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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-10

October 19, 1993

To: Board of Directors (Water Problems-Action)
(Executive Committee-Action)

From: General Manager

Subject: Proposed Revisions to the Board of Directors' Goals and Objectives

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. In August, the Goals and Objectives Committee decided to revise these goals as proposed.

The revised goals were then discussed in the Water Problems Committee on September 20. The Water Problems Committee requested that the Water Supply and Reliability Goal clearly state the intent to meet region-wide wholesale demands and then be brought back for action.

Proposed Goal Modifications

1. The existing water supply and reliability goal reads: "Water supply and reliability: Metropolitan Water District of Southern California will provide a reliable supply of water to its Member Agencies. Even under adverse hydrological conditions, there will be no more than a 20 percent supply reduction in any single year. The Water Resource goal reads: "Metropolitan Water District of Southern California will seek, through legislation and voluntary transfers, to reserve an additional 20 percent of all developed water in California for use by urban and related water uses throughout the state."

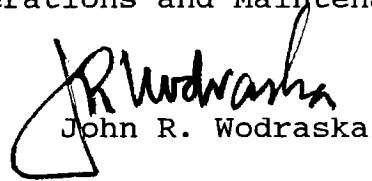
Given that the Water Resource Goal established by the Board sets a target for additional water through transfers and legislation that greatly exceeds both the current and projected requirements of the Metropolitan Water District service area, it is recommended that the water supply and reliability goal be

The Executive Committee because of its oversight responsibilities for the Strategic Plan.

Recommendation

WATER PROBLEMS COMMITTEE AND EXECUTIVE COMMITTEE FOR ACTION.

To revise the Board's Water Supply and Reliability and Finance Goals, and add a new Operations and Maintenance Goal as described in this letter.



John R. Wodraska

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revised in the context of the proposed Level of Service Objective. The following text is proposed to replace the current water supply and reliability goal: "Metropolitan Water District of Southern California will never provide less than 80 percent of full service demand to its customers. Full service demand is defined as region-wide wholesale demand for imported water, after accounting for the implementation of water management programs and best management practices within the service area. Further, Metropolitan will meet 100 percent of full service demand 90 percent of the time and 90 percent of full service demand 92 percent of the time."

Metropolitan will cooperatively develop and finance a reliable water supply with its Member Agencies that will meet the level of service requirements as defined above.

2. 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 revenues, and recognize that growth pays its fair share."

3. Management believes the Board should adopt a goal that specifically recognizes the importance of the operations and maintenance of the water system. Management recommends the following goal: "Metropolitan Water District of Southern California will operate and maintain water delivery, treatment, and distribution facilities in a manner that meets the needs of the Member Agencies and ensures long-term reliability, safety, and security."

Board Committee Assignments

This letter is referred for action to:

The Water Problems Committee because of its oversight responsibilities for the Board's water reliability goal.