

July 19, 1999

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

From: General Manager _____

Submitted by: Gary M. Snyder
Chief Engineer _____

Subject: Capital Program Variance Reporting, June 1999

RECOMMENDATION(S)

For information only.

EXECUTIVE SUMMARY

This report shows the fiscal year-end variance between budget estimates and accrued expenditures for the Fiscal Year 1998/99 Capital Program. Expenditures through June were projected to be \$578 million. Actual expenditures were \$558 million representing a \$20 million variance or 3.5 percent under the estimate.

DETAILED REPORT

During preparation of the Capital Program for Fiscal Year 1998/99, expenditures were projected to be \$578 million; and expenditures for the ten-year CIP, measured from Fiscal Year 1995/96 through Fiscal Year 2004/05, were projected to be \$4 billion. The accrued expenditures through June 1999 were \$558 million, representing a variance of \$20 million or approximately 3.5 percent under the estimate. This variance has resulted from a shift in the timing of CIP expenditures. In addition, while the ten-year CIP remains \$4 billion, underlying programs have experienced modifications since the publishing of the Fiscal Year 1998/99 Capital Program Appendix. Construction of Lake Mathews Outlet Facilities is planned to commence upon completion of final design; the online date for San Diego Pipeline No. 6 has shifted from Fiscal Year 2004/05 to no earlier than 2008/09; the program estimate for Eastside Reservoir has increased \$115 million to a total of \$2,087 billion; and construction contracts for Inland Feeder, awarded since publishing the Capital Program, have been favorable, thus reducing the ten-year CIP forecasts.

Eastside Reservoir Project

The program is forecasting a budget increase; however, July 1998 through June 1999 expenditures are \$30,408,500 under the estimate.

The Eastside Reservoir Program is under the Fiscal Year 1998/99 expenditure plan by 8.9 percent or \$30.4 million. The West Dam underexpenditure of \$15.5 million is due to lower embankment productivity than forecast in the Fiscal Year 1998/99 plan. The East Dam underexpenditure of \$3.4 million is due to the shift in DSOD-approved construction sequence from a 3-dam to a 2-dam plan. The Pumping Plant underexpenditure of \$3.7 million is due to late delivery of pumps and delays in electrical installation. The remaining variance of \$7.8 million is due to a number of smaller variances resulting from delays in starting work, reductions in scope, and some production shortfalls.

Central Pool Augmentation and Water Quality Project - Study and Land Acquisition

The overall program is within budget; however, July 1998 through June 1999 expenditures are \$9,135,400 under the estimate.

Actual expenditures from July 1998 through June 1999 were less than anticipated due to an inability to reach an agreement for the purchase of right-of-way through a recently developed golf course. The cashflows for Fiscal Year 1999/00 have also been reduced since a voluntary land acquisition in this area is unlikely. However, studies will continue on the potential impacts to the project schedule and alignment and activities associated with the preservation/protection of the corridor and critical right-of-way will continue.

Headquarters Facility--Union Station Construction

The overall program is within budget; however, July 1998 through June 1999 expenditures are \$5,743,100 under the estimate.

The project was completed during the second quarter of Fiscal Year 1998/99. Metropolitan is awaiting the final billing from the developer. Management practices used on this project are now being supplied to the Eastside Reservoir Project. Anticipated total cost is expected to be less than \$133 million. Total budget amount was \$135 million.

Jensen and Mills Filtration Plants--Oxidation Retrofit Program (ORP)

The overall program is within budget; however, July 1998 through June 1999 expenditures are \$5,652,700 under the estimate.

Contract expenditures for ozone equipment and service center were delayed by EPA in promulgation of the D/DBP rule. Less than forecasted expenditure of labor costs were due to a stretching of the schedule for design of the Mills ORP. This resulted from the decision to limit the use of consultants for the design team.

Allen McColloch Pipeline Augmentation

The overall program is within budget; however, July 1998 through June 1999 expenditures are \$4,463,500 under the estimate.

This program originally consisted of planning studies and design and construction of the Allen McColloch Pipeline Parallel and other distribution system improvements in Orange County. Because the actual facilities that may be constructed are not clearly defined, it was decided to proceed only with the planning studies at this time, and to conduct these studies on O&M rather than under a capital appropriation. Therefore, the Capital Program has been deferred until the project can be more clearly defined.

Lake Mathews Watershed - Drainage Water Quality Management Plan

The overall program is within budget; however, July 1998 through June 1999 expenditures are \$4,463,500 under the estimate.

As part of the final design of this project, a re-delineation of affected wetlands was performed, resulting in the discovery of additional wetlands impacts. This necessitated revisions to the existing permits issued by the Corps of Engineers and California Department of Fish and Game. Applications for permit revisions resulted in regulatory delays. Consequently, advertisement was delayed by approximately six months, causing expenditures for design, advertising and award to be pushed back by two quarters. The project was advertised in July 1999.

San Diego Pipeline No. 6

The overall program is within budget; however, July 1998 through June 1999 expenditures are \$3,338,300 under the estimate.

In September 1998, the San Diego County Water Authority (SDCWA) informed Metropolitan that San Diego Pipeline No. 6 would not be needed sooner than the year 2008. In response, Metropolitan deferred all budgeted planning, design, and construction activities. Only minimal activities associated with the preservation/protection of the corridor and critical right-of-way will continue. The Capital Improvement Program for Fiscal Year 1999/00 has already been revised to reflect this change.

Garvey Reservoir Repair

The overall program is within budget; however, July 1998 through June 1999 expenditures are \$1,409,300 under the estimate.

The floating cover contract bid opening experienced a two-month delay as a result of permitting delays from the state Division of Safety of Dams and Department of Health Services. The notice to proceed was issued in July 1998, reflecting the two month schedule delay. Construction contract expenditures are anticipated to increase as the contractor nears completion of work. Additionally, the construction contract of the floating cover was below the forecast estimate, resulting in project savings.

Mills Filtration Plant - Expansion No. 2

The overall program is within budget; however, July 1998 through June 1999 expenditures are \$1,369,700 under the estimate.

The cost for defending Metropolitan against contractor's claims was lower than anticipated due to more negotiation and less litigation. Discovery activities and negotiations are anticipated to continue for another six months. Also, expenditures for the plant landscaping work have been lower than anticipated due to delays by the city of Riverside concerning the plant entrance location. Project expenditures are likely to be met in the next fiscal year.

Distribution System - Replacement of Area Control Systems

The overall program is within budget; however, July 1998 through June 1999 expenditures are \$1,962,100 over the estimate.

The variance is attributed to underestimating technician and programming labor required to replace the existing SCADA system.

Inland Feeder

The overall program is within budget; however, July 1998 through June 1999 expenditures are \$81,702,700 over the estimate.

The Arrowhead East Tunneling contract is experiencing delays and additional costs resulting from excessive groundwater inflows and an intensive grouting program. Inland Feeder's variance for the fiscal year is also attributed to contractors performing work ahead of schedule on other segments of the project. Installation of pipe on the Riverside South Pipeline (31,400 feet) and Riverside North Pipeline (41,140 feet) have been completed and are expected to be completed eight and six months ahead of schedule, respectively. Similarly, projected completion dates for the Arrowhead West Tunnel and Riverside Badlands Tunnel are three to eight months earlier than originally planned.

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Attachment 10-8A

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Fiscal Year 1998/99 Capital Program				
Variance Report				
Dollars in Thousands				
Program Title	Estimate thru 6/30/99 (a)	Actual thru 6/30/99 (b)	Variance (c)	% (c/a)
Eastside Reservoir	342,799.2	312,390.7	30,408.5	9
Central Pool Augmentation and Water Quality Project - Study and Land Acquisition	9,189.5	54.1	9,135.4	99
Headquarters Facility - Union Station Construction	22,421.7	16,678.6	5,743.1	26
Jensen & Mills Filtration Plants - Oxidation Retrofit Program	10,519.7	4,867.0	5,652.7	54
Allen McColloch Pipeline Flow Augmentation	4,828.8	0	4,828.8	100
Lake Mathews Watershed - Drainage Water Quality Management Plan	5,506.0	1,042.5	4,463.5	81
San Diego Pipeline No. 6	3,876.6	538.3	3,338.3	86
Garvey Reservoir Repair	5,340.9	3,931.6	1,409.3	26
Mills Filtration Plant - Expansion No. 2	2,380.4	1,010.7	1,369.7	58
Distribution System - Replacement of Area Control System	1,733.7	3,695.8	-1,962.1	-113
Inland Feeder	88,137.1	169,839.8	-81,702.7	-93
Other - Remaining Programs	81,304.2	43,779.8	37,524.4	46
TOTALS	578,037.8	557,828.9	20,208.9	3.5