General Manager’s Recommended Multi-Year Budget
Fiscal Years 2014 and 2015

Maureen A. Stapleton, General Manager
June 11, 2013
FYs 2014 & 2015 Environment

- Gradually improving economy
- Slight increase in water sales
- Continued ratepayer fatigue
- Challenging water supply conditions
- Emphasis on water efficiency and the true value of water
- Effort to supplement Water Authority programs with outside funding
- Ensure the full benefit of QSA to regional water supply reliability
- Continued focus on MWD rate litigation
- Effort to identify Bay Delta solution
- Continued focus of cost containment
- Transition continuing to operating organization
Historical Spending

Total Water Authority Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenses (in Millions $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY00</td>
<td>$200</td>
</tr>
<tr>
<td>FY01</td>
<td>$300</td>
</tr>
<tr>
<td>FY02</td>
<td>$400</td>
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<td>FY03</td>
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<tr>
<td>FY12</td>
<td>$1,400</td>
</tr>
<tr>
<td>FY13</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

Legend:
- **Blue**: Cost of Water Sales
- **Red**: Capital Improvement Program
- **Green**: Debt Service
- **Purple**: Operating Depts
- **Teal**: Other
FYs 14&15 Recommended Budget

Water Purchases & Treatment* $832,756 56%
Debt Service 281,531 19%
CIP Expenditures 259,602 17%
Operating Departments 92,570 6%
Hodges Pumped Storage 4,133 <1%
Equipment Replacement 3,103 <1%
Other 20,900 1%

$1,494,595 100%

Water Purchases/Treatment 56%  
Debt Service 19%  
CIP Expenditures 17%  

=  
92% of TOTAL BUDGET
Budget Workshop Schedule

1. Cost of Water
2. Capital Improvement Program (CIP) and Its Funding
3. Operating Departments (cont.)
   – Public Outreach and Conservation
   – Water Resources
   – General Manager and Board of Directors
   – Finance
   – MWD Program
   – Colorado River Program

3. Operating Departments
   – Operations and Maintenance
   – Administrative Services
   – General Counsel
   – Engineering
Multi-Year Budget Fiscal Years 2014 and 2015

Cost of Water

Ken Weinberg, Water Resources Director
June 11, 2013
Water Authority conducts two water use forecasts

Long Range Demand Forecast
- Used in water resource planning, facility planning, Environmental Impact Reports and long range financial planning
- Based on SANDAG Regional Demographic and Economic Forecast
- Basis for compliance with Growth and Water legislation
- Updated every five years with Urban Water Management Plan
• **Short Term Budgetary Forecast**
  – Projections used in multi-year budget document and annual rate setting process
  – Basis for near term operational planning
  – Reflects a “snapshot in time”
    • Considers what's actually occurring and current conditions
  – May not align with long term forecast
  – Influenced by multiple factors
Water Supply Sources

Two-Year Water Supply Purchases by Cost

- MWD Transportation: 26%
- Canal Water: 0%
- IID Transfer: 18%

Two-Year Water Purchases by Acre-Feet

- MWD Tier 1: 56%
- Canal Water: 17%
- IID Transfer: 21%

1) Excludes MWD fixed RTS and CRC charges
2) Canal & IID costs exclude debt service for capital projects and recovery of settlement expenditures
Factors Influencing Short-term Sales

- Weather
- Member Agency Local Supplies
- Economic Conditions

- Supply Allocations
- Mandatory Use Restrictions
- Regulatory Agency Restrictions
- SWP Table A Allocations

- Extraordinary Conservation Messaging
- Wholesale Water Rates
USD Index of Leading Economic Indicators for San Diego County

Index includes:

* Building permits
* Unemployment insurance
* Consumer confidence
* Help wanted advertising
Weather – Temperature
(Lindbergh Field)

Cumulative Cooling Degree Days - Peak Season (June – October)

Cooling Degree Days (CDD)

- CDD Actual
- CDD Normal

2006 2007 2008 2009 2010 2011 2012
Weather – Precipitation (Lindbergh Field)

Precipitation – Fiscal Year (July - June)

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>5</td>
<td>8</td>
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<tr>
<td>2007</td>
<td>4</td>
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</tr>
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<td>2008</td>
<td>7</td>
<td>8</td>
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<tr>
<td>2009</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>2010</td>
<td>10</td>
<td>8</td>
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<tr>
<td>2011</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>2012</td>
<td>10</td>
<td>8</td>
</tr>
</tbody>
</table>
Trends in Total Water Demand

Total Demand (Thousands of Acre-Feet)

- Recession
- Supply Shortage
- Mandatory Use Restrictions
- Supply Allocations

Total Water Sales (M&I and Ag)

Monthly Sales (AF)
Program Agricultural Sales
(IAWP & TSAWR)

-50% Drop in Program Ag sales July 07 to July 12
-Current Peak Season Ag demand equal to previous off-peak
Water Sales To-Date for FY 2013

Through April 2013:
6,005 AF or +2% above FY 13 budget
32,236 AF or +9% above FY 12 actual
Assumptions for FY 2014 – FY 2015

Sales Projections

• Continuation of economic recovery

• Normal summertime temperatures and annual rainfall

• Demand trend follows similar historic “upswing” pattern post-allocation

• Member agency local water use consistent with normal year levels
Budgeted Water Sales vs Actuals

Historical Water Sales Volumes (AF)

- **Budgeted Municipal & Industrial**
- **Budgeted Agricultural**
- **Actual Total Water Sales**
Capital Improvement Program
Recommended Total CIP Budget: $3.1B

Expended since FY 2006: $1.68
CIP Expenditures and Forecast
Olivenhain Dam & Reservoir

- 318 feet high
- 24,000 acre-feet of storage
- Connected to second aqueduct
Lake Hodges Pumped Storage & Pipeline

- $238M
- Switchyard and 69 Kv transmission line
- Pumps Lake Hodges water to Olivenhain Reservoir
- Generates 40 megawatts of electricity
- 7 stories, underground
- 6,000 feet long; 10 foot diameter pipe
Twin Oaks Valley Treatment Plant

- $179M
- 100 MGD Treatment Plant
- Design-Build-Operate Contract
- Submerged Membrane Plant
San Vicente Pump Station and Surge Tank

- $110M
- Three 7,000 horsepower pumps
  - Variable frequency drive
- 4.5 million gallon surge tank
San Vicente Pipeline
- $299M
- 11-mile long, 8.5 foot diameter pipeline
- Connects San Vicente Reservoir to aqueduct
Colorado River Canals Lining

- $447
- All American Canal (23 miles)
- Coachella Canal (35 miles)
- Will supply 77,700 acre feet of water for 110 years
Long-Range Financial Planning

• Capital Financing Plan – Optimize financing mix
  – Pay-As-You-Go (PAYGO) (cash) 23%
  – Debt 77%
    • Fixed-rate debt
    • Variable-rate debt maximum of 30% outstanding debt

• PAYGO: Restricted to capital expenditures (including debt service)
  – Capacity charges
  – Water standby availability charges
  – Interest earned on PAYGO funds

• Construction Fund: Restricted to capital expenditures
  – Debt proceeds
  – Interest earned on construction funds
Achieves the Board’s policy target of 1.50x in FY 2014
Historical CIP Spending

Capital Improvement Program

Fiscal Year

FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13

Expenses (in Millions)

$0 $25 $50 $75 $100 $125 $150 $175 $200 $225 $250 $275 $300 $325

Debt Funded CIP  Cash Funded CIP
Fiscal Year 2013 Debt Portfolio

- COPs: 30.6%
- Commercial Paper: 15.6%
- Revenue Bonds: 27.3%
- Taxable Build America Bonds (BABs): 22.8%
- 5-Year Fixed-Rate Notes: 3.7%

$2.312 Billion
Existing Debt Service*

*Excludes CP program fees and trustee services
Prudent Debt Management*

- Debt Service savings of $6.1 million in FY 2013 ($60.2 million Total)

*Excludes CP program fees and trustee services
Debt Service Expenditures

Past and Future Gross Debt Service Expenditures

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Millions</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>$88.8</td>
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<tr>
<td>2011</td>
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<tr>
<td>2012</td>
<td>$136.2</td>
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<tr>
<td>2013</td>
<td>$127.3</td>
</tr>
<tr>
<td>2014</td>
<td>$139.3</td>
</tr>
<tr>
<td>2015</td>
<td>$142.2</td>
</tr>
</tbody>
</table>

$281.5 M
## Table 7: Water Authority Debt Service ($ Thousands)

<table>
<thead>
<tr>
<th>Description</th>
<th>FYs 14&amp;15 Principal &amp; Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long-Term Debt Service</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Water Revenue Certificates of Participation</strong></td>
<td></td>
</tr>
<tr>
<td>Series 1998A</td>
<td>1,110</td>
</tr>
<tr>
<td>Series 2004A</td>
<td>4,326</td>
</tr>
<tr>
<td>Series 2005A</td>
<td>34,188</td>
</tr>
<tr>
<td>Series 2008A</td>
<td>76,437</td>
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<tr>
<td><strong>Water Revenue Bonds</strong></td>
<td></td>
</tr>
<tr>
<td>Series 2010A&amp;B</td>
<td>78,100</td>
</tr>
<tr>
<td>Series 2011A&amp;B</td>
<td>36,000</td>
</tr>
<tr>
<td>Series 2013A</td>
<td>27,964</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$ 258,125</strong></td>
</tr>
<tr>
<td><strong>Short-Term Debt Service</strong></td>
<td></td>
</tr>
<tr>
<td>Commercial Paper (Series 1,5,6 &amp;7)</td>
<td>9,000</td>
</tr>
<tr>
<td>Subordinate Lien Bond, Series 2011S-1</td>
<td>8,545</td>
</tr>
<tr>
<td>Fees on Debt</td>
<td>5,861</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$ 23,406</strong></td>
</tr>
<tr>
<td><strong>TOTAL DEBT SERVICE</strong></td>
<td><strong>$ 281,531</strong></td>
</tr>
</tbody>
</table>
Capital Improvement Program
Fiscal Years 2014 & 2015 Recommended Appropriation

$260M for FYs 14&15

- Carlsbad Desalination Project 30%
- Relining and Pipe Replacement Program 20%
- ESP - San Vicente Dam Raise and Carryover Storage 17%
- Second Aqueduct Pipeline - Caltrans Highway 76 Realignment 6%
- Asset Management Program 5%
- Colorado River Canal Linings - Post Construction Mitigation Monitoring 4%
- All Remaining CIP Projects (29) 18%

San Diego County Water Authority
Relining and Pipe Replacement Program

- $414M
- 34 miles lined prior to FY 14
- 5 miles to be relined in FY 14/15
- 43 miles to be relined in the future
San Vicente Dam Raise

- $420M
- Increases capacity from 90,000 to 242,000 acre-feet
- 52,000 acre-feet of emergency supply
- 100,000 acre feet of carryover supply
- Added 117 feet to existing dam
Carlsbad Desalination Project
- $80M ($1.003B)
- 56,000 acre-feet annual capacity
- 10-mile, new pipeline
- Reline 5 miles of Pipeline 3
- Modifications to Twin Oaks Valley Treatment Plant
Fiscal Years 2014 and 2015
Recommended CIP

• Going Forward: Transitioning from CIP to Operating & Maintaining
  – Major projects (almost) over
  – Asset Management projects become focus

• Total annual expenditures will go down

• Number of projects will go up
Asset Management Program

- On average adding 30-35 projects a year
  - 7 - 8 designed/managed by Engineering Department; bid out to contractors $1.5 - $4.0
  - 25 – 30 managed by O&M with contractor assistance
- Types of work: re-hab or replacement of valves, pipeline appurtenances, small structures, cathodic protection
The Tools We Use Assessing Needs/Prioritization

- Asset Management
  - Using board approved Asset Management Plan that follows funding policies established with board’s Asset Management Working Group (2009)
  - System-wide condition and needs assessment
  - “Just-in-time” maintenance and replacement
- Pipeline Monitoring Program
  - Acoustic Fiber Optic monitoring
  - MagFlux Leakage Evaluation
  - Remote Field Eddy Current Transform Coupling (REVTEC)
- Facilities Master Plan
  - Need, timing, and optimization of new facilities
  - Urban Water Management Plan
- Constant re-assessment
  - Demands change
  - Member Agencies requested changes
Fiscal Years 2014 and 2015
Recommended CIP

- Engineering Department is reclassifying four positions.
  - Smaller projects: higher need for in-house design
    less of a need for Project Managers
  - O&M will have 17 shutdowns related to CIP
    - Carlsbad Desalination Project
    - Support relining projects
    - Warranty review from prior projects
    - Will be coordinated with Member Agencies
Fiscal Years 2014 and 2015 Recommended CIP

New Projects in CIP

• Regional Facilities Planning: Provides for further planning studies for facility planning, water quality assessments, renewable energy optimization, and vulnerability assessment. $925,000

• Second Aqueduct Pipeline: Caltrans Highway 76 Realignment – necessary realignment of Pipelines 3, 4, and 5 due to State Route 76 construction to be reimbursed by Caltrans. $15,100,000

• Funded by transfer from San Vicente Dam Raise savings.
Twin Oaks Valley Water Treatment Plant
Original Budget: $106M
Board Modified Budget: $169.8M
2 Board approved changes over the course of project

**Significant Change**
FY 2006 Increase design capacity from 50 mgd to 100 mgd +$63.8M

Final Budget: $174M
Colorado River Canal Linings
Original Budget: $177M
6 Board approved changes over the course of project

**Significant Changes**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Change Description</th>
<th>Adjusted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2006</td>
<td>Additional 5 ½ miles on All-American Canal, gain of 2,150 a-f/year</td>
<td>+$42.3M</td>
</tr>
<tr>
<td>FY 2008</td>
<td>Litigation delay costs</td>
<td>+$55M</td>
</tr>
<tr>
<td>FY 2011 &amp;</td>
<td>Transfer to mitigation monitoring</td>
<td>-$14.2M</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Final Budget: $256M
## Projects Recommended for Close-Out (cont.)

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aqueduct Alignment Corrections</td>
<td>$878,000</td>
</tr>
<tr>
<td>Building Additions and Improvements</td>
<td>$603,787</td>
</tr>
<tr>
<td>Emergency Ops Center/Alternative Control Room</td>
<td>$1,700,786</td>
</tr>
<tr>
<td>Groundwater Conjuctive Use Program</td>
<td>$30,561,180</td>
</tr>
<tr>
<td>• State Grant</td>
<td></td>
</tr>
</tbody>
</table>
Budget Variances (changes) in Recommended CIP

Post Construction Mitigation (ESP) (Mitigation Monitoring, Litigation, etc.)

• ESP – Post-Construction Mitigation $47,091,247
• Colorado River Canal Lining – Post Construction Management 7,005,000
• Post-Construction Mitigation Monitoring Program (1,059,000)
• Colorado River Canal Linings (5,850,000)
• Olivenhain-Hodges Pumped Storage (2,850,204)
• ESP – Lake Hodges Pump Station and Inlet/Outlet (1,341,043)
• ESP – San Vicente Pipeline and Aqueduct Interconnect (42,900,000)
• Relining and Pipe Replacement Program (96,000)
Budget Variances (changes) in Recommended CIP

Asset Management Program $425,475,022

- Aqueduct Protection Program (24,562,944)
- Fallbrook 7/Rainbow 14 FCFs (4,188,000)
- Fallbrook 8 FCF & DeLuz 1 SCADA (4,272,000)
- Relining and Pipe Replacement Program (372,006,078)
- San Diego 12 FCF Expansion (9,420,000)
- San Diego 24 FCF (7,517,000)
- Valve and Venturi Meter Replacement Program (3,509,000)
Budget Variances (changes) in Recommended CIP

• Communications System Facilities
  – Additional fencing, radio towers, radios +1,200,000
    • Expected to be reimbursed from Proposition 50 Grant

• East County Regional Treated Water Improvements
  – Staff oversight of Padre Dam 7 FCF +55,000

• Line Structure and Access Improvements
  – Continue acquisition of rights-of-way +500,000
Budget Variances (changes) in Recommended CIP

• Miramar Pump Station Rehabilitation
  – Complete design, go to construction +1,600,000

• Completion of Regional Water Facilities Optimization and Master Plan Update +250,000

• Water System Security
  – Complete video security system upgrade +215,000
Project Deferrals from 2011

• Continued Deferrals:
  – Referred to Facilities Master Plan
    • San Vicente 3rd Pump Drive
    • North County Pump Stations
    • Pipeline 6
  
  – Referred to Assessment Management Program
    • Fallbrook 7/ Rainbow 14 FCFs
    • Fallbrook 8 FCF / Deluz 1 SCADA
    • Operations Center Upgrade
    • San Diego 12 Expansion
Project Deferrals from 2011 (cont.)

• Continued Deferrals
  – Demand Driven
    • Mission Trails FRS
    • Lake Murray Control Valve
    • P3 Relining – Scripps Ranch to SR 52

• San Luis Rey River Mitigation
Project Deferrals from 2011 (cont.)

Moving Forward

• La Mesa Sweetwater Pipeline – Long-term disposition
• San Vicente Bypass Pipeline - Budgeted and scheduled to go out to bid FY 2015
• San Vicente Re-vegetation – Budgeted and scheduled for FY 2015
CIP Projects Budget History

• Earliest goes back to 1989
• Includes all project phases: Planning, Environmental, Construction, Design, Litigation, Close-out
• Typical reasons for project budget changes
  – Initial budget for planning purposes only
  – Changes in Project’s scope
  – Projects combined or broken up
  – 2006-2008 Re-costing effort (Board’s CRACA Committee) added $1.008B to CIP to address rapidly changing market conditions
  – Project Issues or problems
• All changes are approved by the Board
• Each project has a life of its own
Comprehensive Reliability and Cost Assessment (CRACA)-2006

Increases due to Re-Costing

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipeline 6</td>
<td>$187.3M</td>
</tr>
<tr>
<td>Relining and Pipe Replacement Program</td>
<td>332.8M</td>
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<tr>
<td>Second Crossover Pipeline</td>
<td>201.8M</td>
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<tr>
<td>ESP San Vicente Dam Raise and Carryover Storage</td>
<td>214.4M</td>
</tr>
<tr>
<td>Mission Trails</td>
<td>30.1M</td>
</tr>
<tr>
<td>System Regulatory Storage</td>
<td>21.4M</td>
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<tr>
<td>Other re-costed projects</td>
<td>20.1M</td>
</tr>
<tr>
<td><strong>Total Re-costed Projects</strong></td>
<td><strong>$ 1,007.9M</strong></td>
</tr>
</tbody>
</table>
San Vicente Pipeline

Was: $170M in 1999

11 Board approved changes over course of project

**Significant Changes**

- **FY 2002**  Increased pipe diameter 78 to 108 inches  +$30.7M
- **FY 2005**  Increases due to material costs  +$99M
- **FY 2010**  Differing site conditions  +$29M
- **FY 2014**  Transfer to post construction activities  -$29M

**Proposed CIP:** $299M
Lake Hodges Pump Station and Inlet/Outlet

Was: $35.7M in 2000
10 Board approved changes over course of project

**Significant Changes**

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2003</td>
<td>Two projects combined</td>
<td>+$7.3M</td>
</tr>
<tr>
<td>FY 2006</td>
<td>Bids higher than estimated</td>
<td>+$30.4M</td>
</tr>
<tr>
<td>FY 2010</td>
<td>Differing site conditions and pump house modifications</td>
<td>+$18.2M</td>
</tr>
<tr>
<td>FY 2012</td>
<td>Turbine re-assembly, efficiency enhancements, legal costs</td>
<td>+$7.5M</td>
</tr>
</tbody>
</table>

Current CIP: $109M
Olivenhain Reservoir/Lake Hodges
Pumped Storage

Was: $28.5M in 2002
8 Board approved changes over course of project

**Significant Changes**

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
<th>Additional Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2004</td>
<td>Construction costs related to tunnel and headworks</td>
<td>+$14.4M</td>
</tr>
<tr>
<td>FY 2006</td>
<td>Bids higher than estimated</td>
<td>+$10.7M</td>
</tr>
<tr>
<td>FY 2010</td>
<td>Differing site conditions and pump house modification</td>
<td>+$7.8M</td>
</tr>
<tr>
<td>FY 2012</td>
<td>Turbine re-assembly, efficiency enhancements, legal costs</td>
<td>+$4.5M</td>
</tr>
</tbody>
</table>

**Current CIP:** $67.7M
Pipeline Relining and Replacement Program

Was: $66M in 1994
5 Board approved changes over course of project

Significant Changes
FY 2005  Budget increases due to Master Plan analysis  $+376M
FY 2008  CRACA Re-Costing effort  $+333M
FY 2014  Transfer to Asset Management CIP  $-372M

Current CIP: $414M
**Pipeline 6**

Was: $75M in 1989

8 Board approved changes over course of project

**Significant Changes**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Change Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 1994</td>
<td>New cost estimate</td>
<td>+$25M</td>
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<tr>
<td>FY 1997/98</td>
<td>Adjustments due to inflation</td>
<td>+$22.3M</td>
</tr>
<tr>
<td>FY 2005</td>
<td>Budget increase due to Master Plan analysis (tunneling and alignment)</td>
<td>+$135M</td>
</tr>
<tr>
<td>FY 2008</td>
<td>CRACA’s Re-Costing efforts</td>
<td>+$187M</td>
</tr>
</tbody>
</table>

Current CIP: $443M
Second Crossover Pipeline

Was: $172M in 2005

3 Board approved changes over course of project

Significant Change

FY 2008 CRACA’s Re-Costing efforts +$202M

Current CIP: $371M
Historical Staffing

Budgeted FTEs

*FY08 Includes Limited Duration Employees (LDEs)
Operating Departments

- Managing personnel costs
  - 44.50 reduction in FTEs since FY08
  - Full Employee Contribution to PERS by July 1, 2014 (8%)
  - Modified health care plans to mitigate future cost increases
  - Downgraded position classifications

![Budgeted Positions Chart]

*Revised
Operating Departments

- Reorganized for enhanced efficiency
  - Human Resources consolidated into the Administrative Services Department

<table>
<thead>
<tr>
<th>Department</th>
<th>Budget</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations &amp; Maintenance</td>
<td>$30,458</td>
<td>33%</td>
</tr>
<tr>
<td>Administrative Services</td>
<td>$14,430</td>
<td>16%</td>
</tr>
<tr>
<td>General Counsel</td>
<td>$9,077</td>
<td>10%</td>
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<tr>
<td>Engineering</td>
<td>$7,784</td>
<td>8%</td>
</tr>
<tr>
<td>Public Outreach &amp; Conservation</td>
<td>$7,707</td>
<td>8%</td>
</tr>
<tr>
<td>Water Resources</td>
<td>$7,358</td>
<td>8%</td>
</tr>
<tr>
<td>General Manager &amp; Board of Directors</td>
<td>$5,191</td>
<td>6%</td>
</tr>
<tr>
<td>Finance</td>
<td>$4,803</td>
<td>5%</td>
</tr>
<tr>
<td>MWD Program</td>
<td>$2,939</td>
<td>3%</td>
</tr>
<tr>
<td>Colorado River Program</td>
<td>$2,822</td>
<td>3%</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING DEPTS</strong></td>
<td><strong>$92,570</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Key Focus Areas

- Asset Management
- Fiscal Sustainability Task Force effort
- Cost of Service Study – Phase II completion
- Water Demand Forecasting
- Urban Water Management Plan Update
- Ongoing QSA and MWD Litigation
- Carlsbad Desalination Project Implementation
Base Labor and Benefit Adjustments (Organization-wide)

• Overall change in labor and benefits: 3.5%
• Primary drivers:
  – Board-approved 3-year MOU and unrepresented changes
  – Modifications in base salary (reclassifications, merit increases) since last two-year budget period
  – Assumption changes from PERS and Health
Continuous Improvement

• Department Restructuring
• Allocation of resources
  – Transfer of positions
  – Downgrading classification
  – Position elimination
• Performance Improvement Projects
  – Energy and Sustainability Programs
  – Fleet Assessment
  – Succession Planning Program Expansion
Continuous Improvement

• Performance Improvement Projects (cont.)
  – Computer Purchase Assessment
  – Right-of-Way (ROW) Management Assessment
  – Accounts Payable Assessment
  – Grant Management and Administration Assessment
Budget Workshop
Operating Departments - Schedule

1. Operations and Maintenance
2. Administrative Services
3. General Counsel
4. Engineering
5. Public Outreach and Conservation
6. Water Resources
7. General Manager and Board of Directors
8. Finance
9. MWD Program
10. Colorado River Program
# Operations & Maintenance Department Overview

**O&M Administration**
- Department Business & Strategic Planning
- Department Budget
- Administrative Support
- Records Management
- Procedure Documentation
- Water Quality
- Contract Compliance (Twin Oaks Valley Water Treatment Plant & Lake Hodges Hydro)
- Quagga Mussel Control
- Emergency Preparedness

**System Operations**
- Aqueduct Operations
- SCADA Control & Monitoring
- Equipment Calibration
- Shutdown Planning
- Water Sampling
- Power Production
- Security Monitoring
- Olivenhain Dam Operations
- Quagga Mussel Monitoring

**Technical Services**
- Electrical/Electronics Maintenance
- Instrumentation Calibration
- Fiber Optic System Maintenance
- SCADA Communication
- Facility Electrical Upgrades
- Security Access System Maintenance
- Electrical/Instrumentation Guide Drawings
# Operations & Maintenance Department Overview

<table>
<thead>
<tr>
<th>System Maintenance</th>
<th>Facilities Maintenance</th>
<th>Rotating Equipment Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mechanical Equipment Services</td>
<td>• Access Road Grading</td>
<td>• Pump Station Equipment Maintenance</td>
</tr>
<tr>
<td>• Pipeline Repairs</td>
<td>• Culvert Maintenance</td>
<td>• Hydro–generation Facility Maintenance</td>
</tr>
<tr>
<td>• Flow Control Facility Painting</td>
<td>• ROW Vegetation Maintenance</td>
<td>• Oil Analysis, Vibration &amp; Temperature Monitoring</td>
</tr>
<tr>
<td>• Pipeline Shutdown</td>
<td>• Heavy Equipment Ops</td>
<td></td>
</tr>
<tr>
<td>• Welding &amp; Fabrication</td>
<td>• Pipeline Shutdown Support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Welding, Fabrication &amp; Construction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Facility Structure Repair &amp; Upgrades</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Facility &amp; Line Structure Maintenance &amp; Painting</td>
<td></td>
</tr>
</tbody>
</table>
# Operations & Maintenance Department Overview

## Fleet Services
- Fleet Maintenance & Repair
- Light & Heavy Duty Vehicle Preventive Maintenance
- Vehicle/Equipment Acquisition & Disposal
- Mobile & Bridge Crane Inspection & Repair
- Equipment Fabrication
- Vehicle Accident Investigation

## Asset Management
- Asset Management Program
- Aqueduct Operating Plan
- AFO Management
- Corrosion Monitoring
- Pipeline Condition Assessment & Monitoring
- Record Drawings
- Maximo Administration
- Member Agency Agreements
- CIP Coordination

- O&M Department staffing = 78 FTEs
Fiscal Years 2014 & 2015
Key Initiatives

- Asset Management Focus
  - 18 Shutdowns (1 Operating, 17 CIP)
- Participation in Technical Advisory Group
- CIP Project Support
  - Carlsbad Desalination, San Vicente
- Efficiency & Cost Reduction
  - Facility Energy Usage
  - Shutdown Inspection Technique
  - Vegetation Management
  - Full operations of Lake Hodges in the two-year budget
<table>
<thead>
<tr>
<th></th>
<th>FYs 12&amp;13 Amended</th>
<th>FYs 12&amp;13 Estimated</th>
<th>FYs 14&amp;15 Recommended</th>
<th>Variance Budget to Budget</th>
<th>Variance Budget to Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor &amp; Benefits Subtotal</td>
<td>22,441,251</td>
<td>22,912,349</td>
<td>23,289,155</td>
<td>847,904</td>
<td>3.8%</td>
</tr>
<tr>
<td>Direct Charges to CIP/Grants</td>
<td>(1,758,044)</td>
<td>(2,822,984)</td>
<td>(1,690,505)</td>
<td>67,539</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Operating Labor &amp; Benefits</td>
<td>20,683,207</td>
<td>20,089,365</td>
<td>21,598,650</td>
<td>915,443</td>
<td>4.4%</td>
</tr>
<tr>
<td>Services, Supplies, etc Subtotal</td>
<td>9,028,911</td>
<td>8,017,315</td>
<td>8,859,584</td>
<td>(169,327)</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Total</td>
<td>29,712,118</td>
<td>28,106,680</td>
<td>30,458,234</td>
<td>746,116</td>
<td>2.5%</td>
</tr>
<tr>
<td>Capitalized Overhead</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>$ 29,712,118</td>
<td>$ 28,106,680</td>
<td>30,458,234</td>
<td>746,116</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
Fiscal Years 2014 & 2015

Significant Changes

- Completion of Lake Hodges pumped storage project
- Negotiated service contract savings
- Maintenance Information System Improvements
- Remote Operated Vehicle Inspection of North County Distribution Pipeline
- Leak Detection on Tri-Agencies Pipeline
- New Regulatory Requirements Study
- Essential Pipeline Inspections
Fiscal Years 2014 & 2015
Significant Changes

- Uninterruptable Power Supply replacement at Flow Control Facilities
- Rancho Hydro Sleeve Valve repair parts
- Programmable Logic Controller replacements
- Supervisory Control and Data Acquisition (SCADA) maintenance and license increase
- Olivenhain Generator paint and slab repair
- Reduced Utility costs due to operational efficiencies
- Inclusion of crane & quagga filter rentals
## Twin Oaks Valley WTP Budget

<table>
<thead>
<tr>
<th>Operating Department Budget</th>
<th>FYs 12&amp;13 Amended</th>
<th>FYs 12&amp;13 Estimated</th>
<th>FYs 14&amp;15 Recommended</th>
<th>Variance Budget to Budget</th>
<th>Variance Budget to Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twin Oaks Valley Water Treatment Plant</td>
<td>16,740,966</td>
<td>14,840,307</td>
<td>17,681,400</td>
<td>940,434</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

### Significant Changes

- Increase in 2 year projected water production of 15% from 59 MGD to 68 MGD
  - Treatment Plant area expansion in FY 15
- Contract operations rate increases 3% per year
- Electricity cost increases 4% per year
## Lake Hodges Pumped Storage Budget

<table>
<thead>
<tr>
<th>Operating Department Budget</th>
<th>FYs 12&amp;13 Amended</th>
<th>FYs 12&amp;13 Estimated</th>
<th>FYs 14&amp;15 Recommended</th>
<th>Variance Budget to Budget</th>
<th>Variance Budget to Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hodges Pumped Storage</td>
<td>2,552,299</td>
<td>2,429,127</td>
<td>4,133,370</td>
<td>1,581,071</td>
<td>61.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,704,243</td>
</tr>
</tbody>
</table>

### Significant Changes

- Full 2-year facility operation versus partial year operation and startup costs
- Contract operations rate increases 3% per year
- Electricity cost increases 4% per year
## Administrative Services Overview

<table>
<thead>
<tr>
<th>Administration &amp; Board Support</th>
<th>Purchasing</th>
<th>Information Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Clerk of the Board</td>
<td>• Centralized Procurement</td>
<td>• Business Applications</td>
</tr>
<tr>
<td>• Centralized Administrative Support</td>
<td>• Contract Support &amp; Oversight</td>
<td>• Websites &amp; Database Administration</td>
</tr>
<tr>
<td>• Records Management</td>
<td>• Warehouse &amp; Valve Inventory Management</td>
<td>• Network Administration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Help Desk</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Security &amp; Disaster Recovery</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Hardware Maintenance</td>
</tr>
</tbody>
</table>
Administrative Services Overview

<table>
<thead>
<tr>
<th>Risk Management</th>
<th>Human Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business Insurance</td>
<td>• Employee &amp; Labor Relations</td>
</tr>
<tr>
<td>• Owner Controlled Insurance Program</td>
<td>• Employee Training &amp; Development</td>
</tr>
<tr>
<td>• Safety</td>
<td>• Benefits Design &amp; Administration</td>
</tr>
<tr>
<td>• Claims Management</td>
<td>• Selection &amp; Retention</td>
</tr>
<tr>
<td>• Facilities (KM Office)</td>
<td>• Position Classification &amp; Compensation</td>
</tr>
<tr>
<td></td>
<td>• Compliance with Employment Laws</td>
</tr>
</tbody>
</table>

• Includes 38.00 FTEs
Fiscal Years 2014 & 2015
Key Initiatives

• Maximo Upgrade
• E-Discovery Implementation
• Document Management System Expansion
• Computer Purchase Assessment
• Succession Planning
• Web Applications Enhancements
## Administrative Services
### Department Budget

<table>
<thead>
<tr>
<th></th>
<th>FYs 12&amp;13 Amended</th>
<th>FYs 12&amp;13 Estimated</th>
<th>FYs 14&amp;15 Recommended</th>
<th>Variance Budget to Budget</th>
<th>Variance Budget to Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor &amp; Benefits Subtotal</td>
<td>11,824,350</td>
<td>11,318,580</td>
<td>12,172,035</td>
<td>347,686</td>
<td>853,455</td>
</tr>
<tr>
<td>Direct Charges to CIP/Grants</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Operating Labor &amp; Benefits</td>
<td>11,824,350</td>
<td>11,318,580</td>
<td>12,172,035</td>
<td>347,686</td>
<td>853,455</td>
</tr>
<tr>
<td>Services, Supplies, etc Subtotal</td>
<td>6,089,636</td>
<td>5,717,978</td>
<td>5,894,901</td>
<td>(194,734)</td>
<td>176,923</td>
</tr>
<tr>
<td>Total</td>
<td>17,913,985</td>
<td>17,036,559</td>
<td>18,066,937</td>
<td>152,952</td>
<td>1,030,378</td>
</tr>
<tr>
<td>Capitalized Overhead</td>
<td>(4,250,931)</td>
<td>(4,193,558)</td>
<td>(3,636,765)</td>
<td>614,166</td>
<td>556,793</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>$13,663,054</td>
<td>$12,843,001</td>
<td>$14,430,172</td>
<td>$767,118</td>
<td>$1,587,171</td>
</tr>
</tbody>
</table>

**Note:** Variance percentages calculated based on the estimated budget.
Fiscal Years 2014 & 2015
Significant Changes

• Human Resources Department Consolidated as a Division within Administrative Services
• Reorganization and Reclassification of Positions
  – HR Director reclassed down to HR Manager
  – AS Manager reclassed down to Supervising Mgmt Analyst
  – Database Administrator reclassed down to Information Systems Supervisor
  – Systems Admin. & Support Specialist reclassed up to Network Administrator
• Reallocation of Costs from CIP Budget to Operating Budget
• Decrease in unemployment claims