



January 20, 1998

**To:** Board of Directors (Budget and Finance Committee--Information)  
(Engineering and Operations Committee--Information)

**From:** *for* General Manager Edward J. Meany III

**Submitted by:** Chief Engineer Gary M. Snyder

**Subject:** Capital Program Variance Reporting, December 1997

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## RECOMMENDATION

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For information only.

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## EXECUTIVE SUMMARY

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This report shows the mid-year variance between budget estimates and accrued expenditures for the Fiscal Year 1997/98 Capital Program. Expenditures through December were projected to be \$355.7 million. Actual expenditures were \$244.3 million representing a \$111.4 million variance or 31 percent under the estimate.

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## DETAILED REPORT

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During preparation of the Capital Program for Fiscal Year 1997/98, expenditures were projected to be \$691 million. Mid-year expenditures through December 1997 were projected to be \$355.7 million and accrued expenditures through December 1997 were \$244.3 million, representing a variance of \$111.4 million or approximately 31 percent under the estimate. This variance has resulted from a shift in the timing of CIP expenditures. While the ten-year CIP remains \$3.9 billion, underlying programs have experienced modifications, including the deletion of the San Joaquin Reservoir Improvement Program, favorable construction bids on the Inland Feeder Program, and the use of contingencies on the Eastside Reservoir Program. Programs with major variances over \$1 million are described below and summarized in Attachment A.

**Eastside Reservoir Project****\$68,375,600 under Estimate**

Actual expenditures were less than expected because of schedule delays on two construction contracts. The West Dam contract has experienced some delays because of late foundation preparation which has deferred embankment placement. The Inlet/Outlet Tower contract has also experienced low productivity rates in concrete placement. Revised work plans are being developed on both contracts to recover schedule.

**Inland Feeder****\$5,127,100 under Estimate**

Expenditures for insurance premiums for the Owner Controlled Insurance Program (OCIP) were deferred to incorporate a change from an annual to a quarterly payment schedule. Also, Right-of-way expenditures were less than forecasted because 65 properties require condemnation proceedings.

**Headquarters Facility--Union Station Construction****\$4,871,300 under Estimate**

Program expenditures for FY 97/98 were developed from a cash flow schedule provided by the contractor based on their work schedule. While the project remains on schedule, the contractor has been waiting up to 90 days after work has been performed to invoice Metropolitan. The project expenditures will not likely reach the projections for this fiscal year.

**Local Groundwater Storage Agreements****\$4,477,200 under Estimate**

Negotiations for the groundwater program in Raymond Basin have been put on hold. Right-of-way problems have delayed the construction of two pipelines for Calleguas' North Las Posas Project. Construction of the first pipeline, which was scheduled to begin in December 1996, did not start until December 1997, and the second pipeline is scheduled to bid in April. Calleguas is also withholding a \$1.0 million payment for pumps and motors because the motors exceed the noise specification. The project expenditures will not likely reach the projections for this fiscal year.

**Diemer Land Acquisition and Habitat Conservation Plan****\$2,650,000 under Estimate**

The FY 97/98 budget anticipated expenditures in the first and second quarters for design work and a \$2.6 million contract for grading to be done in conjunction with site preparation of the adjacent land development project. Due to a delay in schedule for the adjacent land development project, design work and the grading contract will not occur until FY 98/99.

**Jensen Filtration Plant--Rebuild Filter Media In Module No. 1****\$2,123,900 under Estimate**

Actual expenditures are less than projected because the contractor requested a delay to issuing the Notice to Proceed (NTP). The NTP, for the construction contract, was issued January 15, 1998. Expenditures will recover during the third quarter of FY 97/98.

**System Upgrades for Servers and Workstations****\$1,746,200 under Estimate**

Consultant costs for this quarter were less than anticipated. Utilization of consultant resources was modified during the initial phase of the project. As the project progresses, more consultant time will be utilized. Expenditures are anticipated to reach projections by the end of 1998.

**Jensen and Mills Filtration Plants--Oxidation Retrofit Program****\$1,709,400 under Estimate**

Actual expenditures are less than projected because the program was curtailed while revised completion dates were being considered. At the March 1997 Board of Directors meeting, an alternative was adopted that would delay purchase of major equipment until late 1998 following promulgation of the Federal D/DBP Rule Stage 1 currently anticipated in November 1998 and to reduce the scope of the initial installation at Mills. The revised on-line dates would be late 2001 for Mills ORP and late 2003 for Jensen ORP. Subsequent to preparation of the FY 97/98 capital budget, a decision was made to complete the design for the Jensen and Mills ORP utilizing existing staff only. The staff reduction combined with the reduced program scope has led to a reduced projection of expenditures through project completion in FY 04/05.

**Garvey Reservoir Repair****\$1,610,800 under Estimate**

Actual expenditures are less than projected because the liner contract experienced delays due to inclement weather and extra unforeseen work, including inflation of the old cover for additional inspection, and protection of the existing asphalt for construction traffic. The liner contract was originally scheduled for completion in November 1997, but is currently scheduled for completion in February 1998. The floating cover, which cannot be placed until the liner has been tested, is now scheduled to advertise in February 1998. Project completion is now scheduled for early FY 99/00.

**Water Quality Laboratory Expansion****\$1,366,600 under Estimate**

As of the end of December 1997, construction was approximately 88 percent completed and the contractor had earned \$9,273,176 of the \$10,530,000 contract amount. The underrun in the first half of the fiscal year was due to an aggressive contractor payment schedule for the initial portion of the project. The project is on schedule and will be completed within budget.

**Jensen Filtration Plant--Finished Water Reservoir No. 2 Repairs****\$1,228,000 under Estimate**

Program expenditures for FY 97/98 were based on a scope of work that included removal and repair of the existing Hypalon floating cover and a project completion date of March 1998. However, after further investigation and design review of a value engineering proposal by the contractor, it was determined that a new polypropylene cover would be more cost effective. Subsequently, a construction change order was negotiated which substituted a new polypropylene cover to replace the existing Hypalon cover. These changes in scope reduced the total program estimate and shifted project completion to December 1998.

**Desalination Demonstration Plant****\$1,073,400 under Estimate**

Actual expenditures are less than projected primarily due to the decision to increase the seawater desalination demonstration plant capacity from 4.2 to 12.6 million gallons per day. The revision to the scope of the project caused a three month slip in completion of design and commercialization activities. Due to these delays, consulting expenditures for the period have also been less than anticipated and the Joint Venture responsible for design and commercialization has delayed invoicing Metropolitan for their fourth quarter 1997 work.

Additionally, non-reimbursable expenses have not materialized to the extent anticipated during preparation of the budget. Expenditures are anticipated to reach projections by the end of Fiscal Year 1998.

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Attachment

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## Attachment A

<b>Fiscal Year 1997/98 Capital Program Variance Report Dollars in Thousands</b>				
<b>Program Title</b>	<b>Estimate thru 12/30/97 (a)</b>	<b>Actual thru 12/30/97 (b)</b>	<b>Variance  (c)</b>	<b>%  (c/a)</b>
Eastside Reservoir	235,894.7	167,519.1	68,375.6	29%
Inland Feeder	27,347.5	22,220.4	5,127.1	19%
Headquarters Facility - Union Station Construction	27,594.4	22,723.1	4,871.3	18%
Local Groundwater Storage Agreements	4,643.8	166.6	4,477.2	96%
Diemer Land Acquisition and Habitat Conservation Plan	2,912.4	262.2	2,650.2	91%
Jensen Filtration Plant - Rebuild Filter Media in Module No. 1	2,150.3	26.4	2,123.9	99%
System Upgrades for Servers and Workstations	1,814.2	68.0	1,746.2	96%
Jensen & Mills Filtration Plants - Oxidation Retrofit Program	3,013.9	1,304.5	1,709.4	57%
Garvey Reservoir Repair	4,493.2	2,882.4	1,610.8	36%
Water Quality Laboratory Building Expansion	4,516.0	3,149.4	1,366.6	30%
Jensen Filtration Plant - Finished Water Reservoir No. 2 Drainage System	1,762.4	534.4	1,228.0	70%
Desalination Demonstration Plant	1,813.0	739.6	1,073.4	59%
Other - Remaining Programs w/Variance Under \$1,000,000	37,744.5	22,672.3	15,072.2	40%
<b>TOTALS</b>	355,700.3	244,268.4	111,431.9	31%