



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-8

August 19, 1993

To: Board of Directors (Finance & Insurance Committee--Action)
From: General Manager
Subject: Proposed Revisions to the Board of Directors' Goals and Objectives for Finance

Background

During the development of the Strategic Plan, the Board asked management to identify any Board goals which would require another look and possible revision. Management identified two goals that it would urge the Board to modify: 1) Water supply and reliability and 2) Finance. Management also believes that there should be the addition of a new goal for operation and maintenance. These proposed revisions were discussed to a limited extent at the June 29 Executive Committee Management Workshop on the Preliminary Strategic Plan. At that meeting, the Executive Committee directed management to bring these items to the Board's Goals and Objectives Committee.

The Board's Goals and Objectives Committee met on August 10 and referred the goals to their primary policy committees.

Proposed Modifications to the Finance Goal

The Board's goal for Finance reads as follows:
"Metropolitan Water District of Southern California will maintain a balance of fixed and variable revenue sources and appropriate reserve funds sufficient to withstand a water sales shortfall of 500,000 acre-feet in one year with a resulting annual water rate increase of no more than 25 percent due to such shortfall. Metropolitan will sell water to its Member Agencies based on a single uniform rate for each class of service."

Management recommends the Board consider a broader goal that addresses fully the issues of financial management. The recommended text for a Board goal is: "Metropolitan Water District of Southern California will maintain its financial integrity and its strong credit ratings by balancing fixed and variable revenue sources with appropriate use of debt to finance

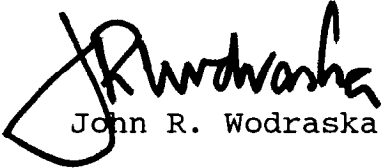
ongoing capital needs in a manner that will mitigate rate shock for the Member Agencies, stabilize revenue, and recognize that growth pays its fair share."

Board Committee Assignments

Board letter is referred for action to the Finance and Insurance Committee because of its oversight responsibility for developing the Finance Goal.

Recommendation

Revise the Board's Finance Goal as proposed in the letter.



John R. Wodraska

AEB/mdm

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