



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: September 22, 2010

TO: Honorable Mayor Jerry Sanders

FROM: Alex Ruiz, Interim Director of Public Utilities

SUBJECT: FY 2009 Water Operations Division Bid to Goal Annual Performance Report

Attached is the Water Operations Division's Bid to Goal Annual Performance Report for Fiscal Year 2009. This is the last year of the five year program and overall, results are positive. This innovative program continues to produce the results for the ratepayers that were intended with its design. After the external audit is completed, the Final Bid to Goal Program Report will be issued.

Should you have any questions, my staff and I are available at your convenience.


Alex Ruiz

Attachment

This is the Water Operations Division Bid to Goal (BTG) FY2009 Annual Report, the final year of Water Operations' five-year contract. Water Operations is a Division of the City's Water Department.

FINANCIAL RESULTS

The FY2009 financial results, summarized by expenditure category below and by Program in Attachment 1, are lower than the results of the previous four years. Pre-audited savings in FY2009 are \$7.3M. Previous years audited savings were \$9.8M in FY2008, \$9.9M in FY2007, \$9.8M in FY2006 and \$9.1M in FY2005. After FY2009 savings are verified through an audit, half of the audited savings goes to the Water Department to benefit ratepayers and the other half to the Division Assurance Fund. During the first four years of the Bid to Goal program, \$27.2M was returned to the Department to benefit ratepayers as a result of Bid Savings (\$19.3M) and funds in excess of the Assurance Fund cap (\$7.9M). The pre-audited BID savings for the current year reflects \$3.63M being returned to the Department to benefit the ratepayers.

FY2009 Financial Results – Summary by Expenditure Category

	BID	Pre-Audited Expense	Variance
Personnel Expense	\$ 33,820,189	\$ 30,777,553	\$ 3,042,636
Supplies	\$ 5,002,004	\$ 4,383,868	\$ 618,136
Chemicals	\$ 3,713,007	\$ 4,261,755	\$ (548,748)
Treated Water	\$ 5,026,032	\$ 3,505,686	\$ 1,520,346
Contractual Services	\$ 5,748,998	\$ 4,080,251	\$ 1,668,747
Office Equip; Training; Uniforms; Etc	\$ 500,623	\$ 273,831	\$ 226,792
Fleet Costs	\$ 4,954,184	\$ 5,080,181	\$ (125,997)
Computer Services	\$ 754,240	\$ 1,623,166	\$ (868,926)
Streets/ESC	\$ 2,245,415	\$ 1,439,227	\$ 806,188
Energy/Fuel	\$ 536,191	\$ 694,099	\$ (157,908)
Equipment Outlay	\$ 1,076,475	\$ 156,647	\$ 919,828
Enc Released		\$ (890,211)	\$ 890,211
	\$ 63,377,358	\$ 55,386,050	\$ 7,991,306
Inflation			\$ 362,814
Electrical Consumption Credit			\$ 186,924
Revenue Credit			\$ 67,927
FY 09 CIP Adjustment			\$ (202,083)
Total Savings			\$ 8,406,887
FY 05 thru 08 CIP Adjustment			\$ (1,146,304)
Net Savings			\$ 7,260,583

Personnel Expense

This expense category includes salaries, special pay, overtime and benefits. The \$3M savings compared to the Bid represents the largest savings in an expense category. The savings were primarily due to the elimination of 11.4% of the positions originally identified in the BID and a 9.43% vacancy rate experienced throughout FY2009. The Bid assumes a 3% vacancy rate. The Division has worked toward maximizing productivity through crew size reviews and program reorganization throughout the five-year program.

Supplies

This expense category includes office, safety, lab and field supplies required to maintain the water system. In this category, costs were identified in the amount of \$4,383,868, which reflects a savings of \$618,136. Our Safety Program expended 48% of their bid in this category for a realized savings of \$81,462. The Water Quality Lab had a savings of \$196,634. This Lab savings is a result of a strong support staff in the laboratory storeroom that remains diligent in accessing the best prices for all needed lab supplies. Additional savings in the three water treatment plants reduced expenditures posted to FY09.

Chemicals

The Division-wide pre-audited expense for chemicals is \$4,261,755. Of this amount \$4,222,183 is from the three treatment plants. Expenses are determined using the actual expended and encumbered total. At the three treatment plants we identified \$650,729 of encumbered funds that we requested for "release" (see Enc. Released line item on Financial Results table on page 2) to be returned to fund balance. When factoring in the "encumbrance release request" the final chemical expense in FY09 is \$3,609,467. This is \$103,540 below the FY2009 chemical Bid. Chemical purchases continue to be subject to market volatility and pricing increases based on worldwide demand of the commodity.

Treated Water

The three water treatment plants are able to treat water at a lower cost than buying treated water from the San Diego County Water Authority (CWA). One of the purposes of the Optimization Program is to minimize the purchase of treated water from CWA. The effectiveness of this Program has led to one of the biggest source of savings in the BTG program. For FY2009 the savings from the Bid for Treated Water is \$1.52M, which is consistent with four prior year's savings which averaged \$1.70M.

Contractual Services

Actual expenditures in this category for FY2009 are \$4.1M with a savings of \$1.66M from the FY2009 Bid. Reduction in the use of outside consulting services and general

requirements contracting has helped to create savings in this area Division wide. Also, we have benefitted from new facilities at our Alvarado, Otay and Miramar Plants due to the CIP projects, thus reducing reliance on outside contractual services. These FY09 savings returns us to our FY07 (\$1.2M) and FY06 (\$1.6M) experience in this category.

Office Equipment/Training/Travel

We experienced a \$226,792 savings in this category which includes savings on leased and rented equipment of \$120,000 at the three Water Treatment Plants. This is a realized benefit from the CIP projects completed and ongoing at Alvarado, Miramar and Otay Plants. Employee services savings of \$62,000 was realized due to controls on dry goods and wearing apparel and laundry services; and membership and travel savings throughout the Division of \$46,000.

Fleet Costs

In prior years work was done to optimize the size of the motive equipment fleet and to reduce the use of pool vehicles and outside rental equipment. In FY2009 pre-audited expenses are \$125,997 above the Bid. The Reservoir Management section had an increase in charges due to a vacant equipment operator position, which necessitated contracting out services and equipment to perform the scheduled maintenance and repairs on Lakes properties. Also, several vehicles assigned to Systems Operations section required unanticipated repairs resulting in unexpected vehicle pool charges to ensure work was completed in a timely manner. The causes of these expenses have been remedied and we do not anticipate seeing this cost in the future.

Computer Services

The bid amount for this category had been adjusted downward over the five years of the bid. Originally, the final BID anticipated a new CMMS system installation in year 2 of the bid, which should have reduced our reliance on SDDPC. In anticipation of the new CMMS the five year BID made downward adjustments in the computer services category in years 2 through 5 of the BID. The Water Department made a business decision to forego a new CMMS system which resulted in an over expenditure of \$868,926 in this category for FY09. We continue to seek applications that lead to efficiencies and increased productivity and provide the ability to create detailed reports on activities substantiating our ongoing efforts to maintain and optimize the water delivery system.

Streets/Environmental Services

This category details most of the Service Level Agreements charges to the Division. We experienced a total savings of \$806,188 in this category. We noted some reduction in charges from Field Engineering (\$50,000 from FY08 levels), Environmental Services (\$56,000 from FY08 levels) and other city force work reduction of \$31,000 from FY08 experience.

Energy / Fuel

The Division over expended in the amount of \$157,908 in this category in FY09. This category includes Cellular Telephone Service Charges and Satellite Cable Services. The Division has embraced an effort to maintain contact with field personnel through the use of cell phones, to improve efficiencies. This enhanced communication effort, has resulted in an overall deficit of \$35,000 in this category for cellular phone operating costs. \$122,000 of over expenditure is due to diesel and fuel charges needed by the Division for ongoing services. This commodity was under appropriated during the five year bid cycle.

Equipment Outlay

We have experienced substantial savings in the amount of \$919,828 in this category which includes equipment and communications outlay purchases. Savings in equipment outlay is directly related to the reduction in work force which has reduced the immediacy to purchase replacement shop and crew truck outlay items. The CIP projects at the three water treatment have also resulted in savings in this category.

PAY FOR PERFORMANCE RESULTS

Water Operations Division instituted a total of 24 goals for the FY2009 Pay for Performance Program with the intention of goals being challenging and meaningful, yet achievable with increased efficiencies. Of the 24 goals, 20 goals are met or partially met. Two of these 20 goals are shared goals (calculated based upon goal achievement of other function areas that were supported). Goals are broken down by eight functional areas. Of the eight areas only three, Reservoir Management, Plants/Lab and Production Engineering, met 100% of their goals. These are pre-audited results and subject to change. See Attachment 2 to this report for further information on Pay for Performance results.

OPTIMIZATION GROUP AND WATER TREATMENT PLANT STAFF ENSURE WATER RELIABILITY

During FY2009, Water Operations faced numerous challenges regarding operational impacts, which reduced plant capacity at each of the three water treatment plants (WTP). This was due to the ongoing Water Department capital improvement projects (CIP) and multiple shutdowns of the raw and treated water supplies from CWA due to their CIP construction and scheduled maintenance. Throughout these impacts, coordination among the three plants and the operations of the distribution system, led by the Optimization Group, ensured an adequate water supply without interruption. Assurance funded projects have enhanced our ability to achieve continuous operation and improve reliability of the system. These include a thermal imaging gun which is used to identify potential equipment failures prior to actual occurrence; the purchase of

chlorine process water pumps and polymer feed systems at the Otay WTP and the purchase of regulating valves for the distribution system.



Security Operations Center



Hodges Boat Dock



ENVIRONMENTAL MANAGEMENT SYSTEM

Water Operations Environmental Management System (EMS) had a scheduled surveillance audit conducted by ABS Quality Evaluations from April 14 - 17, 2009. This third-party audit resulted in the ISO 14001 Certificate of Conformance continuing to be valid until May 4, 2011.

As part of its ISO 14001 certification, the Water Operations Division has Standard Operations Policies and Procedures to

manage environmental issues as part of its daily work, and the services it provides. During FY2009, the updating of the EMS was completed, which resulted in 29 procedures/forms being updated. Additionally, programs were identified where environmental protection could be enhanced with results tracked throughout the year. The results are as follows:

1. 11,640 lbs. of paper recycled at Chollas Water Operations.
2. 318 batteries recycled from the Water Quality Lab.
3. 3,782 pounds of aluminum cans, paper and plastic recycled from City Lakes & Reservoirs.
4. 420 disposable batteries replaced with rechargeable batteries at the Safety Center.
5. 253 lighting fixtures were replaced with new T-8 energy efficient fixtures at the City Lakes & Reservoirs.

6. Approximately 16,000 tons of construction debris were recycled and diverted from Miramar Landfill.
7. 13.5 tons of brass, 4.6 tons of copper and 167 tons of steel were recycled.
8. 89 of 148 boat engines were replaced with new 3-Star, four-cycle fuel efficient engines at the City Lakes & Reservoirs.
9. 2,176 water service leaks were investigated within two days (92% on time).
10. 542 distribution service leaks were repaired within seven days (97.5% on time).
11. Six potable reservoirs were cleaned and disinfected by System Operations.
12. System Operations maintained 323 control valves throughout the distribution system.
13. Five dam assessment reports were completed: Barrett Dam, El Capitan Dam, Hodges Dam, Morena Dam and Sutherland Dam.
14. Monthly hydrography reports were completed on time.
15. At the Water Quality Lab, 35 SOPs and 14 Method Detection Limit Studies (MDLs) were updated.
16. 87.5% of the City Lakes & Reservoirs' roads, culverts and drains were maintained, which prevented erosion.
17. At the three treatment plants, 121 emergency training exercises were completed.

EMPLOYEE ASSURANCE FUND (EEIR)

The Water Operations Assurance Fund balance started at \$5.6M based on the FY2008 audited savings achieved. During FY2009, the Labor Management Committee (LMC) recommended, and the Director authorized incentive payments to employees based on the performance results up to the cap of \$4,000 net per employee. This resulted in an estimated total expense of approximately \$2.5M. In this fifth year of the program, 31 project approvals for funding expenditures were recommended by the LMC and approved by the Director for a total amount of \$1.6 M. Examples of some of these Assurance Fund projects follows.

CONTINUAL IMPROVEMENTS IN FY2009 AT THE OTAY WTP SUPPORTED BY ASSURANCE FUND

Fixed ladders for 16 filters were installed in the spring of 2009. This was a safety enhancement to improve the ingress and egress into and out of the filters and provide for an opportunity to increase productivity.

A Particle Counter instrument is being used to investigate the effect of filter washes on filter effluent turbidity. This information is utilized to improve filter wash process performance and achieve improved water quality.

LOOKING AHEAD AT BID TO GOAL AND ASSURANCE FUNDED PROJECTS POSITIVE IMPACTS

- New Public Address System at the Otay WTP - Safety enhancement

- Halogen Valves at the Alvarado WTP – Safety enhancement
- Automate Valves in El Monte Pipeline - Enhanced reliability – Plans are in place to upgrade the 70-year old, 30-inch El Monte Pipeline Valve through a General Requirement Contract (GRC contract) at a cost of \$227,000. This project will eliminate the need for a four-person crew to go to the City of Lakeside where they enter a confined space vault in a high traffic area to manually operate this valve. This replacement will also increase the reliability of the raw water supply to the Alvarado Water Treatment Plant.

ANNUAL DRINKING WATER QUALITY REPORT – The *2008 Annual Drinking Water Quality Report* was mailed to all households in the City of San Diego in June 2009 and is also available on the City's web site, as well as in libraries and other facilities. In addition to the information required by federal and state agencies, the report also included details about water conservation, and issues regarding fluoridation and quagga mussels' impact to raw water storage reservoirs. The report is printed on recycled paper which is in line with the Water Operations ISO Environmental Management System Program. This was the second year a new shorter format was used saving paper and other resources.

BENEFITS OF CORROSION CONTROL & PREVENTION TO WATER OPERATIONS INFRASTRUCTURE

Although the Corrosion Engineering Group is considered out of scope for this Bid to Goal program because they were reorganized into Water Operations after the program was underway, they are an integral part of the Division and their work impacts bottom line expenses. Water Operations' Corrosion Engineering Group of the Water Department preserves and extends asset integrity and service life. Corrosion is the single greatest threat to the material integrity of water infrastructure, and the root cause of approximately 60% of transmission main failures.

The Corrosion Engineering Group has evaluated and identified critical transmission water mains (La Jolla Shores 1 & 2 Pipelines, Green Valley Pipeline, Alvarado II Pipeline, and Clairemont Mesa Pipeline), which pose a high risk of premature failure due to corrosion. Most of these transmission mains are over 50 years old and will benefit from the installation of an active corrosion protection system to preserve and extend their service life by up to 15 years. An approved assurance fund project in the amount of \$610,000 for a Cathodic Protection System will protect approximately 14 miles of these mains. It is currently estimated to cost \$21 million to replace 14 miles of main.

DISTRIBUTION SYSTEM OPTIMIZED FOR IMPROVED WATER QUALITY

Assurance Funds were approved to add mechanical mixers to the College Ranch Standpipe and the Paradise Mesa Standpipe to improve water quality. Water quality sampling results have shown that since the installation of the mixers, water quality parameters have significantly improved over previous periods. These mixer projects have improved water quality, reduced operational costs and increased employee efficiencies.

At the Carmel Mountain Reservoir employees redesigned and rebuilt inlet-outlet pipelines to improve water quality. The redesign allowed for improved mixing of the water inside the tank. The end result is improved water quality into the distribution system and reduced chlorination costs.

These are two of many projects that require various sections of the Division to work together and are part and parcel of the "plan, do, correct and check" synergy that employees have embraced as a result of the Bid to Goal program.

PRIOR YEAR AUDIT FINDINGS STATUS

The Water Operations Division participated in year four of the five year Bid to Goal Program in FY 2008. The Independent Audit report focused on two elements: 1) restatement of savings per the audited final values and instituting process improvements to monitor the identification of encumbrances; and 2) methods for schedule review and approval.

As is the case in all years, savings deposits to the Assurance Fund are strictly based on audited values provided by the independent auditor. The primary purpose of the audit is to determine conclusively the savings amount and goal achievement percentages.

For the fiscal year ending June 30, 2008, minimal adjustments were necessary to restate the savings calculations for the divisions to a per audit condition. The savings calculation was adjusted as per the audit recommendation. Process improvements were recommended as a means of minimizing potential errors in reporting savings and goal attainment. These process improvements have been implemented and adhered to.

For FY2008 the Pay for Performance Program in Water Operations indicated 24 of the 26 goals were met or partially met in eight functional areas. In this audit there were six goals where the audited results did not match reported results resulting in a change in the percent of goal met. The achievement levels for all impacted functional areas were recalculated and the payout calculation was adjusted per the audit recommendations.

The Water Operations Division, in accordance with the FY08 audit recommendations, has fully adjusted the savings calculation and changed administrative processes necessary to implement recommendations found in the FY2008 reports.

The Water Operations Branch is in agreement with all PFP audit recommendations. Following the acceptance of the audit report Division management met with key personnel from every reporting group to review the audit results, and discuss deficiencies and improvements needed. We continue to make improvements in the program based on the Audit response findings provided by AKT.

CONCLUSION

After five years of participation in this Bid to Goal Program the resulting cost savings show a measurable benefit to the ratepayers. The program provides a mechanism for both management and staff to work in an entrepreneurial fashion; it pushes leadership engagement to more levels in the organization and it causes everyone to work together and re-evaluate the way business is done. Additional highlights from the program include positive experiences in terms of environmental awareness; supervisors have become more aware of the financial impacts of their decisions; development of key baseline metrics for operations emphasizing improved response times for customers; prioritizing preventive maintenance of facilities and constantly evaluating ways to improve. This work will continue to serve ratepayers, the City of San Diego, and the Water Department into the future.

Attachments:

- 1 – Table 1.2 – FY2009 Expense Summary
- 2 – Pay for Performance Goals for Fiscal Year 2009
- 3—EEIR/Assurance Fund Balance Statement

**Table 1.2 - FY 2009 Summary Pre Audit
Budget Objective, Water Operations Division (\$)**

Functional Group or Remark	BID FY 2009	In Scope Expenses	% of Bid Expended	FY 2009 Unaudit Savings	Per Audit FY 2008 Savings	Change
Water Treatment Plants	10,086,127	8,904,246	88.3%	1,181,881	1,293,101	(111,220)
System Operations	5,394,399	6,752,330	125.2%	(1,357,931)	(920,353)	(437,578)
**Construction	20,278,007	19,301,946	95.2%	976,061	831,709	144,352
Administrative Support	6,674,447	4,993,293	74.8%	1,681,154	1,076,456	604,698
Water Quality Laboratory	5,083,899	4,022,368	79.1%	1,061,531	1,034,866	26,665
Engineering	3,195,318	1,741,866	54.5%	1,453,452	500,957	952,495
Treated Water	5,026,032	3,505,686	69.8%	1,520,346	1,776,111	(255,765)
Reservoirs & Recreation	6,335,101	5,379,534	84.9%	955,567	1,029,174	(73,607)
Safety	1,304,026	784,781	60.2%	519,245	293,730	225,515
Environmental Management	-	-	-	-	-	-
Divisional Contingency	-	-	-	-	90,619	-
Inflation - Adjusted	362,814	-	-	362,814	2,312,271	(1,949,457)
Electrical Consumption Credit	-	-	-	186,924	128,187	58,737
Revenue Credit	-	-	-	67,927	445,649	(377,722)
FY 09 CIP Adjustment	-	-	-	(202,083)	-	-
Fixed Budget Objective	\$ 63,740,170	\$ 55,386,050	86.9%	8,406,888	\$ 9,892,477	\$ (1,192,887)
FY 05 thru 08 CIP Adjustment	-	-	-	(1,146,304)	-	-
Correction to FY2007	-	-	-	-	\$ (98,120)	-
Net Savings	-	-	-	\$ 7,260,583	\$ 9,794,357	\$ (2,533,774)

	BID	Actual		
MWWD / CIP Support (1)	6,308,900	533,228	8.5%	5,775,672
Other Pass Through Costs (2)	20,319,016	12,558,507	61.8%	7,760,509
Raw Water Purchases (See Eng Wkst)	135,696,000	129,623,847	95.5%	6,072,153
Budgeted Pay for Performance	-	428,458	-	(428,458)
Gainsharing Bonuses (504-1121)	-	1,927,487	-	(1,927,487)
*BTG Outside Audit (5041-1122&2306)	-	46,000	-	(46,000)

Pass Through Budget Objective \$ 162,323,916 \$ 145,071,526 89.4% 17,206,390

Out of Scope Deductions \$ - \$ 10,928,411
Post-Closing Encls Released \$ 890,211

Total Bid Budget Objective \$ 226,064,086 \$ 212,276,199 93.9%

Pass Through Itemization	BID	Actual	
(1) MWWD / CIP Support			
CIP Support (Construction)	5,542,841	149,555	5,393,286
Lab Support (Labor only)	96,347	85,228	11,119
FIMS Support (Engineering)	669,677	168,382	501,295
FIMS Support (Construction)	-	130,063	-
	<u>6,308,865</u>	<u>533,228</u>	<u>5,905,700</u>
(2) Other Pass Through Costs			
Lakes Concessions (599-4272)	2,090,537	-	2,090,537
Security Contract (ORG 5141)	1,754,788	1,179,227	575,561
Utilities (portion)	11,094,871	8,267,973	2,826,898
Insurance & Claims	3,156,115	2,352,247	803,868
Contractual Services	-	69,946	-
Inspection Fees	-	-	-
Right-of-Way Fee	1,378,169	-	1,378,169
SLAs	350,958	-	350,958
Rent (504-4882)	458,482	487,746	(29,264)
Other - San Dieguito Irr Dist (504-4229)	-	-	-
Other - Imperial Irr District (504-4469)	35,096	201,368	(166,272)
	<u>20,319,016</u>	<u>12,558,507</u>	<u>7,830,455</u>

*Note: BTG Outside Audit total is included in Out of Scope Deductions

**Note: Construction BID amount reduced \$252,000 due to Bid Amendment #24

***Note: Inflation factor was updated due to the Admendment 24 adjustment

PAY FOR PERFORMANCE GOALS FOR FISCAL YEAR 2009



	GOAL	UNAUDITED RESULTS	PERCENTAGE ACHIEVED
Administrative Support			
1. Publish Seven Newsletters	100%	100%	100%
2. Share in Other Section's Goals	TBD	TBD	TBD
Construction Program			
1. Investigate Distribution Service Leaks Within Two Work Days	88.0%	92.2%	100%
2. Repair Distribution Service Leaks Within Seven Work Days	97.5%	97.0%	75%
3. Receive No More Than Three Stormwater Notices of Violation	≤3	100%	100%
4. Perform 14,000 PMs to Air Valves, Hydrants, Blowoffs, Valves GT6"	100%	106.53%	100%
System Operations & Optimization			
1. Perform 477 PM Services on Control Valves & Regulator Valves; Perform Maintenance on 6 Distribution Reservoirs	95%	67.71%	0%
2. Inspect and Prepare Reports for 15 Pump Stations and 3 Pressure Zones; Write 4 Pump Station Emergency Scenarios	100%	100%	100%
3. A. Perform Monthly PMs on 25 Generators & Annual PMs on 201 Pump Motors	98%	95.19%	0%
B. Add 402 Thermal Images to the Motors & Starters Database	98%	62.57%	0%
4. A. Perform 957 PMs on Instruments at 3 Plants	98%	n/a	0%
B. Perform PMs on Instruments at 243 SCADA Sites	100%	n/a	0%
Production Engineering			
1. Complete 5 Dam Operations Manuals	100%	100%	100%
2. Complete All #17 Reports (Hydrography) by the 20 th of Each Month	100%	100%	100%
Facility Information Management			
1. Map Drawings Into GIS Within Sixty Calendar Days	95%	93.7%	75%
2. Share in Other Section's Goals	TBD	TBD	TBD
3. Complete all Notifications from SWIM within 30 Days	85%	99.1%	100%
Treatment Plants / Laboratory			
1. A. Maintain Costs of Six Tests At or Below Costs at Private Labs	40%	40%	100%
B. Update 1/3 of Lab's SOPs and MDL Studies	60%	60%	100%
2. Conduct Three Emergency Table Top Drills per Plant Employee	100%	103%	100%
3. Complete an Inventory of Treatment Plant Facilities Requiring Maintenance	3	100%	100%
Safety			
1. Conduct 120 Construction Site Safety Field Audits	100%	114%	75%
2. Conduct 18 Facility and 5 Vehicle Safety Inspection Sessions	100%	122%	100%
3. Conduct 155 Security Audit & Procedure Checks	100%	44%	0%
Reservoirs and Recreation			
1. Complete Scheduled Routine Maintenance	87.5%	95%	100%
2. Complete Routine Property and Watershed Inspections	95%	98%	100%
3. Complete Scheduled Readings and Measurements	95%	98%	100%

EEIR/ASSURANCE FUND (AF) BALANCE STATEMENT
Water Operations

	Year 1 FY2005	Year 2 FY2006	Year 3 FY2007	Year 4 FY2008	Year 5 FY2009
Undesignated Funds balance carry forward	\$ -	\$ 3,188,731	\$ 4,259,196	\$ 1,982,848	\$ 2,316,916
Allocation of Savings to EEIR/AF (1)	\$ 4,573,862	\$ 4,929,991	\$ 4,936,047	\$ 4,897,179	\$ 3,630,292
Subtotal	4,573,862	8,118,722	9,195,243	6,880,027	5,947,207
Less: Cap on EEIR/AF Balance	(5,600,000)	(5,600,000)	(5,600,000)	(5,600,000)	(5,600,000)
Surplus funds in excess of EEIR/AF Cap	-	2,518,722	3,595,243	1,280,027	347,207
EEIR/AF Balance available for Payouts/Approved Expenses	\$ 4,573,862	\$ 5,600,000	\$ 5,600,000	\$ 5,600,000	\$ 5,600,000
Gainsharing Payout (2)	(1,388,430)	(1,340,804)	(1,965,739)	(1,927,487)	(2,000,000)
Pay For Performance Payout (2)	-	-	(624,225)	(428,458)	(575,000)
B2G Administrative Costs	-	-	-	-	-
Total Employee Payouts and Administrative Costs (1)	\$ (1,388,430)	\$ (1,340,804)	\$ (2,589,964)	\$ (2,355,945)	\$ (2,575,000)
Approved EEIR/AF Expenses:					
Office Equipment	-	-	(288,844)	(12,689)	(171,467)
Field Equipment	-	-	(169,269)	(336,617)	(1,045,188)
Otay Services/Equipment	-	-	(56,621)	(181,412)	(87,078)
Alvarado Services/Equipment	-	-	(46,250)	(51,941)	(24,929)
Lab Services/Equipment	-	-	(40,000)	(184,481)	(47,265)
Training	-	-	-	-	(160,706)
Other Services/Equipment	-	-	(426,203)	(160,000)	(62,000)
Total of EEIR/AF Expenses (1)	-	-	(1,027,188)	(927,140)	(1,598,632)
Undesignated Funds	\$ 3,185,432	\$ 4,259,196	\$ 1,982,848	\$ 2,316,916	\$ 1,426,368
Audited Savings (1)	\$ 9,147,724	\$ 9,859,982	\$ 9,872,094	\$ 9,794,358	\$ 7,260,583
Allocation of Savings to Ratepayers (50%)	\$ 4,573,862	\$ 4,929,991	\$ 4,936,047	\$ 4,897,179	\$ 3,630,292
Allocation of Savings to EEIR/AF (50%)	\$ 4,573,862	\$ 4,929,991	\$ 4,936,047	\$ 4,897,179	\$ 3,630,292

(1) Savings, Incentive Pay and Approved EEIR/AF Expenses are shown in years earned/committed, not in years paid or deposited

(2) Gainsharing and Pay for Performance Payouts are estimated and will be finalized upon completion of the external audit