. A draft EIR for a long-term program with Semitropic was also completed.

- Metropolitan continued to pursue opportunities for obtaining additional Colorado River Water supplies. In 1994, Metropolitan will have available 73,000 acre-feet of conserved water through the Imperial Irrigation District Water Conservation Agreement. The overall conservation program is approximately 70 percent complete. The test land fallowing program with Palo Verde Irrigation District for 1994 has placed 186,000 acre-feet of water in Lake Mead which is available to Metropolitan. Metropolitan also stored 35,000 acre-feet of Colorado River water in an underground basin in Arizona as part of a demonstration project with the Central Arizona Water Conservation District.

- Metropolitan provided leadership in statewide Best Management Practices activities of the California Urban Water Conservation Council. Through Metropolitan's conservation credits program, approximately 250,000 ultra-low-flush toilets were

installed. A Community-Based-Organization Program was implemented which allows local organizations to train community members to install toilets and implement other conservation measures. Through this program, 140,000 of the 250,000 ultra-low-flush toilets were installed, primarily in low income communities.

- In terms of water quality, Metropolitan complied with all federal and state drinking water standards. Metropolitan favorably influenced and developed a reasonable disinfectant/disinfection by-product regulation and made progress on the reauthorization of the Safe Drinking Water Act and Clean Water Act. Additionally, a water swap between the Los Angeles Department of Water and Power and the Jensen plant to meet upcoming water quality regulations was cooperatively evaluated.

- The process design criteria for the full-scale retrofit of ozone/PEROXONE at the treatment plants and the Oxidation Demonstration Project were finalized.

- Design and construction continued, on schedule, for the Domenigoni Valley Reservoir Project. Land acquisition, geotechnical investigations, relocation of the San Diego Canal, final design of Newport Road, and historic and prehistoric archaeological investigations were completed. The 800,000 acre-foot reservoir will approximately double the available surface water capacity storage in Southern California.

- Preliminary design on the Inland Feeder was completed and land acquisitions are underway. The Inland Feeder will provide system reliability by linking the State Water Project and the Colorado River Aqueduct, and conveying and storing available water in groundwater basins and surface reservoirs within the District's service area for use during drought emergency conditions.

- Construction continued on expansions of the Joseph Jensen and Henry J. Mills Filtration Plants. At the time of the January 17, 1994, 6.8 magnitude Northridge earthquake, construction of the Jensen plant expansion was about 90 percent complete. Minor structural damage occurred to the new facilities. The most significant damage was cracking of the asphalt lining and the concrete overflow structure of the new 50-million gallon finished water reservoir, knocking process equipment out of alignment, and damaging concrete basins and filters when a 160-foot construction tower crane toppled. Repairs were initiated by the construction contractor and will not delay the scheduled start up of the new facilities.

- The Northridge earthquake produced moderate to extensive damage to various District facilities in the San Fernando Valley. However, there were only minor service disruptions to the member agencies. The most critical damage was to a 7-foot diameter influent pipeline at the Jensen filtration plant. The quake severed the pipeline, and a 10-foot section had to be removed. Using the District's own fabrication shop, District forces were able to fabricate the replacement pipe by welding two five-foot pieces of 3/4-inch steel together and install the new piece of pipe in record time. By working around the clock, the plant was placed back in service within 72 hours.

- The earthquake also damaged other local agencies' facilities, and Metropolitan provided treated water to the City of Los Angeles' Department of Water and Power (LADWP) and several other local water agencies from a reservoir at the Jensen facility and by pumping treated water from the eastern part of our services area until their local facilities were repaired. Additionally, three crews were loaned to LADWP to assist in their repairs, and a number of water trucks were dispatched to meet emergency needs within the community.

- The Garvey Reservoir Dispute with Monterey Park and all outstanding claims with adjacent property owners were settled. Final design and award of a contract for the repair of cracks in the reservoir bottom and the installation of drain lines were completed, and final design of the reservoir liner system and cover continued.

#### Cost

- O&M costs were held below budget, and the 1994-95 budget is only 2.5 percent over the 1993-94 budget. This is 1.0 percent below the projected increase in CPI of 3.5 percent which is the Strategic Plan Objective target.

- The implementation of Phase 1 of the Information Systems Strategic Plan began. This major program will upgrade and replace the District's core set of administrative and business applications. In conjunction with the system upgrades, business functions will be streamlined and enhanced. During the year, hardware and software packages were purchased and consultants were selected to assist in the implementation of 20 applications in the core business areas of Finance, Materials Management, Human Resources, and Environmental Compliance.

- The materials management business process was re-engineered which resulted in elimination of non-value added tasks, a 30

percent increase in productivity, a reduction in District inventory, and a reduction in required paperwork.

- A "Just-In-Time" program was implemented which is used to purchase desk top office and stationary supplies. The program has increased efficiency through the elimination of the requisition process, faster turn around time, and the elimination of double and triple handling of supplies. The program has resulted in lower costs through negotiated volume priced discounts and by reducing inventory. Additionally, Metropolitan has negotiated with the vendor to extend the discount price to our Member Agencies. This program will be sharply expanded.

- Headquarters staff were consolidated at California Plaza which resulted in a reduction in labor and utility costs.

- A productivity council was established, baseline measurements for benchmarking activities were developed, and an employee suggestion system was implemented. Over 400 suggestions have been submitted and a number have been implemented which have resulted in increased productivity and reduced costs.

- Metropolitan's annual payments for power to pump water through the Colorado River Aqueduct were reduced approximately \$6.9 million through continuing to optimize purchases of supplemental energy; participating in meetings regarding Hoover Power Plant operation, maintenance, and replacements; and continuing to work toward full resolution of the remaining Hoover issues. Additionally, procedures to track energy generation losses have resulted in past credits of \$700,000 and annual savings of \$240,000.

### **Finance**

- Two refunding bond issues totaling \$167.9 million were sold in August 1993. Interest savings total \$11.3 million with net present value savings of \$5.9 million. Net present value savings of 3.41 percent for the general obligation bonds and 3.59 percent for the revenue bonds were achieved, exceeding the Finance and Insurance Committee's target of 3.0 percent for current refundings.

- A fixed forward interest rate agreement was executed for a refunding of the 1986 revenue bonds in January 1994. Gross savings are estimated to be \$17.0 million, and the calculated present value savings of \$9.3 million represents 8.6 percent of the refunding bonds, well above the Finance and Insurance Committee's target of 5.0 percent for advance refundings.

- A new financial structure was developed and approved by the Board of Directors in December 1993. The new structure is designed to enhance financial stability and includes a readiness-to-serve charge, a new demand charge, a treated water peaking charge, and a connection maintenance charge. The new structure is scheduled to be implemented in 1995-96.

- The Etiwanda Power Plant contract/agreements for the sale of hydroelectric power were finalized and executed. Upon full plant operations, revenues are anticipated to range between \$3 and \$5 million per year.

- The yield on the investment portfolio increased from 3.7 percent in 1992-93 to 4.2 percent in 1993-94. Estimated earnings for 1993-94 amount to about \$40 million as compared to \$36.6 million in 1992-93. Additionally, the investment policy was revised to authorize investment in additional instruments to improve the return on the portfolio. The revised and expanded Statement of Investment Policy is consistent with the Blue Ribbon Task Force recommendations.

### **Facilities**

- Union Station was selected to be the site of the District's new headquarters building; and final negotiations with the developer regarding project costs, building design, construction time lines and other development matters are underway.

- A study of the Engineering and Operations divisions by an outside Peer Review Committee was convened and concluded that, overall, the activities of the two divisions were found to be excellent. The Committee did identify a number of areas, including the Engineering Division's organization structure, Value Engineering Program and project management process; and the Operations Division's Maintenance Management Program, personnel training, and Strategic Operating Plan that needed improvements. These issues are being addressed in the 1994-95 budget.

### **Environment**

- Preliminary Geographic Information System (GIS) databases were developed for 1) the Bay/Delta ecosystem in support of the development of multi-species habitat protection and recovery plan, 2) the San Joaquin Valley for analyzing potential water transfers, and 3) the Lake Mathews multi-species habitat conservation plan.

- A draft of the Water Resources Element for the Southern California Association of Governments Regional Comprehensive Plan

was completed.

- Construction of spill containment systems at all reservoirs, power plants, pumping plants and the Mills filtration plant were completed.

- A pilot program for water treatment sludge recycling at the Mills plant was successfully implemented which resulted in significant environmental benefits at a substantial cost savings to the District.

- Hazardous Materials and Waste Emergency Contingency Plans for 35 District facilities were completed and clean up of 20 contaminated sites was completed.

- Internal audits of the Valley, La Verne and Skinner branches were performed to evaluate environmental, health, and safety performance; necessary changes were identified; and corrective actions implemented.

- The Health, Safety and Environmental Manual was updated to include bloodborne pathogens, laboratory safety, construction safety, agency inspection, wastewater, hearing conservation, air quality, welding and cutting, forklift safety, personal protective equipment, and split-rim wheel safety. Major revisions to the confined space and lockout/blockout section were also incorporated.

#### **Workforce**

- The Office of Diversity was created to underline the District's commitment to MBE/WBE and equal employment opportunity.

- A Values Statement was developed which addresses integrity, open communication, stewardship, diversity, teamwork and leadership. These values are being incorporated into the personnel evaluation process.

- An Employee Integration Group for the Strategic Plan was established to communicate to employees the divisional and District-wide progress toward meeting objectives and target measurements in order to ensure that decisions are made at the lowest possible level.

- A 15-week apprenticeship program was implemented to provide training for disadvantaged youth, and a co-operative/work study program was implemented that targeted minority and women engineering students.

- The Business Outreach Program was fully implemented, and a policies and procedures manual was developed specifying to potential bidders Metropolitan's MBE/WBE definitions, certification requirements, pre-bid and pre-award procedures, technical assistance availability and contract compliance measures.

- Lost days due to industrial injuries during calendar years 1993 were reduced by 26 percent, and an aggressive recovery program was developed.

#### **Interdependence**

- Joint Metropolitan/member agency technical groups were established and regular briefings were held with member agencies to receive input on the IRP process, water management programs, and the financial structure proposal.

- Communications between senior personnel at Metropolitan and senior personnel of member agencies has been strengthened through regular monthly member agency manager meetings and frequent informal meetings.

- A program was developed to inform Member Agency Managers of the status of key issues through the coordination of certain news releases, the distribution of a new publication called Direct Line, and by adding manpower to the Speakers Bureau and the Public Information Liaison Committee.

- Public relations programs related to the resolution of issues at Garvey Reservoir and the San Joaquin Reservoir were instrumental in the successful negotiations which allowed these facilities to move toward repairs.

- Numerous forums, attended by elected officials, community leaders and water agency representatives, were conducted to focus on the importance of Metropolitan's role in providing reliable water for the future economic well-being of Southern California.

#### **1994-95 OBJECTIVES**

The Proposed Budget includes over 400 divisional objectives that have been summarized into the seven guiding principles of the Strategic Plan. Significant objectives as they relate to the guiding principles for 1994-95 are explained below. Attached to this letter is a summary of costs by Guiding Principle.

**Water**

- Develop strategies and programs that will result in flexible Bay/Delta standards that will preserve water supply, enhance voluntary water transfers and protect the environment.

- Finalize the IRP report; and conduct additional economic, financial, and reliability analyses in support of the implementation phase.

- Develop and refine a wide range of groundwater programs including groundwater recovery, conjunctive use, groundwater storage, cooperative storage, and groundwater protection to meet the overall water supply objectives of Metropolitan.

- Study the potential for expanding the short-term transfer agreement with Semitropic Water Storage District; prepare principles for an agreement with the United States Fish and Wildlife Service to develop transfers to benefit fish and wildlife and provide dry-year water supply; participate in negotiations between a group of Northern and Southern California urban agencies, of which Metropolitan is one, and the Upper Sacramento River Contractors Association to transfer water from north of the Delta; and complete negotiations for transfer of water from San Joaquin River Exchange contractors.

- Continue an aggressive statewide leadership role in the Urban Water Conservation Best Management Practices process; expand the Community-Based-Organization Program; and promote the use of grant funds from the U. S. Bureau of Reclamation to enhance water conservation.

- Continue to negotiate agreements and operating plans for meeting Metropolitan's long-term goals for maximizing our Colorado River water supply.

- Continue to achieve full compliance with primary-drinking water standards 100 percent of the time.

- Proceed with capital projects related to water reliability and water quality including design and/or construction of the Domenigoni Valley Reservoir; Inland Feeder; Jensen Filtration Plant Expansion No. 1; Mills Filtration Plant Expansion No. 2; San Diego Pipeline No. 6; Garvey Reservoir Repair; Oxidation Retrofit Program; San Joaquin Reservoir Improvements; and the purchase of the Allen McColloch and South Coast pipelines.

### Cost

- Proceed with the Phase 1 of the Information Systems Strategic Plan including the implementation of general ledger and encumbrances, accounts receivable, procurement, accounts payable, fixed assets, human resources, benefits and payroll, and health/safety/environmental applications which will streamline operations and reduce costs.

- Formalize the value engineering program which is 1) an approach used to achieve a balance between performance and cost; and 2) a review technique for evaluating designs to ensure that essential functions are approved at the minimum life cycle cost and to compare cost-effectiveness of alternative designs.

- Begin benchmarking performance, develop performance reports to monitor actual performance against baseline measurements, identify additional processes which will benefit from re-engineering and focused improvement, and continue total quality management activities.

- Expand the "Just In Time" program which will eliminate all inventory located at the Commerce warehouse. This will reduce operating expense by closing the warehouse and reducing inventory, improve cost efficiency, and increase productivity through continued decentralized purchasing and warehousing.

### Finance

- Manage the investment portfolio to produce interest earnings of approximately \$40 - \$45 million; continue to evaluate and implement, where appropriate, new investment techniques to increase the return on the portfolio by 40 basis points.

- Complete the 1994 Long-Range Finance Plan to reflect revisions to the Capital Improvement Program resulting from the IRP process, water sales projections, MWD costs, and State Project costs; analyze reserve policies, financial options, the mix of debt, and asset/liability management strategies and implement changes as appropriate; and develop a revised financing plan.

- Explore the feasibility of a mini-bond program, direct placement of MWD securities to major buyers, and the listing of MWD bonds on the New York Stock Exchange.

- Conduct security sales as necessary to provide financing for the capital improvement program and/or reduce the cost of outstanding debt.

- Complete the Nexus Study supporting the New Demand Charge. The study provides the analytical basis supporting the \$/AF charge necessary to recover the cost of new facilities. The study will show the relationship between the charge and the cost of new facilities, based on the unit cost of providing an additional acre-foot of water. The New Demand Charge represents the incremental cost of meeting new demands within Metropolitan's service area.

### **Facilities**

- Maintain dependable delivery of water to member agencies through coordinated water operations of the aqueduct and distribution systems.

- Complete the System Overview Update Report showing the revised Capital Improvement Program (CIP) based on the preferred resource mix.

- Continue to monitor aging equipment throughout the distribution system and filtration plants and implement a maintenance management system for electrical and mechanical equipment along the Colorado River Aqueduct, distribution system pipelines, and raw water and treated water reservoirs.

- Incorporate lessons learned from the 1994 Northridge earthquake into the Emergency Response Plan and establish joint Emergency Preparedness/Security committees at each major facility.

- Proceed with capital projects related to facilities including Replacement of Area Control Systems, Data and Digital Microwave Network - Communication System Upgrade, Security Systems Improvement at All Facilities, Lake Perris Pumpback Expansion No. 3, Supervisory Control and Data Acquisition System for the Colorado River Aqueduct, and a Long-Term Headquarters Facility.

### **Environment**

- Develop a comprehensive system model and Geographic Information System (GIS) database to evaluate facility improvement alternatives, and conduct an environmental review to support a Bay/Delta solution.

- Develop environmental strategies, a multi-species habitat conservation plan, and GIS database development and mapping tool to support Colorado River endangered species issues.

- Identify, recommend, and implement measures to control environmental safety and health risks for Metropolitan activities,

programs and facilities.

- Participate in legislative, regulatory and enforcement processes to communicate Metropolitan's interests and ensure that conflicts with Metropolitan's missions statement, goals, and objectives are avoided to the extent possible.

- Proceed with capital projects related to environmental issues including Mills and Skinner filtration plants landfills, Diemer, Weymouth and Jensen Filtration Plants Sludge Handling Study, discharge elimination, La Verne Facility Hazardous Waste Storage Area, Diemer Filtration Plant Chemical Feed Pumps Relocation, and chemical spill containment at all facilities.

#### **Workforce**

- Develop and implement practices that ensure that Metropolitan will be a center of excellence for employees through a commitment to hire and develop the best qualified personnel through an increased commitment to equal employment opportunities and MBE/WBE programs.

- Implement the Early Retirement Program as approved by the Board of Directors.

- Conduct an organizational review of the Engineering Division, and analyze the effectiveness and current organizational structure of the Operations Division and make appropriate changes to improve efficiency and better allocate resources.

- Develop and implement a mentoring program which supports strategic planning objectives by providing developmental and work experience opportunities to assist in the retention and advancement of probationary and regular employees.

- Foster an environment that encourages a seamless organization to more effectively achieve Metropolitan's mission.

#### **Interdependence**

- Improve Metropolitan's effectiveness in local, state and national affairs and work jointly with member agencies to provide a higher level of service and communication to our member agencies.

- Continue to improve the collaborative decision-making process with the member agencies and other resource agencies, as appropriate, to improve the quality of life in Southern California.

**BLUE RIBBON TASK FORCE RECOMMENDATIONS**

The Blue Ribbon Task Force which was commissioned in 1993-94 conducted a six-month review of the District's business and operational policies. The task force, comprised of volunteers from the private sector, focused on four areas considered to be strategic to the long-term interests of the District. These areas included: 1) IRP/rate structure processes; 2) external relations; 3) business practices; and 4) human resources and diversity. A number of the recommendations were developed as part of this review and have been incorporated into the objectives for fiscal year 1994-95.

The IRP/rate structure processes were examined because of their importance and impact on the District's long-term capital improvement requirements, relationships with member agencies, and internal and external operations. Many of the recommendations have already been implemented, and included in the 1994-95 budget are objectives to continue close coordination with member agencies and the public to proceed with the IRP process; complete System Overview Update Report based on the preferred resource mix; implement the new financial structure; and complete the Long-Range Finance Plan.

In order to effectively serve the member agencies and maintain our position as a regional water agency, the task force recommended that increased emphasis be placed on external relations. Significant resources have been allocated in the 1994-95 budget to enable Metropolitan to enhance its effectiveness in local, state, and national affairs to improve the economy and quality of life within Metropolitan's service area.

The need for streamlining the District's business practices was also emphasized in the report. The ongoing effort to improve productivity through the implementation of the Information Systems Strategic Plan, coupled with re-engineering of key business areas including payroll, accounts payable, procurement, inventory, budget and accounting processes, human resource management, and various environmental applications underscores the District's commitment to streamlining its core business areas in the proposed budget year. Strict measures are also being taken to apply prudent fiscal management in the use of consultants, temporaries and overtime.

To address human resources and diversity recommendations contained within the report, each division has committed a portion of its budget to promote diversity in the workplace through recruitment, selection, training and opportunities for advancement. Similarly, resources have been allocated in this budget to promote

participation by minority and women-owned (MBE/WBE) firms in the District's procurement, contracts and consulting activities. An Office of Diversity has also been created to coordinate this effort.

#### PERSONNEL TRENDS

The proposed personnel complement for 1994-95 is 2,220 which is one position less than shown in the proposed budget and 54 positions higher than the 1993-94 budget. The personnel complement is broken down as follows:

	<u>1993-94</u>	<u>1994-95</u>	<u>Change</u>
Operations and Maintenance	1,219	<u>1,240</u>	<u>21</u>
Capital Programs	495	535	40
General & Administrative	<u>452</u>	<u>445</u>	<u>- 7</u>
Total	2,166	<u>2,220</u>	<u>54</u>

The 54 positions are divided among the three departments as follows: 47 in the General Manager's department, five in the General Counsel's department, and two in the Auditor's department. The two positions in the Auditor's department were approved by your Board in January 1994, and three of the five positions in the General Counsel's department are conversions of temporary personnel which were presented to your Board in March 1994.

Of the 47 positions in the General Manager's department, eight involve the conversion of temporaries and consultants to permanent positions at less cost. There are two consultant-conversions in the Planning Division. In the Information Systems Division, four temporary-conversions and two-consultant conversions are tentatively budgeted pending the outcome of a benchmarking study.

Three positions are included to increase the emphasis on Bay/Delta issues, and five positions are included to address the recommendations of the Blue Ribbon Panel regarding external communications. There are also two non-budget positions from prior years. These positions are in the Legislative Representative's office.

Twenty-five positions are tentatively included in the Engineering Division. Once a consensus has been reached on the IRP and a revised CIP has been developed, the need for these positions will be reevaluated. These positions, while budgeted, will not be

filled until resolution of the CIP has been accomplished. One new position has been tentatively included in the Information Systems Division pending the results of the benchmarking study currently underway. Four positions are also budgeted in the Office of the General Manager as a hiring pool for exceptionally qualified applicants in cases where budgeted positions are not available within the divisions.

### Capital

Over the past seven years, the major single driver of increased personnel requirements has been the capital program. The number of personnel required for capital programs has increased 105 percent over that time period. While this is a substantial increase, without the addition of automated tools such as computer aided drafting equipment, standard specifications, and automated survey equipment that has increased productivity, the personnel increase would have been substantially higher. For comparison purposes, the expansion to construct facilities to treat and distribute State Project water, which occurred in the late 1960s, required approximately 1,000 capital positions.

### Operations and Maintenance

The past 10 years have seen a 35 percent increase in personnel required to safely operate and maintain existing facilities and new facilities constructed during that period. Recently enacted regulations in the areas of water quality, air quality, hazardous materials, workers' compensation and safety have also contributed significantly to the need to increase staff. A further increase is expected to operate and maintain the facilities planned to be constructed over the next 10 years. However, Metropolitan's commitment to productivity improvements through re-engineering processes, streamlining procedures, and continued automation of manual systems is expected to have a positive impact on mitigating the need for additional personnel. As shown on the staffing table above, re-engineering has already resulted in a shift of personnel from general and administration functions to operations and maintenance functions. For example, the closing of the Sunset facility and the downsizing of warehouse requirements enabled building maintenance and warehouse staff to be transferred to operational activities.

### Reorganizations

A reorganization plan has been developed and a revised organization structure is proposed to be effective July 1, 1994. Under the plan, the Office of the General Manager will be

streamlined by having two Deputy General Managers instead of three Assistant General Managers; the Resources, Planning, and State Water Project divisions will be combined into one division called Planning/Resources; and the Right of Way and Land Division will become part of the Engineering Division. Within Planning/Resources, there will be four functional areas: 1) Local Resources which will include groundwater recovery, local projects, and conservation; 2) Planning, which will include facilities planning, system analysis, environmental planning, water demand and supply, and economic analysis; 3) Power and Colorado River Resources which will include programs to optimize our Colorado River water supply and manage the District's power resources; and 4) State Water Project which will include activities associated with Bay/Delta and the State Water Contract. The reorganization is discussed in more detail in Board Letter 8-2 entitled "General Manager's Proposed Reorganization".

## RECEIPTS

\$796.0 million

The estimated receipts for the fiscal year amount to \$796.0 million. This is \$32.3 million less than estimated in the revenue requirements letter dated December 1, 1993. The changes are described below.

Gross receipts from water sales are estimated to be \$628.1 million which is \$26.1 million less than the amount shown in the revenues requirements letter. The decrease is primarily due to the implementation of an interim agricultural water program which will result in approximately 150,000 acre-feet (AF) of water being sold at the lower agricultural rate. Water rates per AF for 1994-95 are as follows:

Noninterruptible		Seasonal Storage		Agricultural
Untreated	Treated	Untreated	Treated	
\$335	\$412	\$222	\$275	\$222

Water sales are estimated to be 1.85 million AF, of which 150,000 AF are projected to be sold at the agricultural rate, and 420,000 AF are projected to be sold at the seasonal rate. Treated water sales are estimated to be 1.1 million AF.

Gross water sales receipts are reduced by the cash subsidy provided by Metropolitan based on the amount of water produced under the Local Projects Program (LPP) and the Groundwater Recovery Program (GRP). Under the LPP, the District provides financial

assistance for local water reclamation projects that produce new water supplies. To date, the District is participating in 32 projects. The subsidy for water sold under this program is \$154 per AF. The GRP provides financial assistance to encourage local agencies to treat undeveloped groundwater basins degraded by minerals and other contaminants. Since the program began in 1991, the District has approved participation in seven projects. The subsidy for this program is up to \$250 per AF depending on the project. The projected yield from the LPP is estimated to be 60,000 AF at a cost of \$8.9 million, and the gross yield from the GRP is projected to be 21,900 AF at a cost of \$3.6 million. After these reductions, net water sales receipts are estimated to be \$615.6 million.

Receipts from taxes and annexation fees, which will be used to pay voter-approved debt service on general obligation bonds and a portion of the State Water Contract, are estimated to be \$87.7 million based on the same tax rate used for the 1993-94 tax levy (.0089%) which has been in effect since fiscal year 1991-92. Assessed valuations are estimated to increase three percent. This is \$3.7 million less than estimated for the revenue requirements letter. The difference is due to a lower assumption of assessed valuation increases and increased delinquencies.

It is anticipated that \$50.0 million will be generated from the 1994-95 water standby charge. Interest earnings, receipts from power recoveries and other miscellaneous sources are estimated to be \$42.8 million. This is \$2.5 million less than estimated for the revenue requirements letter. Interest earnings are \$2.0 million more based on a higher return on the portfolio, but power recovery income is \$4.5 million less based on projected flows through the power plants.

**O&M AND PAY-AS-YOU-GO EXPENDITURES      \$861.9 million**

Expenditures are estimated to be \$861.9 million, a \$199.6 million increase over 1993-94 projected expenditures, and \$33.9 more than the Proposed Budget. Total expenditures by major category and changes from the proposed budget are explained below.

**District Operations and Maintenance      \$225.2 million**

Projected expenditures for District O&M including operating equipment amount to \$225.2 million, which is \$5.4 million, or 2.5 percent, more than the 1993-94 budget and \$13.6 million, or six percent, more than the 1993-94 projected actual. The increase from projected actual reflects salary adjustments associated the Memorandum of Understanding with AFSCME, Local 1902, increased

emphasis on Bay/Delta issues and external communications. The O&M budget is \$7.6 million less than the revenue requirement estimate. Managing dollars, cost containment, increased productivity, and maintaining the current level of the conservation credits program accounts for the difference.

**Colorado River Aqueduct Power****\$34.5 million**

Pumping costs on the Colorado River Aqueduct are estimated to be \$34.5 million, a decrease of \$709,000 from the projected actual from the current year, and \$2.9 million less than the revenue requirements estimate. The decrease reflects projected changes in the supplemental energy rates. Diversions are estimated to be 1.246 million acre-feet for 1994-95.

**Additional Colorado River Water Supplies****\$50.5 million**

Metropolitan is involved in five programs to increase its reliable Colorado River water supplies. Expenditures for these programs are estimated to be \$50.5 million, which is \$10.5 million more than the proposed budget. As explained at the Special Budget Committee meeting, this change is the result of a payment which was scheduled to be made to Imperial Irrigation District in 1993-94 being delayed until 1994-95. The budget is \$30.1 million higher than 1993-94 projected expenditures. Estimated expenditures are \$25.0 million for the Imperial Irrigation District Agreement, \$10.0 million for the Demonstration Program on Interstate Underground Storage of Colorado River Water in Arizona, \$10.0 million for the All American Canal and Coachella Branch Lining Projects, and \$5.5 million for the test land fallowing program with the Palo Verde Irrigation District. This estimate is about \$11.6 million higher than the revenue requirements estimates and reflects the latest information available.

**State Water Contract****\$297.1 million**

Total payments under the State Water Contract are projected to be \$297.1 million which is \$15.8 million less than the current budget. This decrease is due to increasing the credits estimate from \$20 million to \$40 million per year. The increase from projected actual is \$55.0 million and is \$14.9 million more than the revenue requirements estimate. The increase primarily reflects higher variable power costs due to increases in deliveries, prior year cost adjustments, and additional power credits that were received in 1993-94 which exceeded the budgeted amount. Diversions are estimated to be 784,000 AF of which 250,000 AF are associated with the revised cooperative storage program. The deliveries associated with the cooperative storage program are the primary

reason for the increase from the revenue requirements estimate.

**Water Transfers/Options** **\$24.0 million**

A number of water transfer agreements are currently in negotiations. While it is unclear at this time how many agreements may be entered into in 1994-95, \$24 million has been budgeted for continuing efforts to secure long-term options to purchase water in future years.

**Debt Service** **\$137.8 million**

Debt service on District General Obligation and revenue bonds is estimated to be \$135.9 million; payments for the Second Barrel of the First San Diego Aqueduct will be \$0.1 million; and interest payments for commercial paper are estimated to be \$1.8 million. This is an increase of \$28.0 million over the 1993-94 projected actual. This is the first year that interest payments on the 1992 revenue bond issue will be paid from operating receipts. In prior years, the debt service for this issue was funded from the proceeds of the bond sale. This is about \$0.5 million less than the requirements letter.

**Allen McColloch Pipeline Interest & O&M Payments** **\$3.4 million**

Since the proposed budget was transmitted to the Board, negotiations have concluded on the acquisition of the Allen McColloch Pipeline. Under a separate board letter, your Board will be asked to authorize the General Manager to purchase the pipeline. To provide the authorization for the initial payments, \$20.4 million is included in the 1994-95 budget. Of this amount, \$16.1 million is for capacity acquisition and will be funded through PAYG. The Annual Budget Appropriation will increase \$3.4 million for interest payments on the outstanding debt and projected O&M expense.

**Pay-As-You-Go Construction** **\$89.4 million**

PAYG is estimated to be \$89.4 million in 1994-95. This is in accordance with the Board's policy of funding up to 20 percent of the capital improvement program from operating revenues. The 1993-94 budget for PAYG was \$64.9 million and it is anticipated that only \$44.0 million will be expended. Therefore, \$20 million will be carried over into 1994-95 for a total of \$89.4 million. This level of PAYG will fund 16.7 percent of the capital improvement program for 1994-95.

**RESERVE TRANSFER****\$18.2 million**

Reserve transfers are projected to be \$18.2 million from July 1, 1994 to July 1, 1995, which is \$1.6 million less than the proposed budget. This reduction occurs because of the \$20 million PAYG carryover. The transfers will fund required restricted reserves. All bond covenants and Board policies regarding reserves will be complied with under the proposed budget.

**CAPITAL CONSTRUCTION PLAN****\$534.5 million**

The construction program for next fiscal year is estimated at \$534.5 million. This amount will change depending on the outcome of the IRP process. Based on the consensus reached at the June 1994 Strategic Assembly on the IRP, a revised capital improvement program will be developed which will reflect the recommended resource mix.

Included in the \$534.5 million estimate, water supply projects represent \$263.7 million; water distribution facilities total \$92.6 million; treatment plant expansions and water quality upgrades account for \$138.5 million; \$18.1 million will be spent on information systems, control systems, and communications; facility capital betterments represent \$17.7 million; \$2.3 million will be spent on facilities planning; \$0.2 million is for power plant facilities; and \$1.4 million is earmarked for studies. Approximately \$78.4 million of the costs are for consulting services to supplement in-house staff.

Major projects in design and/or construction next year include the Domenigoni Valley Reservoir, Inland Feeder, Jensen Filtration Expansion No. 1, Mills Filtration Plant Expansion No. 2, San Diego Pipeline No. 6, Garvey Reservoir Repair, and chemical spill containment. Phase 1 of the Information Systems Strategic Plan will be implemented, and it is anticipated that site acquisitions for the Perris and Central Pool augmentation filtration plants could begin.

Projects that Metropolitan will participate in and provide funding for include Main San Gabriel Basin Groundwater Storage Program and purchase of the Allen-McColloch Pipeline and South County Pipeline. Funding for these projects total \$57.8 million and are included in the \$534.5 million estimate.

Expenditures for projects which already have an appropriation approved by your Board amount to \$474.1 million, and \$60.4 million is estimated to be expended on projects which are in

preliminary stages and will be presented to your Board for an appropriation during the year. Expenditures for the proposed construction program will be funded from proceeds in the Revenue Bond Construction Fund and the Pay-As-You-Go Fund as approved by your Board.

### THREE-YEAR ROLLING BUDGET

Total obligations are estimated to increase from \$892.6 million in 1994-95 to \$1.0 billion in 1996-97. These costs include operating expenditures, PAYG expenditures, reserve transfers, and Local Projects Program (LPP) and Groundwater Recovery Program (GRP) subsidies. The component with the largest increase is the MWD capital program. Debt service is estimated to be \$206.1 million in 1996-97, an increase of \$68.3 million from 1994-95. The increase is associated with additional debt service which will result from proposed revenue bond sales tentatively scheduled for 1995 and 1996. Pay-As-You-Go construction is estimated to increase to \$90 million.

State Water Project payments are estimated to increase \$22.7 million, or eight percent, from \$297.1 million to \$319.8 million. The proposed increase is mainly due to projected increases in unit rates and estimated water deliveries for variable power.

Water transfers/options are assumed to remain at \$24.0 million per year over the three-year period.

Colorado River power and supplies are estimated to increase from \$85.0 million to \$161.7 million, a 90 percent increase, however, only \$94.4 million will be financed with operating revenues in 1996-97. The balance will be financed by short- or long-term debt offerings. Projects included in these estimates are the Imperial Irrigation District Phase I and II Agreements, test land fallowing programs with Palo Verde and Imperial irrigation districts, the Demonstration Program on Interstate Underground Storage of Colorado River Water in Arizona, and All-American and Coachella Canal Lining Projects.

LPP and GRP costs are estimated to increase from \$12.5 million to \$26.3 million. This is a 110 percent increase. This reflects staff's best estimates of the projects that will be undertaken by our member agencies, or their sub agencies, during this period.

MWD Departmental O&M is estimated to increase from \$225.2 million to \$253.5 million over the three-year period. This increase is consistent with the budget objective included in the Strategic Plan to limit increases in future years to inflation, as measured by changes in the Consumer Price Index, adjusted for costs related to new facility and regulatory requirements, while meeting productivity and level of service objectives.

The revenues for 1995-96 and 1996-97 necessary to support the projected expenditures are estimated to be \$877.2 million and \$934.6 million, respectively. The implementation of the readiness-to-serve charge, new demand charge, and connection maintenance charge will mitigate the need for large rate increases, with a portion of moneys available in the WRSF to make up the difference between costs and revenues. The noninterruptible untreated water rates for 1995-96 and 1996-97 are estimated to be \$335 per AF and \$346 per AF, respectively. This represents an average annual increase of two percent per year. Sales are projected to be 2.010 million AF and 2.040 million AF, respectively.

Table 2 attached to this letter shows the projected receipts and expenditures.

#### AUTHORITY TO EXPEND BUDGETED FUNDS

Unless otherwise instructed, the General Manager will expend such budgeted amounts for the purposes identified in the budget or for District purposes that he may identify in the course of the year, subject to the constraints and guidelines contained in the Administrative Code.

For an overview of budgeted cash flows, a schedule of Estimated Receipts and Disbursements is provided in Table 1.

An Annual Budget Appropriation of \$587.2 million is needed to continue payments of SWP operations, maintenance, power and replacement costs, SWP capital charges, SWP and Colorado River Aqueduct power costs, District operation and maintenance, water transfers/options, and operation and maintenance costs associated with additional Colorado River water supplies and the Allen McColloch Pipeline. Also required are continuing appropriations of \$154.0 million for debt service on District general obligation and revenue bonds, interest payments on the outstanding commercial paper notes, and payments for the Second Barrel of the First San Diego Aqueduct and the Allen McColloch Pipeline Acquisition; and \$3.6 million for operating equipment and inventory supplies.

Board Committee Assignments

This letter is referred for action to:

The Special Budget Committee pursuant to its authority to review proposed budgets under Administrative Code Section 2531.

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).

The Executive Committee because of its authority to study, advise, and make recommendations with regard to public interests under Administrative Code Section 2417(b).

Recommendations

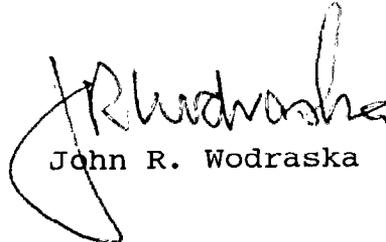
**SPECIAL BUDGET COMMITTEE AND FINANCE AND INSURANCE COMMITTEE FOR ACTION.**

It is recommended that the Board of Directors:

- 1) Approve the proposed 1994-95 Annual Budget totaling \$861.9 million;
- 2) Appropriate \$587.2 million for District O&M and SWP operations, maintenance, power and replacement costs; Colorado River Aqueduct power costs; SWP capital charges; and operations and maintenance costs associated with additional Colorado River water supplies and the Allen McColloch Pipeline;
- 3) Appropriate, as continuing appropriations, \$154.0 million for debt service on District general obligation and revenue bonds; interest payments on the outstanding commercial paper notes; and payments for the Second Barrel of the First San Diego Aqueduct and the Allen McColloch Pipeline Acquisition;
- 4) Appropriate, as continuing appropriations, \$3.6 million for operating equipment and inventory supplies.
- 5) Approve the use of up to \$84.1 million from the Water Rate Stabilization Fund to pay a portion of fiscal year 1994-95 costs in order to mitigate the fiscal impact of rate increases at the retail level.

**EXECUTIVE COMMITTEE FOR ACTION.**

It is recommended that the Board of Directors, by two-thirds vote, find it necessary for the protection of District rights and properties, and authorize expenditures subject to the amounts appropriated by the Board as detailed by fund type in the 1994-95 Annual Budget.



John R. Wodraska

MCF:lg  
95BUD

Attachments



## 1994-95 ANNUAL BUDGET

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### ESTIMATED EXPENDITURES BY STRATEGIC PLAN GUIDING PRINCIPLE

WATER

COST

FINANCE

FACILITIES

ENVIRONMENT

WORKFORCE

INTERDEPENDENCE

## Water

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Metropolitan is dedicated to the development and management of sufficient and wholesome water in an innovative, cost-effective, and environmentally sound manner that will sustain the economy and quality of life in Southern California; and it will accomplish this goal through collaborative stewardship with other water users in California and the Western States.

### 1994-95 Objectives

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Develop strategies and programs that will result in flexible Bay/Delta standards that will preserve water supply, enhance voluntary water transfers and protect the environment.

Finalize the Integrated Resources Planning report and complete the System Overview Update Report, showing the revised Capital Improvement Program, based on the preferred resource mix.

Complete negotiations for transfer of water from Central Valley Project San Joaquin River Exchange contractors and explore other water transfer proposals.

Continue to negotiate agreements and operating plans for meeting Metropolitan's long-term goals for maximizing our Colorado River water supply.

Continue water conservation efforts through expanding the Community-Based-Organization Program, promoting the use of grant funds from the U. S. Bureau of Reclamation, and providing aggressive statewide leadership in water conservation efforts.

Continue to achieve full compliance with primary-drinking water standards 100 percent of the time.

Proceed with capital projects related to water reliability and water as outlined below.

### 1994-95 Expenditures

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Capital	470,234,200
O&M	84,111,000
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Total	554,345,200

## O&M Expenditure Plan

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Executive Offices	1,175,700
Resources	2,046,900
Engineering	13,043,400
Operations	47,516,900
Planning	2,013,100
Human Resources	0
Information Systems	0
Right of Way and Land	0
Finance	89,700
Public Affairs	85,900
Water Quality	7,415,500
SWP & Conservation	9,938,000
Administrative Services	0
Environmental Compliance	785,900
Legal	0
Audit	
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<b>Total</b>	<b>84,111,000</b>

## Capital Expenditure Plan

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Imperial Irrigation District/Metropolitan Water District Conservation Program, Phase I	7,848,000
San Jacinto Tunnel, West Portal - Seismic Modifications	730,200
Desalination Demonstration Project	4,563,300
All Pumping Plants - Discharge Pipelines And Pump Buildings, Seismic Modifications	3,630,500
Main San Gabriel Basin Groundwater Storage Program	1,008,200
Palo Verde Irrigation District/Metropolitan Water District Test Land Fallowing Program	5,513,300
All American Canal And Coachella Branch Lining Projects	10,002,500
Demonstration Program On Interstate Under- Ground Storage Of Colorado River Water	10,000,000
San Diego Pipeline No. 6	10,941,300
San Joaquin Reservoir - Improvement	3,688,400
South (Orange) County Pipeline - Joint Participation And Purchase	42,373,000
Lake Skinner Facilities - Outlet Tower And Bypass Pipelines Chlorination System	459,600

Garvey Reservoir Repair	9,741,900
Lake Skinner - Bypass Pipeline No. 2, Screen Installation	1,042,000
Allen-McColloch Pipeline Purchase	13,682,500
Perris Filtration Plant - Site Acquisition	19,894,900
Skinner Filtration Plant - Modules 4,5 & 6 Sedimentation Basins	1,623,300
Mills Filtration Plant - Expansion No. 2	46,752,800
All Filtration Plants - Oxidation Retrofit Program	5,887,000
Skinner Filtration Plant - Emergency Power Generating System	1,368,300
Water Quality - Demonstration-Scale Testing	2,362,700
Skinner Filtration Plant - Module No. 4 Install Wooden Baffles	17,700
Water Quality Lab - Inductively Coupled Plasma Mass Spectrometer	321,300
Water Quality Lab - Mass Spectrometer	785,200
Central Pool Augmentation And Water Quality Project - Study	558,000
Weymouth/Lake Mathews Area Study	625,500
West Valley Area Study	338,500
Foothill Area Study	748,100
West Valley Project	1,367,800
Jensen Filtration Plant - Expansion No. 1	19,810,200
Chino Basin Groundwater Storage Program	667,500
Inland Feeder	45,962,700
Domenigoni Valley Reservoir	169,231,200
Central Pool Augmentation Tunnel And Pipeline	3,143,200
Etiwanda Pipeline And Control Facility	1,148,300
Central Pool Augmentation Filtration Plant - Site Acquisition	13,038,800
Diemer And Weymouth Filtration Plants - Install Emergency Generators	834,600

Diemer Filtration Plant Modifications & Washwater Reclamation Plant Enlargement	1,050,600
Skinner Filtration Plant - Filter Media Replacement	4,438,300
Capital Suspense Accounts	1,406,700
Weymouth, Diemer, And Skinner Filtration Plants - Ferric Chloride Retrofit	1,058,400
Water Quality Laboratory Expansion	567,900
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Total	470,234,200
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## Cost

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Metropolitan will conduct its business with an unwavering commitment to providing value to its customers in a cost effective manner.

### 1994-95 Objectives

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Proceed with Phase 1 of the Information Systems Strategic Plan by implementing the general ledger and encumbrances, accounts receivable procurement, accounts payable, fixed assets, human resources, benefits and payroll, and health/safety/environmental applications which will streamline operations and reduce costs.

Formalize the value engineering program and create a stronger more effective project management structure.

Begin benchmarking performance and identify additional processes which will benefit from re-engineering and focused improvement, and continue total quality management activities.

Expand the "just In Time" program in order to close the Commerce warehouse to achieve cost reductions and reallocate staff to higher priority, more value-added work.

### 1994-95 Expenditures

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Capital	8,704,200
O&M	50,598,300
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Total	59,302,500

### O&M Expenditure Plan

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Executive Offices	407,200
Resources	959,000
Engineering	3,365,600
Operations	3,886,800
Planning	439,700
Human Resources	142,800
Information Systems	15,949,600
Right of Way and Land	918,200
Finance	4,242,900

Public Affairs	350,500
Water Quality	78,800
SWP & Conservation	7,718,500
Administrative Services	8,705,600
Environmental Compliance	2,049,000
Legal	345,000
Audit	1,039,100

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Total	50,598,300
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### **Capital Expenditure Plan**

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Integrated Computerized Maintenance Management System	224,100
Information Systems Strategic Plan - Implementation	8,480,100

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Total	8,704,200
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# Finance

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Metropolitan is committed to the development and responsible stewardship of financial resources to meet out customers' needs in an efficient, effective, and equitable manner.

## 1994-95 Objectives

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Complete the 1994 Long-Range Finance Plan to reflect revisions to the Capital Improvement Program resulting from the IRP process.

Increase the return on the investment portfolio by 40 basis points.

Complete the Nexus Study supporting the New Demand Charge and resolve outstanding issues related to the implementation of the financial structure.

Conduct security sales as necessary to provide financing for the capital improvement and/or reduce the cost of outstanding debt.

## 1994-95 Expenditures

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Capital	0
O&M	3,240,500
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Total	3,240,500

## O&M Expenditure Plan

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Executive Offices	391,800
Resources	54,800
Engineering	0
Operations	0
Planning	447,700
Human Resources	0
Information Systems	0
Right of Way and Land	0
Finance	1,858,500
Public Affairs	143,700
Water Quality	0
SWP & Conservation	0

Administrative Services	0
Environmental Compliance	0
Legal	344,000
Audit	0

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Total	3,240,500
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### **Capital Expenditure Plan**

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Total	0
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# Facility

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Metropolitan will plan and construct high-quality facilities, and operate and maintain them in a manner that ensures reliability, safety, and security.

## 1994-95 Objectives

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Maintain dependable delivery of water to member agencies through coordinated water operations of the aqueduct and distribution.

Monitor and replace as necessary aging equipment throughout the distribution system and filtration plants to avoid unplanned outages.

Incorporate lessons learned from the 1994 Northridge earthquake.

Complete a revised System Overview Study.

Develop and implement an "Asset Management Plan" for optimizing the use of Metropolitan fee-owned properties.

Establish a joint emergency preparedness and securities committee at each major facility and develop and implement an emergency exercise program and evaluation criteria for District facilities.

Proceed with capital projects related to facility maintenance and betterment as listed below.

## 1994-95 Expenditures

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Capital	43,084,500
O&M	48,866,500
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Total	91,951,000

## O&M Expenditure Plan

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Executive Offices	799,000
Resources	0
Engineering	2,263,300
Operations	32,192,000

Planning	1,472,200
Human Resources	0
Information Systems	1,638,800
Right of Way and Land	1,256,700
Finance	44,500
Public Affairs	218,400
Water Quality	47,500
SWP & Conservation	0
Administrative Services	6,566,600
Environmental Compliance	1,761,700
Legal	605,800
Audit	0

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<b>Total</b>	<b>48,866,500</b>
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### **Capital Expenditure Plan**

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All Pumping Plants And Reservoirs - Install Hypochlorination Stations	675,500
Lake Mathews - Service Water System Tie-In And Modifications	179,700
Lower, Middle, And West Coast Feeders - Cathodic Protection Systems	1,436,000
Lake Skinner Inlet - Install Permanent Electrical Fish Barrier	283,200
Insulating Joint Test Stations	254,800
San Diego Canal - Fissures Repair	583,600
Distribution System - Metro Green Line - Electrolysis Monitoring Stations	102,200
East Orange County Feeder No. 2 - Cathodic Protection System	15,200
Skinner Filtration Plant - Modules 1-3, Electrical Conduit And Wireways Replacement	228,900
Diemer Lands Study And Acquisition	5,621,400
Diemer Filtration Plant - Chlorination System Modifications	607,300
Filt.Plts., Distr. System, & Colorado River Aqueduct - Backflow Prevention Assemblies	1,230,000
Rolm 8000 Cbx Network	419,300
Digital Microwave Services To Plants And Desert Facilities; And Mobile Radio Trunking	638,700
Operations Control Center At Eagle Rock	1,211,800

Data & Digital Microwave Network - Communication System Upgrade	4,133,800
Lake Mathews And Temescal Power Plants - Install 34.5-Kv Circuit Breakers	182,500
Capital Projects For Fiscal Year 1994-95 Costing Less Than \$250,000	2,400,400
Warehouse And Storage Building At Mills Filtration Plant	237,900
Lake Mathews Multi-Purpose Building	254,800
Lake Mathews Warehouse And Tool Crib Extension	555,700
Lake Mathews Auto & Heavy Equipment Shop.	319,200
Long-Term Headquarters Facility Study	5,862,500
L. A. Headquarters Building - Fire Sprinkler System	1,811,600
Capital Program For Projects Costing Less Than \$250,000 For Fiscal Year 1991-92	136,200
Capital Program For Projects Costing Less Than \$250,000 For Fiscal Year 1992-93	110,500
La Verne Facilities - Materials Test Annex Building - Corrosion Control	944,000
Etiwanda Cavitation Test Facility	334,800
Colorado River Aqueduct - Casa Loma Canal - Warren Road - Spillway	543,200
Lake Mathews - Valves And Appurtenances, Refurbishment Program	581,400
Colorado River Aqueduct - Supervisory Control And Data Acquisition (Scada) System	1,180,800
Distribution System - Replacement Of Area Control Systems	2,981,100
Lake Perris Pumpback Expansion No. 3	1,970,200
Distribution System - Remote Data Collection And Transmission Devices For Flowmeters	1,824,100
Capital Program For Projects Costing Less Than \$250,000 For Fiscal Year 1993-94	290,500
Diemer Filtration Plant - Mixing And Settling Basin No. 8 - North Slope Remediation	1,280,300
La Verne Facilities - Auto Repair And Utility Shop Building - Seismic Upgrade	469,800
All Facilities - Security Systems Improvements	1,191,600
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Total	43,084,500

## Environment

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Metropolitan will integrate environmental values and awareness in its decision-making to foster innovative and practical solutions in its activities.

### 1994-95 Objectives

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Develop physical, institutional, and management solutions that lead to a "win-win-win" outcomes for the environment, agricultural, and urban users.

Develop environmental strategies to support a Bay/Delta solution.

Develop environmental strategies to support Colorado River endangered species.

Continue to aggressively pursue water conservation programs in an environmentally sensitive manner.

Expand the water treatment sludge marketing program

Perform continuous self-evaluations of district environmental, health, and safety performance and conduct audits to identify and correct areas of deficiency.

Proceed with capital projects related to environment as listed below.

### 1994-95 Expenditures

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Capital	12,258,900
O&M	17,918,900
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Total	30,177,800

### O&M Expenditure Plan

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Executive Offices	0
Resources	0
Engineering	52,700
Operations	0
Planning	1,930,400
Personnel	0

Information Systems	0
Right of Way and Land	0
Finance	0
Public Affairs	511,200
Water Quality	118,200
SWP & Conservation	7,216,900
Administrative Services	2,726,700
Environmental Compliance	4,316,200
Legal	1,046,600
Audit	0

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<b>Total</b>	<b>17,918,900</b>
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### **Capital Expenditure Plan**

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Diemer Filtration Plant - Chemical Feed Pumps Relocation	952,500
Skinner Filtration Plant - Landfill	629,300
Diemer, Weymouth And Jensen Filtration Plants - Sludge Handling Study	183,600
La Verne Facility - Hazardous Waste Storage Area	681,400
All Filtration Plants & Distribution System - Chemical Spill Containment	9,296,000
All Facilities - Discharge Elimination	170,400
Mills Filtration Plant - Landfill	345,700

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<b>Total</b>	<b>12,258,900</b>
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## Work Force

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Because a dedicated, diverse workforce of staff, vendors, and consultants is Metropolitan's most valuable asset, Metropolitan is committed to providing a work environment that fosters empowerment and accountability, performance and career enhancement, well-being and mutual respect.

### 1994-95 Objectives

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Develop and implement practices that ensures that Metropolitan will be a center of excellence for employees through a commitment to hire and develop the best qualified personnel through an increased commitment to equal employment opportunities and MBE/WBE through the Office of Diversity.

Conduct a classification study to ensure the accuracy of position titles, duties and responsibilities, and minimum requirements for classifications represented by the management and supervisory bargaining units.

Develop and implement a performance-based total compensation package for management level employees based on comparative market analyses.

Implement the Early Retirement Program and integrate the results with targeted recruitment outreach efforts to ensure a more diverse workforce.

Expand the Business Outreach Program and improve business practices with MBE/WBE firms.

Conduct an organizational review of the Engineering Division and analyze the effectiveness of the current organizational structure of the Operations Division.

### 1994-95 Expenditures

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Capital	254,300
O&M	21,959,700
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Total	22,214,000

### O&M Expenditure Plan

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Executive Offices	610,800
Resources	56,700
Engineering	4,212,100
Operations	3,332,900
Planning	107,600
Human Resources	5,972,400
Information Systems	801,900
Right of Way and Land	18,000
Finance	338,300
Public Affairs	871,200
Water Quality	621,800
SWP & Conservation	389,300
Administrative Services	1,770,900
Environmental Compliance	2,470,400
Legal	385,400
Audit	0

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Total	21,959,700
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### **Capital Expenditure Plan**

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Facilities Improvement Compliance To Disabilities Act	254,300
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Total	254,300
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## Interdependence

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Metropolitan shall work cooperatively with our member agencies and their subagencies to provide a reliable water supply to Southern California and to providing that service in an interdependent, fiscally-responsible, and equitable manner.

### 1994-95 Objectives

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Improve Metropolitan's effectiveness in local, state and national affairs and work jointly with member agencies to provide a higher level of service and communication to out member agencies.

Continue to improve the collaborative decision-making process with the member agencies and other resource agencies, as appropriate, to improve the quality of life in Southern California.

Improve Metropolitan's effectiveness in local, state and national affairs.

### 1994-95 Expenditures

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Capital	0
O&M	12,642,600
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Total	12,642,600

### O&M Expenditure Plan

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Executive Offices	1,341,900
Resources	3,032,800
Engineering	0
Operations	255,000
Planning	186,600
Human Resources	0
Information Systems	0
Right of Way and Land	126,900
Finance	200,400
Public Affairs	4,665,200
Water Quality	411,600
SWP & Conservation	389,300

Administrative Services	893,400
Environmental Compliance	906,900
Legal	232,600
Audit	0

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Total	12,642,600
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### **Capital Expenditure Plan**

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Total	0
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TABLE 1

**1994-95 ANNUAL BUDGET  
RECEIPTS AND EXPENDITURES  
(\$ in Thousands)**

	1993-94 Adopted Budget	1993-94 Projected Actual	1994-95 Proposed Budget	Difference 1994-95 Proposed Budget vs. Projected Actual vs. 1993-94 Budget	
				Projected Actual	1993-94 Budget
<b>RECEIPTS:</b>					
<b>WATER SALES</b>	\$595,237	\$617,071	\$628,127	\$11,056	\$32,890
less Local Projects Program	(6,000)	(6,000)	(8,900)	(2,900)	(2,900)
less Groundwater Recovery	(1,000)	(1,000)	(3,600)	(2,600)	(2,600)
<b>SUBTOTAL</b>	<b>\$588,237</b>	<b>\$610,071</b>	<b>\$615,627</b>	<b>\$5,556</b>	<b>\$27,390</b>
<b>TAXES</b>	90,000	85,724	87,654	1,930	(2,346)
<b>WATER STANDBY CHARGES</b>	50,000	50,000	50,000	0	0
<b>INTEREST ON INVESTMENTS</b>	20,000	20,799	24,000	3,201	4,000
<b>POWER RECOVERIES &amp; MISCELLANEOUS</b>	19,750	14,485	18,750	4,265	(1,000)
<b>TOTAL RECEIPTS</b>	<b>\$767,987</b>	<b>\$781,079</b>	<b>\$796,031</b>	<b>\$14,952</b>	<b>\$28,044</b>
<b>EXPENDITURES:</b>					
<b>STATE WATER PROJECT</b>	\$312,913	\$242,041	\$297,087	55,046	(\$15,826)
<b>WATER TRANSFERS/OPTIONS</b>	12,000	1,059	24,000	22,941	12,000
<b>CRA POWER</b>	38,823	33,763	34,472	709	(4,351)
<b>ADDITIONAL CRA SUPPLIES</b>	48,832	20,479	50,553	30,074	1,721
<b>MWD CAPITAL PROGRAM:</b>					
- DEBT SERVICE	107,192	109,815	137,850	28,035	30,658
- PAY AS YOU GO CONSTRUCTION	64,876	43,678	89,417	45,739	24,541
<b>MWD O&amp;M AND OPERATING EQUIPMENT</b>	200,376	192,751	205,570	12,819	5,194
<b>AMP INTEREST AND O&amp;M</b>	0	0	3,393	3,393	3,393
<b>CONSERVATION CREDITS PROGRAM</b>	19,400	18,800	19,612	812	212
<b>TOTAL EXPENDITURES</b>	<b>\$804,412</b>	<b>\$662,386</b>	<b>\$861,954</b>	<b>\$199,568</b>	<b>\$57,542</b>

TABLE 2

**THREE YEAR ESTIMATE**  
**(Cash Basis - \$ in Thousands)**

PROJECTED RECEIPTS:	1994-95	1995-96	1996-97
<b>WATER SALES</b>	\$628,127	\$697,690	\$736,951
less Local Projects Program	(8,900)	(11,700)	(14,500)
less Groundwater Recovery	(3,600)	(8,600)	(11,800)
<b>SUBTOTAL</b>	<b>\$615,627</b>	<b>\$677,390</b>	<b>\$710,651</b>
<b>TAXES</b>	87,654	90,284	92,992
<b>ADDITIONAL REVENUE SOURCES:</b>			
<b>WATER STANDBY CHARGES</b>	50,000	0	0
<b>READINESS TO SERVE CHARGES</b>	0	55,756	74,428
<b>DEMAND CHARGES</b>	0	0	769
<b>CONNECTION MAINTENANCE CHARGES</b>	0	7,000	7,000
<b>INTEREST ON INVESTMENTS</b>	24,000	25,000	26,000
<b>POWER RECOVERIES &amp; MISCELLANEOUS</b>	18,750	21,750	22,750
<b>TOTAL RECEIPTS</b>	<b>\$796,031</b>	<b>\$877,179</b>	<b>\$934,590</b>
<b>PROJECTED USE OF STABILIZATION FUNDS</b>	84,100	54,897	87,028
<b>TOTAL FUNDS AVAILABLE</b>	<b>\$880,131</b>	<b>\$932,077</b>	<b>\$1,021,618</b>

PROJECTED EXPENDITURES:			
<b>STATE WATER PROJECT</b>	\$297,087	\$307,317	\$319,800
<b>WATER TRANSFERS/OPTIONS</b>	24,000	24,000	24,000
<b>CRA POWER</b>	34,472	35,466	36,213
<b>ADDITIONAL CRA SUPPLIES</b>	50,553	46,860	58,244
<b>MWD CAPITAL PROGRAM:</b>			
<b>DEBT SERVICE</b>	137,850	166,057	206,147
<b>PAY AS YOU GO CONSTRUCTION</b>	89,417	90,000	90,000
<b>MWD O&amp;M AND OPERATING EQUIPMENT</b>	205,570	215,613	229,781
<b>AMP INTEREST AND O&amp;M</b>	3,393	2,135	2,085
<b>CONSERVATION CREDITS PROGRAM</b>	19,612	21,573	23,731
<b>TOTAL EXPENDITURES</b>	<b>\$861,954</b>	<b>\$909,021</b>	<b>\$990,000</b>
<b>ADJUSTMENTS IN RESERVES</b>	18,173	23,055	31,618
<b>TOTAL OBLIGATIONS</b>	<b>\$880,128</b>	<b>\$932,077</b>	<b>\$1,021,618</b>

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