

• **General Manager's July Activity Report**

Summary

The attached report details the activities of the Office of the General Manager for the month of July 2006. Metropolitan has delivered sufficient water supplies to meet all firm, replenishment and agricultural demands and has achieved full compliance with drinking water quality standards.

The format of the General Manager's Monthly Activity Report has been revised in an effort to provide a comprehensive summary of Metropolitan's monthly operations and activities. This new approach will combine the following Group Manager reports into one activity report:

- General Manager's Monthly Activity Report
- External Affairs Activity Report
- Diamond Valley Recreation Program Monthly Report
- Water Resource Management Activity Report
- Water System Operations Activity Report

The monthly Engineering Services Key Activities Report will continue in its current format, as will the various quarterly, semiannual and annual reports. This summary reports the status of Metropolitan's core business in terms of:

- Water Supplies
- System Operations
- Water Quality
- Capital Investment Plan
- Real Estate Management
- Finance
- Business Processes/Operations
- Outreach
- Business Outreach
- Workforce

Attachment

General Manager's Monthly Activity Report



Colorado River

**Deliveries (As of 7/27/06): 422 TAF
(CY 2006)**

Palo Verde Irrigation District Land Management Program – The program is expected to provide 90,000 acre-feet in calendar year 2006 through interim and long-term land following agreements. Metropolitan increased its following call for the contract year 2006/07 from 45 percent to 57 percent of the maximum following commitment to facilitate the board-approved transfer of 10,000 acre-feet to the U.S. Bureau of Reclamation for Colorado River system management.

Program signup continues with 98 percent of initially enrolled acres having entered or closed escrow (one landowner opted not to participate in the long-term program thus dropping the maximum enrolled acreage in the program from 26,500 to 25,947 acres or 98 percent of maximum). All long-term agreements are expected to close escrow by the end of August.

Colorado River Board Hosts Salinity Control Tour – Directors and staff participated in a three-day field visit (June 28-30) in Colorado and Utah to view the efforts being undertaken to control the salinity levels in the Colorado River. It was pointed out that about 50 percent of the salt load originates from human activities, mostly inefficient agricultural practices, and 50 percent from natural sources, such as hot springs. The Salinity Control Forum has implemented methods to control both sources of salt, and the Directors on the trip saw firsthand how salinity levels are being reduced. It was reported that salinity levels at Metropolitan's intake have been reduced by about 100 parts per million – or about 15 percent – from what would otherwise occur.

Metropolitan and Reclamation Execute System Conservation Agreement – Subsequent to board authorization in July, on August 1, Metropolitan and Reclamation executed a one-year agreement to allow Reclamation to participate in Metropolitan's land following and crop rotation with Palo Verde Irrigation District. Under the terms of the agreement, Metropolitan will increase its following call from PVID by 10,000 acre-feet for one year starting in August, and Reclamation will reimburse Metropolitan for the program costs. The water will stay in Lake Mead and be used to offset the impacts of the ongoing Colorado River drought. The one-year agreement is part of a three-year demonstration program by Reclamation to pay farmers to fallow land on a voluntary basis to help mitigate drought impacts.

Bart Fisher Named as Colorado River Board Chair – To fill the vacancy left by the late Lloyd Allen, the Colorado River Board named Bart Fisher as the next Chair of the Colorado River Board. Mr. Fisher is a farmer in the Palo Verde Valley and serves on the PVID Board of Directors.

Reclamation Provides Metropolitan Greater Operational Flexibility

– In late July, Reclamation notified Metropolitan staff that formal approval letters will no longer be required for Metropolitan to increase its Colorado River Aqueduct pumping as supplies become available during the year. Instead, starting in August, Metropolitan will have the ability to monitor higher priority agricultural use on a real-time basis and increase its diversion schedule as soon as water becomes available. The new operating procedures will help Metropolitan more effectively manage its annual operating plans and reduce the risk of Metropolitan not being able to divert all of the water it is entitled in any one year.

State Water Project

**Deliveries (As of 7/31/2006): 926 TAF
(CY 2006)**

Department of Water Resources Management Team

– DWR recently solidified its executive management team by completing the appointments of three Deputy Directors, two of whom oversee activities related to the SWP including the Chief Deputy Director. In addition, several division managers were selected to fill the positions vacated by the appointments and recent retirements. These long-awaited actions will increase DWR's ability to manage issues and respond to SWP contractor needs.

State Water Project Energy

– Since January, the SWP has experienced a better-than-projected energy cost environment. High runoff has increased hydroelectric generation sales by the SWP. Reduced natural gas prices have lowered the cost of purchased energy used for pumping. The net effect is about \$150 million favorable reduction compared to the DWR January budget of \$452 million. During the recent heat wave, DWR was compensated for temporarily curtailing pumping which freed up about 200 megawatts of power to help the state's strained energy resources. DWR managed SWP storage resources to sustain water deliveries. These factors will be reflected in lower energy charges to Metropolitan and other SWP contractors.



Water Supplies

Current Storage

	Storage To-Date	Percent of Capacity
<u>Metropolitan Reservoirs</u>		
Diamond Valley Lake	803,200 AF	99%
Lake Mathews	157,600 AF	87%
Lake Skinner	38,200 AF	87%
<u>SWP Reservoirs</u>		
Lake Oroville	3.23MAF	92%
San Luis Reservoir Total	1.37 MAF	67%
San Luis State Share	0.87 MAF	82%
<u>Colorado River Reservoirs</u>		
Lake Powell	12.4 MAF	51%
Lake Mead	14.0 MAF	54%

Water Supply Planning

In an effort to better integrate local and regional water systems and planning efforts, Metropolitan and its member agencies are conducting joint Integrated Area Studies (IAS) to identify the local and regional facilities that will be required to meet future water demands. Due to the importance of reaching a consensus on the demand projection and facility timing analyses, Metropolitan formed a technical review panel in July composed of members from the Riverside/San Diego and Central Pool IAS teams. Metropolitan distributed technical memoranda on demands, peaking and facility timing models and scheduled a workshop on August 2, 2006 to discuss comments on the methodologies and assumptions described in these memoranda. The panel will meet again September 14 to discuss feedback from recognized experts in the field of forecasting and their recommendations on how to bracket the inherent uncertainty of projections. Metropolitan retained four experts in the field of demand projection methodology to review Metropolitan's approach and assumptions, and help address any questions raised by the member agency review panel.

Lake Perris

Staff appealed the State Water Resources Control Board's (State Board) decision to terminate two grants associated with proposed water quality improvement projects. These efforts resulted in State Board management indicating that both grants will be restored. Staff is currently awaiting written confirmation.

Local Resources Program

Harbor Water Recycling Project – In partnership with Metropolitan under the Local Resources Program, the city of Los Angeles celebrated commencement of the Harbor Water Recycling Project on June 28, 2006. The 5,000-acre-foot-per-year project delivers recycled water from the Terminal Island Treatment Plant to users near San Pedro. The project will increase regional supply reliability by reducing dependency on imported water. Metropolitan committed up to \$139 per acre-foot for 25 years under a Local Resources Program incentive contract. Recycled water from the project will be used for industrial purposes and a seawater intrusion barrier.



*City of Los Angeles
 Harbor Water Recycling Project*

Conservation

Weather-Based Irrigation Controller Program – Metropolitan, in cooperation with San Diego County Water Authority and Inland Empire Utilities Agency, distributed over 600 weather-based irrigation controllers during separate one-day exchange events in San Diego (410 units) and Montclair (200 units). As with past exchange events, residential customers were offered an opportunity to exchange old controllers for new, high efficiency models. Proposition 13 grant funds administered by the California Department of Water Resources were used to co-fund both events.



Conservation

Synthetic Turf Program – The city of Vista dedicated its new synthetic turf field at Townsite Park in partnership with Reclamation and Metropolitan. Project costs totaled about \$750,000, of which Vista received \$25,000 under Metropolitan's pilot program for public areas. Youth and adult players in recreational and competitive soccer leagues will be the primary beneficiaries of the year-round facility. Besides anticipated water savings and reduced maintenance costs, the new field can be used year round without having to shut down for several months a year for needed repairs. Reclamation is co-funding this pilot program. Staff will review Vista's final project report following 90 days of operation.



New synthetic turf field at Townsite Park, city of Vista

Public Policy Institute of California Report on Landscape Efficiency – Staff is currently reviewing a recently issued report entitled "Lawns and Water Demand in California" that examines the role of residential outdoor water use and irrigation needs of turf grass lawns. The report concludes that over the next 25 years, Californian's "love of lawns" will be a major factor in escalating water demand. Additionally, without efforts aimed at specifically reducing residential outdoor water use, water demand increases will pose significant financial and environmental challenges. Metropolitan is prominently featured for promoting California Friendly™ landscaping. The report lists several landscape maintenance strategies to achieve increased water conservation.

- Encourage conservation through appropriate and effective water rate pricing structures and metering.
- Install smart irrigation controllers that automatically adjust watering times based on plant needs and weather conditions. These devices also help control surface runoff.
- Promote the use of water-wise landscapes including drought-tolerant and native plants.
- Emphasize regulations such as local landscape ordinances and efficient landscaping practices in commercial and residential areas.

Energy-Water Efficiency – On July 31, staff filed comments in a California Public Utilities Commission proceeding on the energy efficiency resulting from water conservation programs. At issue was whether or not Investor Owned Utilities (IOUs) should be allowed to use their energy-efficiency money to fund water conservation in recognition of the energy value from reduced water pumping, transportation, treatment, and disposal. Metropolitan's comments recommended that the IOUs be allowed, but not required, to fund water conservation and receive recognition of quantified energy savings against the efficiency goals they are expected to meet under the program CPUC has established. Comments included a recommendation for stakeholder meetings that could result in additional funding for water conservation and expanded partnerships in new areas with IOUs.



System Operations

Water Demands

2,091,073 AF	Current Projection
2,108,060 AF	Budget Projection
(16,987) AF	Difference

The current trend sales projection for CY 2006 is 2.03 MAF.

System Operations

CRA – Maintained a six-pump flow.

Blends – Continued with a SWP blend of 60 percent at Diemer water treatment plant and 70 percent at Weymouth water treatment plant while managing storage at Live Oak Reservoir. The SWP blend at Lake Skinner is 43 percent.

Weather Conditions – For the first 26 days of July 2006, the average daily maximum temperature at the Los Angeles Civic Center was 90.5°F, which is on track to set a new record for the month of July. The previous record was established in 1985 at 88.8°F. The July average since 1877 is 83.8°F.

Power Generation

- DVL was on two-unit generation due to high water and energy demands as a result of record-breaking temperatures.
- At the request of Southern California Edison, three separate load sheds occurred on the CRA on July 21, 22 and 24. For each load shed, five pumps were turned off at Intake and Gene for a total of 80 MW. CRA deliveries into the service area were unaffected, since deliveries from Copper Basin Reservoir remained unchanged. Metropolitan's contract with SCE allows for up to 20 load sheds per year. In exchange for reducing pump loads, Metropolitan derives a number of benefits from SCE, including energy, transmission and reliability services, at no extra charge.
- Diemer and Skinner water treatment plants and a number of hydroelectric plants experienced multiple power disruptions over the weeks of July 17 and July 24, due to electrical storms and high energy demand leading to low utility system voltage. Emergency generators supplied the treatment plants with power during these events and no disruption in treated water deliveries was experienced.

Distribution and Storage

	<u>Current Storage</u>	<u>EOM Forecast</u>
Lake Mathews	157,600 AF	158,000 AF
Lake Skinner	38,200 AF	38,000 AF
DVL	803,200 AF	804,700 AF

All replenishment, including SWP water, CRW and blends of the two, was available subject to system capacity and availability of groundwater spreading facilities. The following replenishment and conjunctive use deliveries continued:

	<u>Agency</u>	<u>Connection</u>	<u>CFS</u>
Replenishment			
Direct	Central Basin	CENB-28	100
	Eastern MWD	EM-14/19	50
	Foothill	FM-01 (Injection)	2
	Inland Empire	CB-11B/13/14/15/18	15
	MWDOC	OC-28	120
In-lieu	MWDOC	Various	56
	West/Central	WB-04/CenB-19	4
	Long Beach	LB-08	13
Conjunctive Use			
In-lieu	Foothill	FM-01	2
	Calleguas	CA-02	8
	Inland Empire	CB-12/16	25
	MWDOC	CM-8/11/OC-44B	34



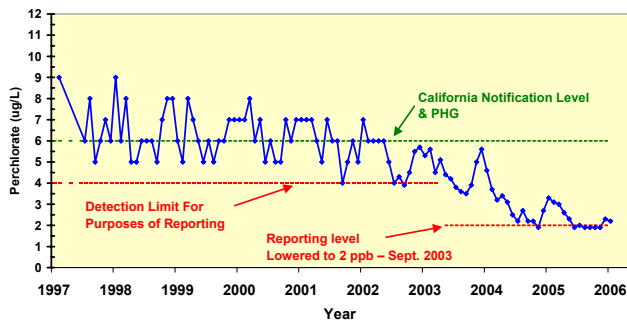
Water Quality

Metropolitan has complied with all drinking water quality standards during this reporting period.

Perchlorate

Perchlorate cleanup efforts continued at the Las Vegas wash discharge into Lake Mead in Henderson, Nevada. Perchlorate loading into the Las Vegas Wash has declined from approximately 1000 lbs/day in 1998 to 113 to 164 lbs/day in 2005/06. Metropolitan has monitored Lake Havasu at Whitsett Intake monthly since 1997 (Figure 1). The effects of cleanup efforts that began in 1998 show progressive reduction of perchlorate starting in 2002. The levels at Lake Havasu have declined to less than 4 ppb in 2002 and 2 ppb in 2005. The most current levels in the Colorado River source water locations have ranged from non-detect (<2 ppb) to 2.3 ppb in 2006.

Figure 1: Perchlorate Levels at Lake Havasu (Whitsett Intake)



Total Dissolved Solids

The August 2005 through July 2006 estimated twelve-month flow-weighted average TDS levels for the Diemer, Skinner, and Weymouth water treatment plants were 414, 489, and 380 mg/L, respectively. All three plants met the goal of 500 mg/L.

Taste and Odor

A planktonic blue-green algae produced low levels of geosmin in Lake Perris during July. Monitoring will continue and treatment will be scheduled if needed. There is a localized benthic source of blue-green algae producing methylisoborneol (MIB). An investigation is being conducted to determine whether to treat the lake. There are no other taste and odor issues in the source or treated waters.

Fluoridation

Construction of fluoridation facilities is in progress at the Diemer, Weymouth, Mills and Skinner plants. The Jensen facility construction contract was awarded at the July Board, and the contractor will receive the notice to proceed in the next few weeks.

Chromium 6

Chromium 6 is present in a groundwater aquifer along the Colorado River near the town of Topock, Arizona. The contamination is from past disposal practices at a PG&E gas compressor station.

PG&E tests approximately 59 groundwater monitoring wells and nine river monitoring stations. High levels of chromium 6 are being detected at two monitoring wells adjacent (within 90 feet) to the river. In June of 2006 levels at these monitoring wells were 976 ppb and 1,600 ppb. Both wells have shown an increasing trend of chromium 6 and indicate that pumping at the extraction wells has not controlled the migration of chromium 6 towards the river.

Metropolitan began sampling the Colorado River near Topock in 2003 and that effort continues. To date, chromium 6 results for all sampling points have been mostly non-detect with some low-level detection ranging from 0.03 to 0.04 ppb.

Metropolitan continues to participate in the Consultative Work Group in order to urge DTSC to complete the characterization of the site contamination and hydrogeology. Metropolitan will continue to work with DTSC to seek solutions to protect the Colorado River from chromium 6 contamination.

Wastewater Discharge into Lake Mead

Wastewater discharge into Lake Mead from the Las Vegas area is expected to increase from 170 million gallons per day (mgd) of tertiary treated wastewater to approximately 400 mgd by 2050. Several agencies (City of Las Vegas, City of Henderson, and Clark County Sanitation District) have formed a collaborative partnership [Clean Water Coalition (CWC)] and proposed alternatives for wastewater discharge into Lake Mead. Metropolitan submitted comments on the draft Environmental Impact Statement (EIS) on December 21, 2005 expressing concern with various components of the proposed discharge program. The increase of tertiary treated wastewater discharge will result in the additional loading of chemical and microbial agents into the Colorado River system. Nutrients such as phosphorus are of principal concern, as they will stimulate the growth of algae. Algae can cause taste and odor problems, impair treatment processes or produce algal toxins of human health concern. On June 8, 2006, CWC's response to Metropolitan's EIS comments was received and was not in agreement with Metropolitan's assessment of the impacts of their proposed program. Metropolitan and representatives of CWC met on June 20 to discuss strategies to address Metropolitan's concerns. Metropolitan will continue to work with CWC to resolve this issue.



Capital Investment Plan

Summary

- 28 construction contracts and five related procurement contracts were ongoing through June, one of which was completed during the month. The total bid amount of all 28 construction contracts in progress is over \$878 million.
- Over \$31 million in contract payments were made for construction performed in the month of June. Almost \$15 million were related to work at the Skinner Water Treatment Plant, including the ongoing construction of oxidation facilities, the new 110-mgd Module 7, and the new and upgraded chemical feed and storage systems.
- The Inland Feeder, Arrowhead East Tunnel advanced 520 feet for a total of 13,865 feet, which is 62 percent of the tunnel length. The Arrowhead West Tunnel advanced 230 feet for a total of 6,545 feet, which is 33 percent of the tunnel length. The San Diego Pipeline 6 North Reach pipeline installation is 98 percent complete; the Skinner Plant Module 7 construction is 84 percent complete; and the ozone facility construction at Skinner is 27 percent complete. At the Diemer plant, construction work continues on the solids handling and vehicle maintenance facilities (57% complete), plant maintenance facility (45% complete), chemical system upgrades (30% complete), and the south slope stabilization contract (2% complete).
- In July, the Board appropriated a total of \$34.744 million in capital funds, awarded contracts and agreements totaling \$22.668 million, and authorized work to proceed on the Two-Way Radio and Water Billing system upgrades, several rehabilitation projects at the Skinner and Diemer plants, and the Chemical System Upgrades, including the construction of chlorine containment facilities, at the Jensen plant.

San Diego Pipeline No. 6

The San Diego Pipeline No. 6 North Reach is a 7-mile-long, 10-foot-diameter steel pipeline, that will deliver untreated water to a new Eastern Municipal Water District service connection in Temecula. Eastern will in turn deliver the raw water to Rancho California Water District's (RCWD) groundwater spreading basin.

The North Reach is located primarily within public road right-of-way, except for a two-mile stretch through the Johnson Ranch Environmental Reserve where a combination of fee property, permanent and temporary easements was acquired by Metropolitan in 2001. Additionally, temporary construction easements were acquired from adjacent property owners in order to facilitate construction. Metropolitan staff designed the pipeline and appurtenances, while a consultant prepared the road restoration plans. Under the direction of Metropolitan, a consultant also performed all fabrication and construction inspection. The North Reach construction contract was awarded in December 2005 to J.F. Shea Construction. The bid amount was \$65,806,000, which was just 1.24 percent greater than the Engineer's Estimate of \$65,000,000. The contract included construction of the service connection, designated EM-21. All costs associated with the design and construction of EM-21 will be reimbursed to Metropolitan by RCWD.

The Notice to Proceed was issued to the contractor on January 21, 2005, and actual pipeline construction started in May 2005. The total time allotted for contract completion was 500 working days. An interim milestone of 370 working days was identified to complete all work to deliver water through the pipeline to Service Connection EM-21. By the first week of August 2006, the entire pipe will have been installed, backfilled, and lined. Total net change orders, after deductions for miscellaneous credits, currently amount to about one percent of the contract amount. The entire contract is scheduled to be completed within the originally specified 500 working days.

Alternative alignments for the remaining portions of San Diego 6, which will eventually deliver up to 520 cubic feet per second of water to the San Diego County Water Authority, are currently being evaluated under the South Reach and Tunnel Feasibility Study.



San Diego Pipeline No. 6



Real Estate Management

Diamond Valley Lake Recreation
 Construction

Developer Negotiations

On June 22, 2006, Shopoff/Centex requested that it be released from its Exclusive Negotiating Agreement obligations, given that the program did not achieve Shopoff/Centex's investment objectives. Staff presented options and a recommendation for the DVL Recreation and Land Development Program at the Asset and Recreation Committee meeting on July 25.

Construction Progress

Searl Parkway Phase II is 17 percent complete and scheduled for completion in January 2007.

Searl Parkway Landscaping Phase I is 85 percent complete. The project is scheduled for completion by October 2006, which includes a 90-day landscape maintenance period. A Request for Proposals has been advertised to hire a maintenance contractor.

Tenant Construction Activities

Valley-Wide Recreation & Park District officially opened an aquatic facility on July 10, 2006.

The Center for Water Education and Western Center for Archaeology and Paleontology are both approximately 92 percent complete and scheduled to be open to the public in fall 2006.

Diamond Valley Lake Recreation
 Operations

In June 2006, 6,123 people visited DVL, 2,457 parking passes were sold and 1,245 boats were rented. The adjacent graph illustrates the total number of visitors over the past three years:

- 43,548 (FY 2003/04)
- 49,322 (FY 2004/05)
- 63,057 (FY 2005/06)

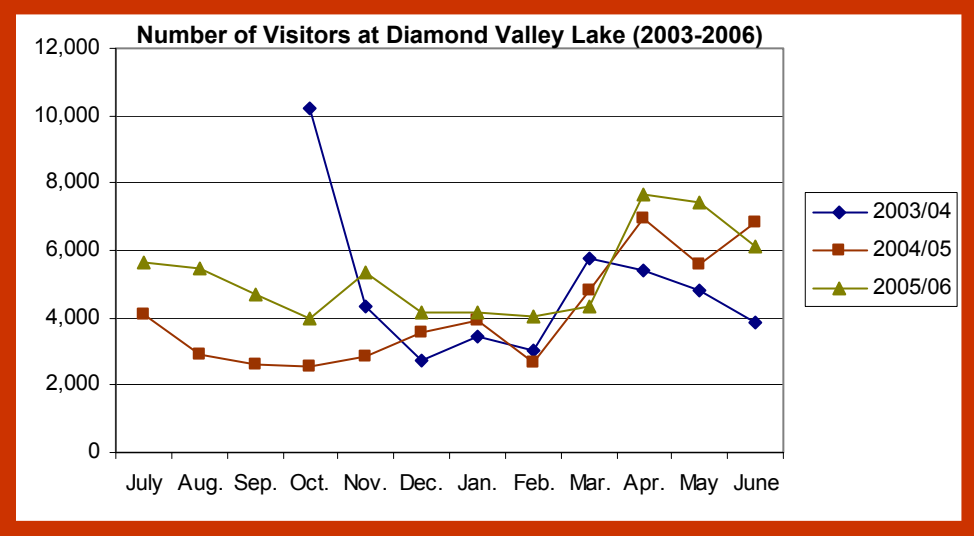
Real Estate Activities

Multiple leases were executed that allow others to use available land for compatible secondary uses. Leases for these secondary uses provide an opportunity to defray a portion of Metropolitan's operations and maintenance costs (e.g., fencing, weed abatement, security). Two entry permits to Dreamworks Productions were completed for filming and movie production on location at our Union Station Headquarters. The films were "Blades of Glory" and "Transformers".

Escrow was closed on the 16.52-acre property adjoining to the south of Metropolitan's Chemical Unloading Facility. Staff from operations, real property, and Metropolitan's environmental consultant inspected the condition of the property and found the property is vacant and in good condition. There will be fencing installed along the perimeter of the site and some drainage rip-rap will be replaced.

Several additional farming rotation easements were recorded in support of the Palo Verde Irrigation District (PVID) Crop Rotation and Forbearance Program in Riverside and Imperial Counties.

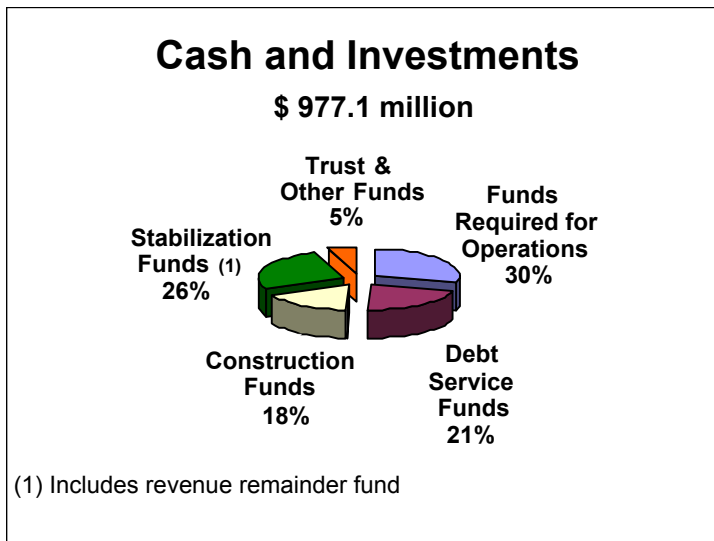
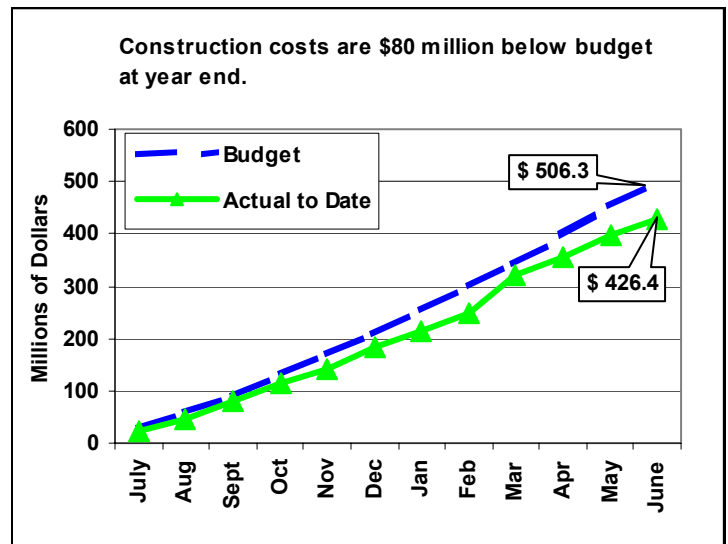
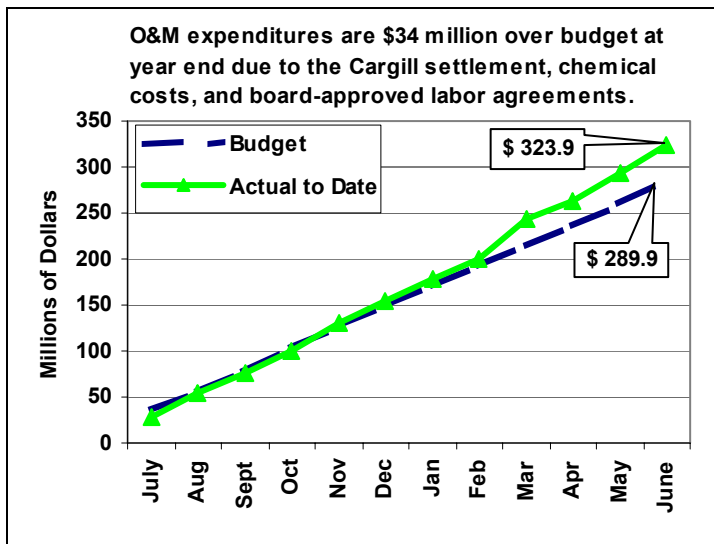
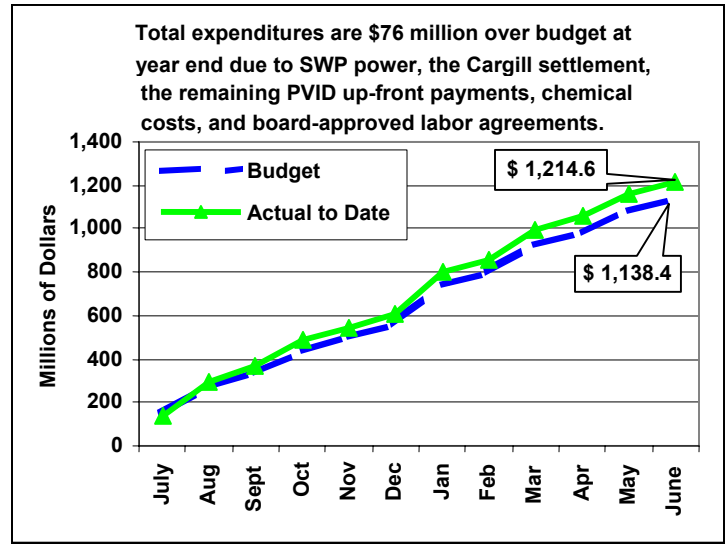
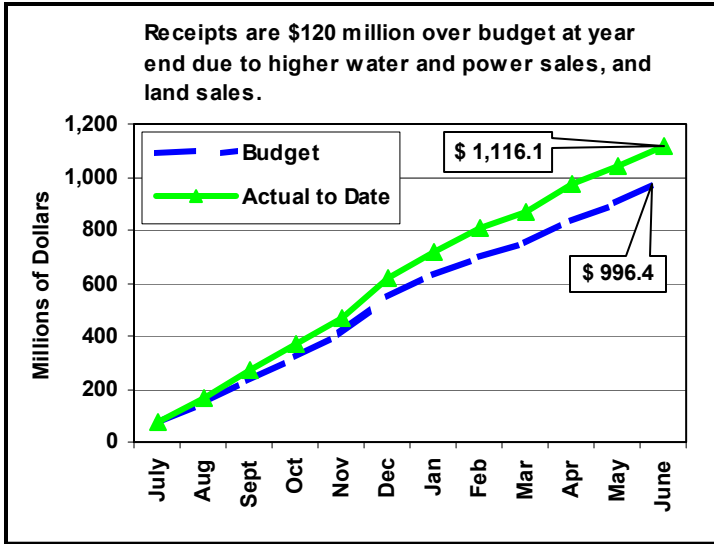
Staff reviewed pending eminent domain reform measures that could affect Metropolitan's ability to utilize its condemnation powers to develop water supply and related infrastructure. If enacted, these measures could lengthen the acquisition process and delay construction of traditional public works projects.





Finance

As of June 30, 2006



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.25 x
Revenue Debt Service Coverage	≥ 2.00 x	1.85 x
Revenue Bond Debt / Equity Ratio	< 100.0%	64.1%

Credit Ratings

- Moody's Investors Service	Aa2	Aa2
- Fitch Ratings	≥ AA	AA+
- Standard & Poor's	≥ AA	AA+



Business Processes/ Operations

Information Technology

Implemented payroll system changes necessary to incorporate new pay rates for all bargaining units, including retroactive and one-time payment to AFSCME members, and annual pay-for-performance calculations/payments to ACE employees.

Successfully completed factory acceptance test at the vendor facility in Brea for control system for Diemer solids handling facility, which will be tied into Metropolitan's SCADA system.

Used Metropolitan's Enterprise Geographic Information System to produce a 77-page Facility Aerial Atlas for use by Water System Operations staff.

As part of regular planned replacement of aging hardware, several software applications, including maintenance management and timekeeping, were successfully migrated from an eight-year-old server over to run on new computer hardware.

The following milestones were reached on the implementation of the IT Strategic Plan:

- Completed hardware, software and communication designs for the new Automatic Meter Reading System.
- Completed the evaluation of proposals for implementing a new budgeting system. This item is targeted to come to the Board for consideration in October 2006.
- Obtained board authorization for replacement and upgrade of the current water billing system and for Phase One of the Two-Way Radio System Upgrade project.

Procurement

On July 20, 2006 Metropolitan and the National Institute of Governmental Purchasing cosponsored a workshop entitled "Breaking the Procurement Barrier: Insights into Speedy Procurements" for 30 procurement representatives from public agencies throughout California. Participating agencies included Kern County, Orange County, LA County, City of Los Angeles, Culver City, Manhattan Beach, Anaheim, LADWP, Long Beach Water Authority, Cucamonga Water District, Inland Empire. The meeting focused on documenting sources of delays in procurement, sharing practices that have helped agencies reduce their own procurement times, and identifying future opportunities for efficiency gains.

The group identified a number of practices that have aided their agencies to reduce procurement cycle time. The majority of these recommendations have already been adopted by Metropolitan. Participant feedback was very positive with the majority of agencies desiring follow-up workshops to continue the productive exchange of ideas and information.

Emergency Preparedness/ Business Continuity

Staff performed a disaster recovery test that simulated the loss of the Union Station facility, including the data center/computer room. The exercise entailed recovering critical financial systems using Metropolitan's back-up data center, temporarily relocating finance staff to the La Verne facility, and then having them access the financial systems running at the back-up data center to perform their functions.

IT staff successfully tested and verified the recovery of the SCADA system at the Oxidation Demonstration Plant (ODP) in La Verne.

Exceptional Customer Service Initiative

The Corporate Resources Group's (CRG) goal is to be the service provider of choice for its customers. In July, CRG developed plans to integrate the next phase of its "Exceptional Customer Service" initiative, which was launched in fiscal year 2005/06. The goal of this initiative is to enhance CRG's customer relationships and performance with high quality service delivery and products, and to ensure that these are value-added. Examples of actions taken include conducting a customer service branding workshop for team managers, developing a customer service handbook rolled out to all employees at training sessions, introducing the "spot recognition" program to all managers in CRG to praise staff for stellar customer service with "on-the-spot" recognitions, and conducting meetings in the field with all Water System Operations managers to identify how the group can better serve internal customer needs. A feedback forum was also held with a number of construction contractors that have done business with Metropolitan to improve processes, collaboration, and communication.

The next phase of activities to be implemented in FY 2006/07 includes a focus on customer service in the recruitment and evaluation processes, improvements to business processes where problem areas were identified, and enhanced communication.

Security

There were no cyber security incidents in the month of July. Virus protection was updated on an ongoing basis. In addition, more than 1,500,000 unsolicited and potentially harmful email messages ("SPAM") were intercepted and blocked during the period. A major security patch was applied to the software to protect Metropolitan's email system. Also, the Windows XP operating system was upgraded on 200 PCs to strengthen security. These upgrades will be applied to all PCs in the future.



Legislative Update

Federal

H.R. 5661, the "Chemical Security Act", was modified to exempt water utilities from placing the storage of chemicals under the U.S. Department of Homeland Security rather than the U.S. Environmental Protection Agency.

The Senate Water and Power Subcommittee conducted a hearing on July 27 on S. 3638, which would authorize a series of local water resource management projects in Southern California, and S. 3639, which will restructure the way money is allocated under Title 16, the Bureau of Reclamation's local projects cost-sharing grant program.

The Senate approved S. 728, a bill that authorizes flood control and water resource management projects, including a Salton Sea pilot project and other Southern California water projects.

Robert Johnson, a career Bureau of Reclamation official from Boulder City, Nevada, received a Presidential nomination to serve as the next Commissioner of the United States Bureau of Reclamation.

State

Legislators return to Sacramento on August 7 to complete the 2005/06 legislative session, which is scheduled to adjourn on August 31. Key bills remaining on Metropolitan's radar screen include:

SB 1574: Creates a cabinet-level committee chaired by the Secretary of Resources to develop a "blueprint for a sustainable Sacramento-San Joaquin Delta."

SB 1640: Is designed to increase an understanding of water use in California and enhance the effectiveness and value of water resources planning and management that is key to California's future water supply reliability.

SB 497: Requires the Lands Commission to implement certain interim and final performance standards for the discharge of ballast water, to disseminate to the public information regarding experimental ballast water treatment systems.

A summary of bills is available in the Legislative matrix provided monthly at the Communications and Legislation Committee meeting.

Regional

Metropolitan sponsored or participated in the following meetings:

- 41st Annual Independent Cities Association Mid-Year Conference
- "Greening Los Angeles" by Los Angeles Business Council
- Briefing on Metropolitan's disaster preparedness plan with Congresswoman Jane Harman's staff
- Asian American Pacific Islander's Annual Legislative Staffers Reception

External Affairs Snapshot

	July 2006
Web Hits	65,481
Inspection Trips	1
Press Releases	4
Community Partnerships	1 for \$250
Media Mentions	22

Community Outreach

Customer service representatives met with city officials and residents in Hemet to discuss economic development issues; with city of Santa Clarita staff to discuss pepper trees and access issues at Aden Avenue; with La Verne Public Works Director to discuss the Wheeler secondary road; and with Brea police regarding truck traffic associated with Diemer plant operations and construction.

California Friendly™ Campaign

- A report issued in July by the Public Policy Institute of California looking at future water issues in the state contained several positive comments about Metropolitan's California Friendly™ efforts and other water conservation measures as examples of good water resources management.
- A Straight from the Tap episode featuring California Friendly™ homes and other conservation measures began broadcasting through California on public access stations.
- Metropolitan also sponsored a California Friendly™ Gardening Workshop at Cerritos College, where state-of-the-art smart irrigation controllers were provided to students in exchange for their old water guzzling timer-based units. This first partnership with a community college was well attended and set the stage for yet another approach to educating the public on being water efficient.

Education Programs

- Thirty-six winners were chosen from among 171 entries for the annual "Water is Life" poster contest.
- Several community-based, nonprofit and environmental education organizations have chosen Metropolitan's curriculum for water and environmental education.



Business Outreach

Networking Events

Business Outreach activities included:

- The Business Outreach Team, along with Chairman Bannister and Chief Administrative Officer Gilbert F. Ivey, attended the Southern California Minority Business Development Agency Awards Luncheon. The luncheon honored many small businesses throughout Southern California. Director John Murray, Jr. is the President & CEO of the Southern California Minority Business Development Council.
- Attended the National Association of Women Business Owners-San Diego Installation Luncheon. John Arena, Business Outreach Program Manager, served as the installation officer.
- Metropolitan participated in the California Public Utilities Commission Small Business Expo in Riverside. There were two business development workshops. Approximately 100 people attended.
- Attended the National Association of Women Business Owners-Inland Empire, Orange County and Ventura County installation luncheons.

Contract Compliance

The Business Outreach Program Office monitors contracts awarded when levels of participation are set within contracts designed to achieve maximum participation and incorporating best business practices. The following is a summary of monitoring efforts for FY 2005/06:

	Contracts Monitored	SBE Dollars
Professional Services	41	\$6,629,352
Construction	24	\$56,189,777
Total	65	\$62,829,119
MBE		\$21,015,306
WBE		\$2,538,864

Regional Workshops/ Training Seminars

A two-day seminar entitled “Strategies for Public Sector Contracting” was held on July 20 and 27 in Los Angeles at Metropolitan’s Union Station facility. The focus of the seminar was to assist professional service companies to do business with the public sector. During day one, 30 companies learned about the history of Metropolitan, its commercial conservation programs, strategies on how to market themselves to Metropolitan and how to respond to RFPs. The students engaged in various activities that included evaluating RFPs and forming teams to present a mock proposal. On the second day of this class, Business Outreach Office had presenters teach the students strategies on HR issues, “bid/no-bid” for RFPs and how to work with Metropolitan’s contracting services.

The Business Outreach Office also held a graduation ceremony for the participants of its Inland Empire, Orange County and Los Angeles Strategies in Public Sector Contracting classes. The attendees were given certificates by board member John W. Murray, Jr. and opening remarks were provided by Gilbert Ivey. There were approximately 28 people in attendance.

Certification Activities

Certification is the process by which a business enterprise is verified to be a small business according to the federal guidelines. The certification process, which includes the application process, was streamlined to make the process easier, faster and more efficient. A total of 85 companies were certified in July. The total number in Metropolitan’s database is 4,941 to date.

Contract Utilization (As of June 30, 2006)

Small Business Enterprise Utilization in procurement, professional and nonprofessional contracts, and construction contracts for fiscal year 2005/06 was 31 percent or \$118 million.



Business Outreach Training Class



Management Response to the Human Resources Audit

Management presented a response to the Audit Department's Review of the Human Resources Section to the Special Committee on Human Resources on July 25.

Classification/Compensation Studies

During the month of July, the Classification and Compensation Unit completed 14 job analyses and 4 job audits, as well as completed the following projects relating to the Association of Confidential Employees:

- Flexible Staffing Plan
- Job descriptions
- Updated Salary Survey
- Career Progression Chart

Recruitment

- Completed 23 recruitments.
- Processed 36 new staffing requisitions and initiated recruitment efforts on these positions.
- Worked to implement new AFSCME lateral transfer language, including tracking system and draft procedures.
- Completed ongoing review of Resume Mirror design to allow Metropolitan to accept electronic employment applications.
- PeopleSoft testing has been ongoing.
- Completed mapping of recruitment processes, resulting in the elimination of 60 of the 192 steps.

New Employee Orientation

- Thirteen new employees and one Annuitant attended the New Employee Orientation (NEO) program in July.
- Ninety- two new employees and 11 annuitants were processed through the NEO program during the 2005/06 fiscal year.
- A special NEO session, held in July for employees who completed probation, was attended by the General Manager and Chief Administrative Officer.

Smart Irrigation Day

Metropolitan is educating its employees on the latest water conservation practices that may be used to upgrade their homes, schools and businesses. In concert with July being smart irrigation month, July 26 marked the first stop at Los Angeles Headquarters for Metropolitan's traveling water-wise expo, which is slated to visit all of the major field sites in the upcoming months. On display were weather-based irrigation controllers, high-efficiency clothes washers, water-saving dual-flush toilets and zero-flush urinals and synthetic turf. Employees were provided the opportunity to "ask the experts" on water-efficient plant material, new irrigation equipment including the latest stream-rotator sprinkler heads, learn about Metropolitan's "one-stop-shopping" program for businesses to become more water efficient and learn about other water-efficiency measures. Employees also signed up for Metropolitan's free Protector del Agua classes in efficient landscape irrigation. Related information on conservation material and practices may be found on www.bewaterwise.com.

