



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

9-5

August 18, 1998

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

From: *for* General Manager Edmund G. Meritt

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

Subject: Capital Program Variance Reporting, June 1998

RECOMMENDATION

For information only.

EXECUTIVE SUMMARY

This report shows the fiscal year-end variance between budget estimates and accrued expenditures for the Fiscal Year 1997/98 Capital Program. Expenditures through June were projected to be \$691.3 million. Actual expenditures were \$584.4 million representing a \$106.9 million variance that is 15 percent under the estimate.

DETAILED REPORT

During preparation of the Capital Program for Fiscal Year 1997/98, expenditures were projected to be \$691.3 million. Accrued expenditures for the Fiscal Year 1997/98 were \$584.4 million, representing a variance of \$106.9 million that is approximately 15 percent under the estimate. This variance has resulted from a shift in the timing of some CIP expenditures. Programs with major variances over \$1.5 million are described below and summarized in Attachment A.

While the ten-year CIP remains \$4.0 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 planned use of contingencies on the Eastside Reservoir Program.

Eastside Reservoir Project**\$46,644,500 under Estimate**

Actual expenditures were less than expected because of excessive rain during the winter and 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. In addition, a \$3.5 million reimbursement from the city of Hemet and Riverside Flood Control District for completed work associated with Newport Road and Salt Creek Channel was received during the year.

Inland Feeder**\$6,810,000 under Estimate**

Expenditures for right-of-way were less than expected because eminent domain actions were necessary on 69 properties. This delayed acquisition of properties that were expected to be purchased during the fiscal year. Settlements are pending court action scheduled for FY 1998/99.

Local Groundwater Storage Agreements**\$8,108,200 under Estimate**

Negotiations for the groundwater program in Raymond Basin were on hold, but have resumed. For Calleguas MWD's North Las Posas Program, right-of-way problems have delayed the construction of two pipelines. For the first pipeline, construction originally scheduled for December 1996 actually started in December 1997. The second pipeline's schedule has slipped from October 1997 to November 1998. Calleguas MWD is withholding a \$1.0 million payment for pumps and motors and has not billed Metropolitan in the past seven months.

San Joaquin Reservoir - Improvement**\$6,598,800 under Estimate**

This program was canceled by your Board in April 1998.

Central Pool Augmentation and Water Quality Project - Study and Land Acquisition**\$5,662,900 under Estimate**

The FY 1997/98 budget anticipated a major property acquisition during the fourth quarter which would have secured a substantial property interest in the vicinity of the east portal of the proposed project tunnel under the Cleveland National Forest. Acquisition has been delayed due to an inability to reach an agreement with the property owner over the appraised value of the property.

Garvey Reservoir Repair**\$5,300,900 under Estimate**

Actual expenditures are less than budgeted because of delays in completion of the liner. The liner contract was originally scheduled for completion in November 1997, but was not completed until April 1998 because of delays associated with inclement weather. The floating cover contract, which could not be started until the liner contract was complete, was not awarded until May 1998. Project completion is now scheduled for early FY 1999/00.

Allen McCulloch Pipeline Flow Augmentation Projects**\$4,600,900 under Estimate**

Actual expenditures are less than projected because the purchase of pipeline right-of-way from the El Toro Marine Corps Air Station and others did not occur. Metropolitan continues coordination with MWDOC's regional planning studies that will be used to determine the timing and alignment of the AMP flow augmentation projects.

Diemer Land Acquisition and Habitat Conservation Plan**\$2,781,200 under Estimate**

The FY 1997/98 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 occur in FY 1998/99.

Jensen and Mills Filtration Plants--Oxidation Retrofit Program**\$2,611,300 under Estimate**

Actual labor expenditures are less than projected because the program was curtailed while revised on-line dates were being considered. In March 1997, your Board adopted a project schedule alternative that delayed the purchase of major equipment until late 1998 following promulgation of the Federal D/DBP Rule Stage 1 currently anticipated in November 1998. The revised on-line dates are 2001 for Mills ORP and 2003 for Jensen ORP. As a result of these on-line date revisions and subsequent to preparation of the FY 1997/98 capital budget, it was determined that no increase in resources would be required to complete the design for the Jensen and Mills ORP.

Water Quality Laboratory Expansion**\$2,182,500 under Estimate**

As of the end of June 1998, construction was approximately 99 percent completed and the contractor had earned \$9,829,310 of the \$10,530,000 contract amount. The underrun in the fiscal year was due to an aggressive contractor payment schedule for the initial portion of the project

during the previous fiscal year. In addition, several invoices have been submitted by the contractor and were pending payment at the close of the fiscal year.

System Upgrades for Servers and Workstations

\$1,812,700 under Estimate

Actual expenditures are less than projected because the project team was restructured and significant schedule modifications were made for the first stage of the project. It was subsequent to the preparation of the capital budget, that staff performed detailed investigations increasing the knowledge of the deliverables required; as a result, a number of the initial planning assumptions were substantially revised.

Jensen Filtration Plant - Rebuild Filter Media in Module No. 1

\$1,621,500 under Estimate

Actual expenditures are less than projected because the contractor (Kiewit) requested a delay in issuing the Notice to Proceed (NTP). The NTP for construction was issued about two months later than expected. Construction progress was behind schedule through May 1998. At that time, Kiewit made significant modifications to their conveyor belt system to increase productivity. With the new setup, the contractor has been able to get back on schedule. The current contract completion date is October 19, 1998. The project is 70 percent complete. Expenditures will therefore recover by the end of 1998.

Diemer and Weymouth Filtration Plants - Install Emergency Generators

\$1,578,500 under Estimate

Actual expenditures are less than projected because the criteria for emergency power was reduced by 50 percent for the Weymouth filtration plant. As a result, instead of two, only one 1,000 kW diesel engine generator is required with a provision to add another in the future. In addition, a Metropolitan-owned 900 kW diesel engine generator, temporarily used at the Skinner filtration plant, has been relocated permanently to the Diemer filtration plant to provide the required level of emergency standby power instead of purchasing a new diesel engine generator. As a result of these two rescoping actions, the revised program estimate has been reduced by \$1.1 million and is reflected in the 1998/99 Capital Program.

Strategic Operations and Maintenance Management System

\$1,530,600 under Estimate

Actual expenditures were less than projected due to delays in procurement of hand-held computers, delays in hiring consultants, and the redirection of staff to higher priority O&M responsibilities.

Attachment A

Fiscal Year 1997/98 Capital Program Variance Report Dollars in Thousands				
Program Title	Estimate thru 6/30/98 (a)	Actual thru 6/30/98 (b)	Variance (c)	% (c/a)
Eastside Reservoir	430,249.6	383,605.1	46,644.5	11%
Inland Feeder	77,896.0	71,086.0	6,810.0	9%
Local Groundwater Storage Agreements	9,287.7	1,179.5	8,108.2	87%
San Joaquin Reservoir - Improvement	6,641.7	42.9	6,598.8	99%
Central Pool Augmentation and Water Quality Project - Study and Land Acquisition	6,033.7	370.8	5,662.9	94%
Garvey Reservoir Repair	9,025.9	3,725.0	5,300.9	59%
Allen McColloch Pipeline Flow Augmentation Projects	4,600.9	0.0	4,600.9	100%
Diemer Land Acquisition and Habitat Conservation Plan	3,087.3	306.1	2,781.2	90%
Jensen & Mills Filtration Plants - Oxidation Retrofit Program	6,353.3	3,742.0	2,611.3	41%
Water Quality Laboratory Building Expansion	7,067.7	4,894.2	2,182.5	31%
System Upgrades for Servers and Workstations	2,410.9	598.2	1,812.7	75%
Jensen Filtration Plant - Rebuild Filter Media in Module No. 1	3,054.6	1,433.1	1,621.5	53%
Diemer and Weymouth Filtration Plants-Install Emergency Generators	2,945.1	1,366.6	1,578.5	54%
Strategic Operations and Maintenance Management System	2,616.6	1,086.0	1,530.6	58%
Other - Remaining Programs w/Variance Under \$1,500,000	119,991.4	110,955.2	9,036.2	8%
TOTALS	691,271.4	584,390.7	106,880.7	15%