MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

BOARD ACTION

- **Board of Directors**
  Budget and Finance Committee

June 13, 2000 Board Meeting

9-1

Subject

2000-01 Annual Budget

Summary

	1999-00 Budget Estimates	1999-00 Projected Actual	2000-01 Proposed Budget
Operations & Maintenance	$216.5 Million	$192.5 Million	$203.9 Million
Capital Investment Plan	$576.4 Million	$396.1 Million	$249.6 Million
Positions	2,255	2,074	2,110
Consultants (O&M and Capital)	$113.6 Million	$78.1 Million	$47.3 Million
Water Sales (Million Acre-Feet)	1.724 MAF	2.068 MAF	1.913 MAF
Water Sales Revenue	$689.8 Million	$779.6 Million	$731.6 Million

Description

I am pleased to submit for your review and consideration the proposed annual budget for fiscal year 2000-01. This budget is based on the commitments I made in my fiscal year 1999-2000 business plan to bring a renewed focus on customer service to our core business -- delivering reliable high-quality water at the lowest possible cost. It also provides the necessary resources to pursue Board policy initiatives ensuring good water quality, reliability and fairness.

It should be noted that the recommendations contained in this letter are subject to change pending the outcome of the Board Workshop on the 2000-01 Annual Budget.

During my first year as General Manager at Metropolitan, we have accomplished a great deal. Beginning with the reorganization, a new management structure has been put in place that emphasizes cost containment, accountability, diversity, and a reduction in the use of consultants. The full-time equivalent (FTE) personnel count has been reduced from 2,255 to 2,110 without layoffs. Diamond Valley Lake is now operational. All critical operating and business systems were made 100 percent Y2K compliant and there were no related incidents or disturbances reported as we entered the millennium. The basic commodity rates for water have not increased, and significant cost savings have occurred. We will be able to confirm the amount of savings achieved when the remaining work for Phase III of the reorganization has been completed and the books have been closed at the end of the fiscal year.

From a strategic standpoint, we supported the Board in its strategic planning process to identify our regional water management priorities of quality, reliability and fairness. Policy principles for the Strategic Plan were adopted as well as a rate structure framework. Water quality initiatives were launched targeting MTBE, reduced salinity levels in source water, and efforts to move radioactive mill tailings away from the Colorado River at Moab, Utah. And, our long-term reliability was enhanced through a historic agreement with Imperial Irrigation District and Coachella Valley Water District to facilitate the San Diego County

Water Authority exchange agreement. During the current fiscal year, we were a primary influence in raising the issue of water quality to the forefront of CALFED discussions upon which our reliability depends. Finally, we were also able to absorb unanticipated costs related to the break and accelerated maintenance to the Allen-McColloch pipeline while accomplishing the task in a reassuring manner to our customers.

The 2000-01 budget provides a starting point to measure services and staffing levels based on the work done in Phases I and II of the reorganization. However as anticipated when we began the reorganization, there is significant work that still must be done before we can fully realize the benefits of the reorganization. Fiscal year 2000-01 will be a transitional year as we continue to move forward to a culture that focuses on our core function of water systems operations always striving to assure our customers of high quality and reliable water supplies at a fair and competitive price.

In fiscal year 2000-01, I hope to build on these successes. Key objectives within each area of regional priorities are:

Quality

State Water Project/CALFED

- Complete studies and make recommendations regarding strategies to improve water quality and supply reliability, increase flexibility, and reduce costs of the State Water Project.
- Under CALFED, communicate Metropolitan's needs for water supply and quality improvements from the Delta, and pursue state and federal funds for Bay-Delta improvements.

Reliability

Colorado River

- Complete necessary environmental reviews and negotiate agreements to advance provisions of California's Colorado River Water Use Plan, including the Key Terms for Quantification Settlement, favorable surplus and shortage of river operating criteria, and other related water supply actions.
- Complete environmental documents, negotiate and execute agreements with project partners, and commence facilities design, if approved by the Board, for Colorado River Aqueduct Banking Programs.
- Seek approval of a favorable year 2001 Annual River Operations Plan by the United States Bureau of Reclamation to ensure a full Colorado River Aqueduct.

Fairness

Strategic Plan

- Develop a new rate structure that allows member agencies to competitively manage their supply and demand for water while ensuring regional quality, reliability, and fairness.
- Update the Integrated Resources Plan to identify the regional resources and capital infrastructure investments required by the region to meet water quality and supply reliability goals over the next 50 years.
- Update the System Overview Study to identify facilities and distribution system improvements in line with the Strategic Plan.
- Update the Long-Range Finance Plan, based on the new rate structure, to identify the guidelines and policies for financing resource and capital infrastructure investments and determining appropriate reserve levels.
- Provide resources to assist the Board in its transition from 51 members to 37 members and implementation of a new governance structure.

Managing for Quality, Reliability and Fairness

- Complete the organization structure, begin implementing multi-skilled workforce concepts, and implement a dual career path for employee technical experts.
- Transition to full operations of the Diamond Valley Lake.
- Proceed with the construction of the Inland Feeder and Jensen/Mills Oxidation Retrofit projects within budget objectives and on schedule.
- Undertake a comprehensive system integrity study to determine rehabilitation needs to ensure the continued reliability of the aqueduct, distribution system, and treatment plants.
- Provide clear and direct communication of Metropolitan's operations, policies and programs consistent with our regional water management priorities of water quality, reliability and fairness.
- Customize a menu of services for customers based on member agency-identified preferences and needs.

Budget Estimates

This year's budget is presented using the new reporting formats adopted by the Board at the April 2000 meeting. The accrual basis Statement of Operations represents the proposed budget. Since last year's budget was prepared on a cash basis, most of the comparisons are between projected actual and proposed budget as opposed to budget to budget.

Statement of Operations

Operating revenues for fiscal year 2000-01 year are estimated to be $790.5 million. This estimate is based on water sales of 1.913 million acre-feet (MAF). Metropolitan's basic commodity rates for water have remained unchanged at $349 per acre-foot for untreated water and $431 per acre-foot for treated water. Operating revenues are offset by a $37.6 million Interim Cost of Service Credit Program. This program is designed to utilize savings generated from the re-organization and reductions in fixed costs generated from financing options discussed with the Budget and Finance Committee. The overall goal of the Interim Cost of Service Credit Program is to facilitate the transition to the new rate structure for all member agencies.

Operating expenses are projected to be $626.0 million. Of this amount, $203.9 million is for operations and maintenance. This is $12.5 million or 5.8 percent lower than the 1999-00 budget but about $11.4 million more than the projected actual. Most of the increase is needed to fund the resources necessary to improve our operational core function capabilities and continue the implementation of the reorganization. This budget also includes funding requests to bolster legislative outreach efforts, implement a community partnering program, and support the development of a new rate structure.

Operating income coupled with other income and expenses produces a net amount of $205.6 million that will be used to fund principal payments on outstanding debt, pay a portion of the State Water Contract capital costs, fund the Pay-As-You-Go (PAYG) Construction Program, and reserve adjustments.

Cash Outlays

Cash outlays for fiscal year 2000-01 are projected to be $1.059 billion. This is approximately $180.6 million less than the projected actual for 1999-2000. Construction expenditures are lower since Diamond Valley Lake is substantially complete. Additionally it is planned to cash defease $75 million in serial bonds in June 2000. Debt service payments for 2000-01 are also projected to be lower as a result of the defeasance and implementation of other proposed financing options. Payments on the State Water Contract, costs for pumping water through the Colorado River Aqueduct, and P-1 Pumping Plant costs are higher than the projected actual due to the Diamond Valley Lake fill. As noted earlier, O&M expenses are also estimated to be higher than the projected actual.

Reserve Levels

The maximum reserve level for June 30, 2001 is projected to be $288.1 million. Based on projected receipts and cash outlays, it is estimated that reserves could be over the maximum reserve level by as much as $102.9 million at the end of fiscal year 2000-01. It should be noted that if water sales were to return to the 1998-99 level, reserves could be below the maximum level by as much as $62 million. Staff will provide options for use of funds, in accordance with board policy, for consideration if there are amounts over the maximum reserve level.

A more detailed discussion on the budget estimates is included in the Financial Summary (**Attachment 1**).

Staffing

The proposed personnel complement for 2000-01 is 2,110. The personnel complement is broken down as follows:

	1999-00	2000-01	Change
Regular Full Time Positions	1,879	1,855	(24)
District Temporary Positions	133	105	(28)
Agency Temporary Positions	243	150	(93)
Total	**2,255**	**2,110**	**(145)**

Of this total, 1,824 positions are dedicated to Operations and Maintenance activities and 286 will be working on the Capital Investment Plan. As part of Phase IV of the reorganization, a detailed analysis of staffing requirements will be conducted to determine the optimum staffing level based on a multi-skilled workforce, dual career path, and resource pool concepts.

In summary, Metropolitan is committed to keeping the cost of water as low as possible while meeting the reliability and water quality goals. The upcoming year promises to provide many opportunities to address specific initiatives as well as excel in core functions. The fiscal year 2000-01 proposed budget has been formulated to meet the challenges that face us while continuing to maintain stable and competitive water rates.

Policy

Administrative Code Section 5107, Annual Budget.

Board Options/Fiscal Impacts

Option #1

1. Approve the 2000-01 Annual Budget;
2. Appropriate $575.5 million for the projected annual cash outlays for district operations and maintenance (O&M), including power costs on the Colorado River Aqueduct, State Water Project (SWP) operations, maintenance, power and replacement costs, and SWP capital charges; water management programs; and O&M costs associated with the Metropolitan/Imperial Irrigation District Phase 1 Agreement;
3. Appropriate, as continuing appropriations, $225.0 million for debt service on District general obligation and revenue bonds and interest payments on commercial paper;
4. Appropriate, as continuing appropriations, $3.5 million for operating equipment and inventory supplies;
5. Authorize the use of $75.0 million in Pay-As-You-Go funds to finance a portion of the Capital Investment Plan during fiscal year 2000-01;
6. Find that the actions recommended in this letter are not subject to the California Environmental Quality Act either because the actions proposed herein are (i) exempted by Section 15301 of the State CEQA Guidelines as simply providing for the continued operation of existing facilities with no expansion of use beyond that previously existing; or (ii) exempted by Section 15378(b)(5) of the State CEQA Guidelines as constituting the creation of government funding mechanisms or other government fiscal activities which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment.

Option #2

Approve the 2000-01 Annual Budget with changes as recommended by the Board from the June 6 Budget Workshop.

Fiscal Impact: Indeterminate at this time.

Staff Recommendation

Option #1.

Brian G. Thomas	5/23/2000
Chief Financial Officer	*Date*
General Manager	5/26/2000
	Date

Attachment 1 - Financial Summary

2000-01 Annual Budget Financial Summary

The Financial Summary for fiscal year 2000-01 is presented using the new reporting formats adopted by the board at the April 2000 meeting. The accrual basis Statement of Operations represents the proposed budget. Also included is information on the Capital Investment Plan, cash outlays, and projected fund balances and reserve levels.

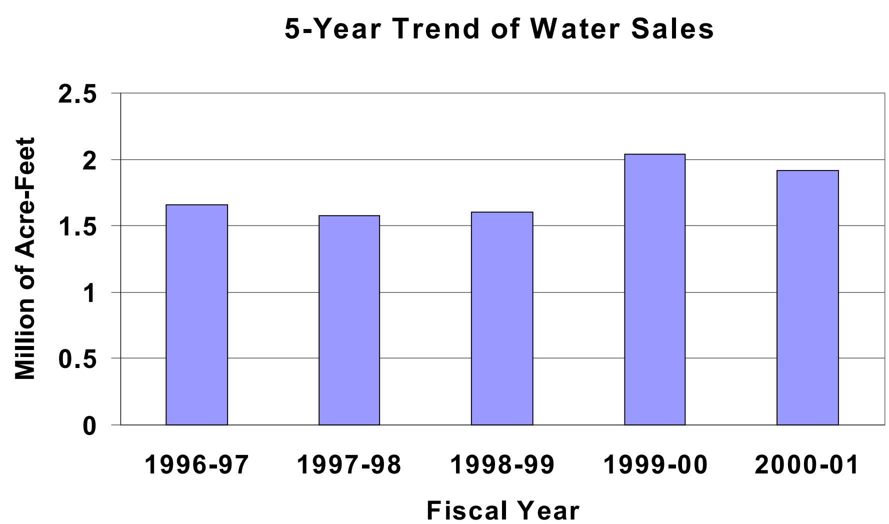
Statement of Operations

Operating Revenues

Estimated operating revenues from water sales, readiness-to-serve charges, and power recoveries are projected to be $828.1 million for Fiscal Year 2000-01. This is $52.6 million less than projected actual.

Revenues from water sales for 2000-01 are estimated to be $731.6 million based on water sales of 1.913 MAF. Water sales for 1999-00 are projected to be 2.059 MAF generating $779.6 million. In 1999-00, the region experienced warm, dry weather. This resulted in very high sales. The 2000-01 sales estimate of 1.913 MAF was developed from input from the member agencies on their projected demands and an assumption that weather conditions (both precipitation and temperature) will be within the normal range. If the weather were to remain warm and dry throughout 2000-01, sales could again top 2.0 MAF.

The graph below shows a five-year trend of water sales.



The 2000-01 water sales mix includes 1.512 MAF of full service sales, approximately 301,000 acre-feet of seasonal sales, and 100,000 acre-feet of agricultural sales. Treated sales are estimated to be 1.267 MAF. Water rates, as adopted by the board, for fiscal year 2000-01 are shown on the table below:

2000-01 Commodity Water Rates

	Untreated	Treated
Basic Service	$349	$431
Agriculture	$236	$294
Seasonal Storage - Shift (7/01/00 – 12/31/00)	$277	$334
Seasonal Storage - Shift (1/01/01 – 6/30/01)	$288	$345
Seasonal Storage – Long-Term	$266	$290

Readiness-to-Serve (RTS) charge receipts for 2000-01 are estimated to be $80 million which is unchanged from 1999-00. The RTS is set to recover the principal and interest payments on non-tax supported debt service that has been or will be issued to fund capital investments necessary to meet the continuing reliability and water quality needs associated with current demands.

Revenues from power recoveries and connection maintenance charges are estimated to be approximately $16.5 million, slightly less than in 1999-00. Since power recoveries are directly linked to the quantity of water flowing through the power recovery plants, it is probable that power recoveries could be higher than this estimate if water sales remain on the high side.

As an offset to revenues, the budget includes an Interim Cost of Service Credit Program. It is estimated that the initial savings from the reorganization and the savings from restructuring the capital financing program will total $37.6 million in fiscal year 2000-01. This budget assumes that these savings will be credited back to the member agencies as an Interim Cost of Service Credit Program.

Taking into account the Interim Cost of Service Credit Program, total operating revenues for 2000-01 are projected to be $790.5 million

Operating Expenses

Operations and Maintenance

The 2000-01 operations and maintenance (O&M) budget totals $203.9 million. This is $12.5 million or 5.8 percent less than the current year budget of $216.4 million, but $11.4 million or 6.0 percent more than the 1999-00 projected actual. First year operations of Diamond Valley Lake are projected to be $5.3 million. Chemical costs are projected to be $3.2 million more than the current year. This is due primarily to the fact that more State Water Project water will be treated as Diamond Valley Lake is filled. There is also approximately $1 million included to fill critical positions needed to meet the backlog of work necessary to maintain our facilities, many of which are 50 – 60 years old. Outreach programs are projected to increase approximately $1.7 million to bolster legislative outreach efforts and implement a Community Partnering Program with renewed interest on member agency and community support. Approximately $1.1 million is included in this year's budget to support the Colorado River Water Use Plan/ Quantification Settlement and the programmatic endangered species and master permit for desert facilities.

A contingency of $2.3 million has been included. This amount is equal to 1.5 percent of the Departmental budget. The contingency will be managed by the General Manager's office to be used if unforeseen expenditures arise.

Offsetting these increases are reductions in consulting services. The consulting budget for the General Manager's Department totals $12.4 million. This is $5.0 million or 28.7 percent less than the 1999-00 budget and is about the same as the projected actual.

An overview of O&M expenses is shown in Table 2.

Cost of Water Delivered

The estimate for cost of water delivered for 2000-01 totals $225.7 million. This is $5.1 million higher than the projected actual for 1999-00. The increase is attributable to filling Diamond Valley Lake. The components that are included in this category include Colorado River power costs, State Water Project power costs, State Water Project OMP&R costs, P-1 Pumping Plant costs, and IID 1 operations and maintenance costs.

Diversions from the Colorado River are estimated to be 1.3 MAF for 2000-01. Deliveries from the State Water Project are estimated to be 1.29 MAF. Of the total deliveries for 2000-01, approximately 540,000 acre-feet will be delivered to Diamond Valley Lake.

Water Management Costs

Metropolitan provides financial assistance to its Member Agencies for the development of local water recycling and groundwater recovery projects under the Local Projects Program (LPP), the Groundwater Recovery Program (GRP), and Conservation Credits Program (CCP).

Metropolitan has entered into agreements to provide financial assistance to 54 water recycling projects. Thirty-five of these projects are in operation and the remaining 19 projects are under design or construction. Metropolitan's contribution to 28 of these projects is fixed at $154 per acre-foot and the remaining projects receive from $0 to $250 per acre-foot depending upon actual project costs. Recycling projects that receive Metropolitan contributions are expected to produce about 68,000 acre-feet of recycled water principally for landscape irrigation, nurseries, groundwater recharge and industrial uses in 2000-01 at a cost to Metropolitan of about $13.2 million.

Metropolitan has entered into agreements to provide financial assistance to 21 projects that recover contaminated groundwater. Metropolitan's contribution to these projects varies from $0 to $250 per acre-foot. Operating groundwater recovery projects are expected to produce about 23,000 acre-feet of mostly municipal water supplies in 2000-01 at a cost to Metropolitan of about $4.2 million.

Metropolitan's CCP provides financial assistance to local agency conservation programs by providing a $154 per acre-foot incentive payment or cost sharing agreements. The budget for 2000-01 totals $14.4 million, and it is expected that over 218,300 low flow toilets will be installed. In addition, program funds will continue to support commercial and industrial and landscape conservation efforts by local agencies.

Depreciation and Amortization

Depreciation and amortization costs are estimated to be $164.6 million. This is $17.4 million more than the projected actual for 1999-00. The primary reason for the increase is depreciation associated with Diamond Valley Lake. The capital costs for the reservoir will be depreciated over 80 years.

Other Income/Expense

Revenues from taxes and annexation fees, which will be used to pay voter-approved debt service on general obligation bonds and a portion of the capital costs of the State Water Contract, are estimated to be $100.2 million based on the tax rate used for the 1999-00 tax levy (.0089%). This rate has been in effect since fiscal year 1991-92. Assessed valuations are estimated to increase by approximately five percent.

Interest earnings on all Metropolitan funds are estimated to total $55.0 million. Bond interest expense is estimated to be $114.1 million. This is $39.8 million more than the projected actual for 1999-00. The primary reason for the increase is that interest expense associated with construction of Diamond Valley Lake is no longer capitalized (and recorded as a cost of the asset) but expensed. It should be noted that this estimate assumes $75 million in existing debt is defeased in fiscal year 1999-00, $350 million in Commercial Paper will be retired with variable rate water revenue bonds, and $250 million of variable rate water revenue bonds will be used to tender outstanding fixed rate water revenue bonds. If these financing options are not implemented, interest expense will be approximately $17.5 million higher.

Net Income

Net income is projected to be $205.6 million. Net income is used to fund capitalized interest and principal payments on outstanding water revenue bonds; fund PAYG construction; and pay a portion of the State Water Contract capital costs.

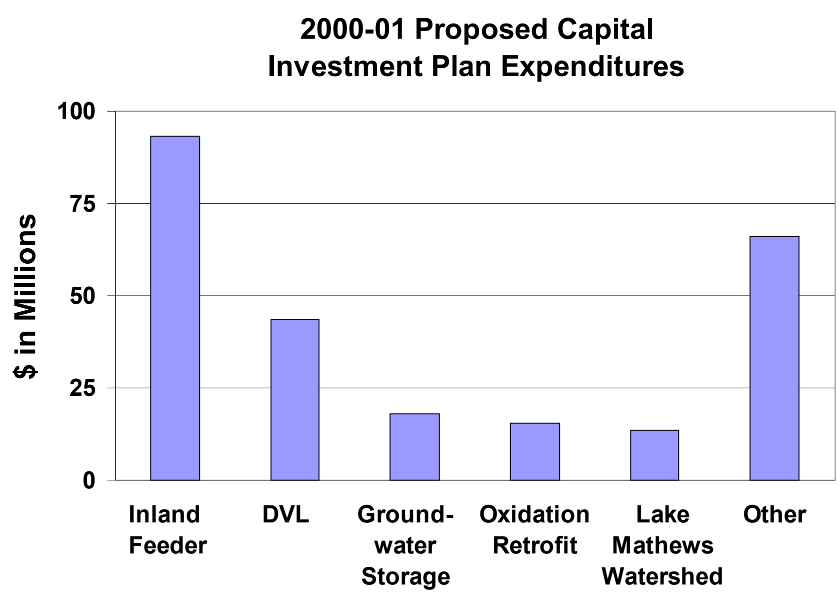
The Comparative Statements of Operations is shown on Table 1.

Capital Investment Plan

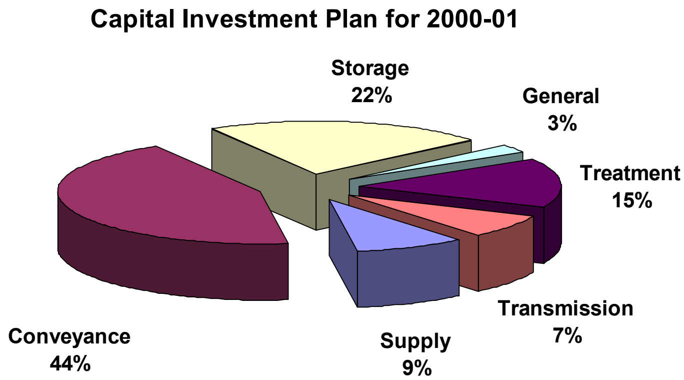
As part of the development of the 2000-01 budget, the Capital Improvement Program was restructured. One outcome of the process was to rename the program the Capital Investment Plan. The primary goal of the restructuring was to link capital investments to Metropolitan's goals of reliability and water quality. For a project to be included in the CIP, it must support the policy principles of the Strategic Plan and rate structure, the Integrated Resource Plan, and the General Manager's Business Plan as approved by the board. Criteria for evaluating all projects were developed and all existing and proposed projects were then evaluated and prioritized. As a result of this process, $21.5 million will be saved and $54.4 million has been deferred from fiscal year 2000-01 to later years.

Additional information on the restructuring of the CIP process is provided in the Capital Investment Plan Section.

The CIP for fiscal year 2000-01 totals $249.6 million. Major projects in design and/or construction include the Inland Feeder, wrap up work on the Diamond Valley Lake, the Jensen/Mills Oxidation Retrofit Program, the Local Groundwater Storage Program, and the Lake Mathews Watershed Drainage Water Quality Plan. These five projects account for 74 percent of the total expenditures.



Programs are categorized as source of supply, conveyance and aqueduct, storage, treatment, transmission, customer related, administrative and general and hydroelectric. The 2000-01 expenditure plan by category is shown on the chart below.



Expenditures for the proposed CIP will be funded from proceeds in Revenue Bond Construction Funds, the General Fund, and the PAYG Fund as approved by the board.

Cash Outlays

Cash outlays for fiscal year 2000-01 total $1.059 billion. Expenditures to be funded from current year receipts total $849.9 million. Approximately $29.3 million from the Water Transfer Fund will be used to cover the power costs of filling Diamond Valley Lake and $5.2 million will be used to pay costs associated with water transfer agreements. The balance will be funded from bond construction funds. The breakdown of cash outlays for the proposed year and a comparison of projected expenditures for the current year are shown on the table below.

	$ in Millions		
Category	**1999-00 Projected Actual**	**2000-01 Estimates**	**Difference**
State Water Contract	$ 268.0	$ 294.6	$ 26.6
Debt Service	235.6	225.0	-10.6
Bond Defeasance	75.0	0.0	-75.0
Operations and Maintenance	192.5	203.9	11.4
P-1 Pumping Plant Costs	1.1	5.7	4.6
Colorado River Program	30.1	43.0	12.9
Water Management Programs	27.9	31.8	3.9
Water Transfers	13.1	5.2	-7.9
Capital Construction from Bond Proceeds	280.8	174.6	-106.2
Pay-As-You Go Construction	115.3	75.0	-40.3
Total	**$1239.40**	**$1058.80**	**($180.60)**

As shown on the table above, cash outlays for fiscal year 2000-01 are projected to be $180.6 million less than the current year. The differences, by category, between the 1999-00 projected actual and 2000-01 estimates are explained below.

State Water Project expenditures of $294.6 million are projected to be $26.6 million more than the current year. The increase is primarily due to power costs associated with filling Diamond Valley Lake (DVL).

Debt service payments are projected to be $10.6 million less than in 1999-00, if $75 million in cash is used to defease serial bonds that mature prior to the end of fiscal year 2005 and the other financing options, as described earlier, are implemented to reduce debt service costs. The savings are estimated to be $27.6 million. This is offset by debt service costs associated with a $200 million variable rate debt sale scheduled for late 2000. The proceeds from the debt sale will be used to fund Metropolitan's Capital Investment Plan.

Changes in operations and maintenance are explained on page 2 of this attachment.

During the initial fill of DVL, water must be pumped through the P-1 Pumping Plant into the reservoir. The costs for 2000-01 are estimated to be $5.7 million. This is $4.6 million higher than 1999-00 as substantially more water will be delivered into DVL during 2000-01 than in 1999-00.

Colorado River Program costs are projected to be $43.0 million. Pumping costs on the Colorado River Aqueduct are estimated to be $34.9 million, which is $10.2 million more than the projected actual. The increase reflects higher unit power costs and increased diversions. Estimated expenditures associated with the Imperial Irrigation District (IID) I Agreement total $8.1 million. This is $2.7 million more than projected actual. The increase is due to the timing of O&M funding calls by IID.

The costs for Water Management Programs are explained on page 3 of this attachment.

Water Transfer payments are estimated to be $5.2 million, which are $7.9 million less than the current year. It is anticipated that approximately $4.4 million will be spent in accordance with the terms of the Arvin Edison and Semi-Tropic water exchange agreements and that up to $750,000 could be spent for water quality exchanges.

Capital Construction from Bond Proceeds is down $106.2 million from the current year and reflects the substantial completion of Diamond Valley Lake.

PAYG Construction is estimated to be $75 million. This amount approximates the annual depreciation expense for 2000-01 and is different from the PAYG policy adopted by the board in March 1999. The current PAYG policy is designed to optimize Metropolitan's PAYG percentage based on future capital investments. Since the board is still crafting the Strategic Plan, there is considerable uncertainty regarding how much will be spent on future capital investments. Therefore, it is recommended that for fiscal year 2000-01, the PAYG amount be set at $75 million. Using annual depreciation as a guideline for funding PAYG programs is a common utility industry practice.

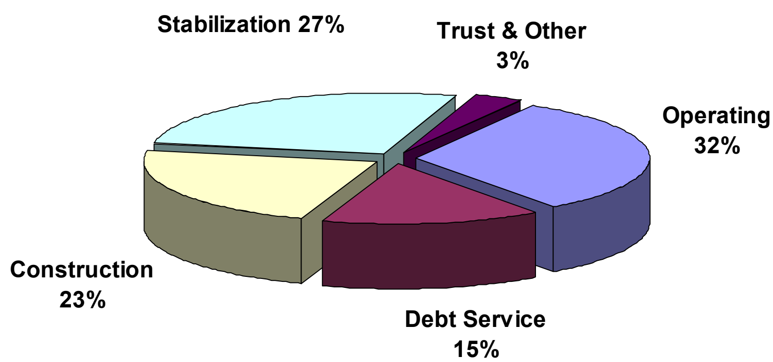
Fund Balances and Reserve Levels

Fund balances are projected to be $991.0 million at June 30, 2001. Of that total, $562.5 million is restricted by either bond covenants or board policy, and $428.5 million is unrestricted. The table below shows a breakdown by fund type.

$ in Millions

	Restricted		Unrestricted	Total
	Bond Covenant	Board		
Operating Funds	$90.5	$99.8	$122.5	$312.80
Debt Service Funds	133.6	18.0	0.0	151.6
Construction Funds	186.3	0.0	37.5	223.8
Stabilization Funds	0.0	0.0	268.5	268.5.5
Trust and Other Funds	0.0	34.3	0.0	34.3
Total	**$410.40**	**$152.10**	**$428.50**	**$991.000**

Fund Distribution by Type



The minimum and maximum reserve levels are projected to be $122.5 million and $288.1 million respectively. It is projected that reserves could exceed the maximum by as much as $102.9 million at the end of fiscal year 2000-01. It should be noted that if water sales were to return to the 1998-99 level, reserves could be below the maximum level by as much as $62 million. Staff will provide options, in accordance with board policy, for use of these funds if there are amounts over the maximum reserve level.

Table 1

Metropolitan Water District of Southern California

2000-01 Proposed Annual Budget
Comparative Statements of Operations - Accrual Basis
($ in Millions)

	1999-00 Projected Actual	2000-01 Proposed	Difference
Operating Revenues:			
Water Sales	$ 779.6	$ 731.6	$ (48.0)
RTS	80.0	80.0	-
Hydroelectric Power and Other	21.1	16.5	(4.6)
Subtotal	880.7	828.1	(52.6)
Less Interim Cost of Service Credit Program	-	(37.6)	(37.6)
Total Operating Revenues	880.7	790.5	(90.2)
Operating Expenses:			
Operations & Maintenance	192.5	203.9	11.4
Cost of Water Delivered	220.6	225.7	5.1
Water Management Programs, Net	29.8	31.8	2.0
Depreciation & Amortization	147.2	164.6	17.4
Total Operating Expenses	590.1	626.0	35.9
Operating Income	290.6	164.5	(126.1)
Other Income (Expense):			
Net Taxes/Annexations	96.7	100.2	3.5
Interest Income	50.1	55.0	4.9
Bond Interest Expense	(74.3)	(114.1)	(39.8)
Total Other Income - Net	72.5	41.1	(31.4)
Net Income	**$ 363.1**	**$ 205.6**	**$ (157.5)**
Water Sales (MAF)	2.068	1.913	(0.155)

Table 2

Operations & Maintenance Budget Summary
2000-01 Fiscal Year

Departmental Units	1999-00 Budget	1999-00 Projected Actual	2000-01 Proposed	Difference: Proposed to Adopted	%	Difference: Proposed to Proj. Actual	%
Executive Offices	4,932,900	4,982,700	4,544,600	(388,300)	-7.9%	(438,100)	-8.8%
Water Systems Operations	94,489,700	87,051,900	93,677,500	(812,200)	-0.9%	6,625,600	7.6%
Water Resource Management	15,462,200	12,984,800	12,049,200	(3,413,000)	-22.1%	(935,600)	-7.2%
Corporate Resources	79,192,300	71,792,100	71,111,200	(8,081,100)	-10.2%	(680,900)	-0.9%
External Affairs	10,329,900	9,086,300	10,744,300	414,400	4.0%	1,658,000	18.2%
Office of the Chief Financial Officer	6,019,500	5,073,600	5,531,200	(488,300)	-8.1%	457,600	9.0%
Subtotal - General Manager's Department	**210,426,500**	**190,971,400**	**197,658,000**	**(12,768,500)**	**-6.1%**	**6,686,600**	**3.5%**
General Counsel	6,278,500	5,835,600	7,309,300	1,030,800	16.4%	1,473,700	25.3%
Audit	1,603,200	1,413,200	1,580,100	(23,100)	-1.4%	166,900	11.8%
Total Departmental Budget	**218,308,200**	**198,220,200**	**206,547,400**	**(11,760,800)**	**-5.4%**	**8,327,200**	**4.2%**
Rents/Leases/Lease Payments	720,000	748,000	750,000	30,000	4.2%	2,000	0.3%
EDMS Conversion Project	1,200,000	0	200,000	(1,000,000)	-83.3%	200,000	100.0%
Water Standby Charge Administrative Expense	691,600	691,600	691,600	0	0.0%	0	0.0%
Agency Dues	964,300	1,130,000	1,133,100	168,800	17.5%	3,100	0.3%
Insurance	3,544,000	1,906,600	1,936,400	(1,607,600)	-45.4%	29,800	1.6%
Debt Administrative Fees	1,169,500	892,400	1,800,000	630,500	53.9%	907,600	101.7%
Contingency	3,500,000	0	2,273,100	(1,226,900)	-35.1%	2,273,100	0.0%
Overhead Credit from Construction	(18,200,000)	(15,002,700)	(14,900,100)	3,299,900	-18.1%	102,600	-0.7%
SUBTOTAL- OTHER	**(6,410,600)**	**(9,634,100)**	**(6,115,900)**	**294,700**	**-4.6%**	**3,518,200**	**-36.5%**
TOTAL OPERATIONS & MAINTENANCE	**211,897,600**	**188,586,100**	**200,431,500**	**(11,466,100)**	**-5.4%**	**11,845,400**	**6.3%**
Operating Equipment	**4,552,600**	**3,888,200**	**3,495,100**	**(1,057,500)**	**-23.2%**	**(393,100)**	**-10.1%**
TOTAL	**216,450,200**	**192,474,300**	**203,926,600**	**(12,523,600)**	**-5.8%**	**11,452,300**	**6.0%**