

The Metropolitan Water District of Southern California

6

Key Areas

Energy

Water Supply

Communication

Technology

Workforce

Business Process

Finance

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Appendix Initiatives and Actions

Metropolitan's Mission is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.



STRATEGIC PRIORITIES

The General Manager's 2007/08 Business Plan (Appendix 1) provides a reference for Metropolitan's Board of Directors, member agencies and staff regarding the priorities, strategies and actions that will be implemented over the next fiscal year. The implementation of these strategies and actions are supported by

Metropolitan's annual budget.

This year, the development of both the General Manager's 2007/08 Business Plan and annual budget has been guided by two strategic initiatives – Board Chairman's sustainability initiative and the April 2007 Board of Directors' Retreat Priorities for FY 2007/08. It is essential that both

the General Manager's 2007/08 Business Plan and budget are aligned and are guided by the Board's Priorities for successfully positioning Metropolitan for the future.

Sustainability

Faced with continuous change and new emerging issues within our communities, economy, and environment, ensuring the sustainability of the region's water supply into the long-term future is critical. The trends toward change in Southern California and elsewhere are accelerating rapidly. Over the next 25 years

Southern California is expected to add about five million new residents, our regional economy continues to contribute half of the California's economic output, and our communities are continuing to grow through rapid redevelopment, infill and new construction. The effects of climate change and

urbanization are affecting watersheds and our sources of supply. The emerging issue that Metropolitan must address is how to handle these changes recognizing that the community, economy, and environment are inextricably linked. Metropolitan must achieve its mission for the long term.

I am pleased to present the General Manager's Business Plan for Fiscal Year 2007/08. This document conveys the strategic initiatives and corresponding actions that Metropolitan will strive to complete in this coming year. I want Metropolitan to be recognized as a smart effective agency meeting the needs of the present by providing a secure and reliable water supply to the southland without compromising the ability of future generations to meet their own needs.

Jeff Kightlinger

Sustainability continued....

Sustainability requires that Metropolitan balance its responsibilities for water management with economic, social and environmental stewardship. Metropolitan's role in delivering a sustainable water supply requires managing water in a complete sense from source to tap to discharge and carefully

consider the relationships with watersheds, storm water, wastewater, and energy.

The Business Plan for FY 2007/08 strengthens Metropolitan's commitment to a sustainable water future and outlines initiatives and actions to ensure that goal. It is also intended that the

business plan provide a dynamic framework for developing flexible and innovative approaches to accomplishing Metropolitan's sustainability initiative.

Priorities for Fiscal Year 2007/08

To further define Metropolitan's sustainability initiative, the Board of Directors identified priorities for FY 2007/08 at its April 2007 Retreat. These priorities provide guidance for developing strategies in six key areas:

- Energy,
- Water Supply,
- Communications Technology,
- Workforce,
- Business Process, and
- Finance.

Energy

A major initiative of the Business Plan is the development of a comprehensive energy management plan. This plan will specifically address strategies to

secure reliable energy at reasonable costs for Metropolitan and hedge against future risks associated with market fuel cost

volatility, ongoing litigation, upcoming contract negotiations, legislative/regulatory requirements, and hydrology.

Energy Continued...

Currently, Metropolitan's energy expenditures are 20 percent of its annual budget and were the primary driver of higher water rate increases this year. Yet the majority of these expenditures is not under Metropolitan purview and is instead passed on to Metropolitan through the State Water Project invoice. Another substantial portion of these costs is contracted power from the federal government. In addition, the Governor has issued an executive order calling for the reduction of greenhouse gas (GHG) emissions over the next two decades. These changes necessitate the preparation of an energy plan that will include investments in alternative energy programs, improve energy efficiency, reduce GHG emissions and develop strategic positions for contract negotiations.



Yorba Linda Power Plant

Water



California Aqueduct

In FY 2007/08, Metropolitan will focus on strengthening its Integrated Resources Plan by enhancing the diversity and adaptability of its resources management to meet the emerging water supply issues over the next decades. Metropolitan will continue to develop resources options that have proven to serve the region well during

previous droughts and emergencies, such as conservation, local resources projects, and groundwater storage in concert with our existing State Water Project and Colorado River deliveries. At the same time, Metropolitan's water sustainability depends on the development of new resources options through strong partnerships with its member agencies, and other resource providers, including energy utilities,

sanitation districts, storm water management agencies, industry and the public. The water sustainability effort will: (1) strengthen Metropolitan's approach on Local Resources Program projects, conservation, and groundwater storage, (2) assure production of targeted supplies/ savings, (3) develop policy for SWP and Delta reliability challenges, and (4) implement Colorado River strategies.

Communications Technology



Effective automation and interactive technology are key to increasing the efficiency of Metropolitan's business processes and communications with the Board, member agencies, and internal, as well as external

communications with legislators, media and the public. In FY 2007/08, Metropolitan is developing a strategy to most fully utilize appropriate information and communications technology advances for the gathering and dissemination of information.

Workforce



In addition to recruiting and retaining a talented workforce, Metropolitan will promote safe work practices to ensure a productive and professional workplace. Metropolitan will continue to proactively invest in its employees to best prepare for a changing workforce, while preparing employees to manage an aging infrastructure and more complicated water resources management and system

operations. In FY 2007/08 Metropolitan will continue to encourage organizational knowledge transfer and peer-to-peer networking and succession planning; conduct leadership forums for managers; develop strategies for continuous learning, and present opportunities to showcase technical expertise and competence.



DVL

S U S T A I N A B L E

Business Process

Metropolitan is committed to minimizing its resource use and environmental impacts associated with its day-to-day business functions. In FY 2007/08, Metropolitan is proactively searching for opportunities to utilize renewable energy sources at work site facilities, reduce waste stream, and implement water-use efficiency measures at all of our facilities. For example, Metropolitan is reducing the amount of solid

waste going into the landfills by selling surplus and old material/equipment online and buying items made from recycled materials. Metropolitan also strives to reduce the amount of water consumed at its facilities by stressing water conservation through native plant landscaping and installation of water-use efficiency devices. In addition, because Metropolitan's facilities are embedded in the community in which it

serves, Metropolitan is committed to protect and enhance its natural environment through multi-habitat species conservation, land preservation, and community friendly facilities management.

Finance

The foundation for Metropolitan's success in securing water supplies in anticipation of future demand is its strong financial standing – with one of the highest long-term bond rating for public agencies in California. Reflecting Metropolitan's strong financial policies, Standard and Poor's Rating Service upgraded Metropolitan to AAA for FY 2007/08. Metropolitan has initiated an effort to update its Long-Range Financial Plan in this

fiscal year. This plan will determine the financial policies and investment strategies that will allow Metropolitan to maintain its water supply reliability and high financial standing as the region faces changes and uncertainties in water demands and supplies. In addition to providing the financial basis for acquiring new supplies, the Long-Range Financial Plan will provide for the reinvestment required to maintain Metropolitan's

infrastructure and high-quality water treatment facilities.



Metropolitan's \$3 billion capital improvement program includes construction of the 45-mile Inland Feeder project, 6.5-mile Perris Valley Pipeline, ozone retrofits at treatment plants, and improvements to the Robert A. Skinner and Robert B. Diemer treatment plants in Riverside and Orange counties, respectively.

The Metropolitan Water District of Southern California

700 N Alameda Street
Los Angeles, CA, 90012

Phone
(213) 217-6000

Web
www.mwdh2o.com

About Metropolitan

The Metropolitan Water District of Southern California is a consortium of 26 cities and water districts that provides drinking water to nearly 18 million people in part of Los Angeles, Orange, San Diego, Riverside,

San Bernardino and Ventura counties. Metropolitan currently delivers 1.7 billion gallons of water per day to a 5,200-square-mile-service area. The current number of

employees, including temporary workers is 2,069. The General Manager is Jeffrey Kightlinger. The Board of Director Chairman is Timothy F. Brick

Statement of Values

in pursuit of "Excellence" as responsible stewards, Metropolitan is committed to the following values:

Integrity - We will conduct ourselves in an honest, fair, considerate, and trustworthy manner as to demonstrate professionalism and ethical business practices.

Stewardship - We will be responsible for our actions and are accountable to the public and each other for providing service and value by demonstrating stewardship of:

- The public's health and safety
- The public's funds
- Our natural environment
- Our workforce resources
- Our region's water resources

Open Communication - We will communicate in an open, timely, candid and shared manner, recognizing the value of diverse points of view. We will strive for continual improvement of all communication processes to inform, empower, build trust, create shared experiences and enable personal growth.

Diversity - We value the differences that are derived from diverse backgrounds, experiences and cultures of the communities we serve, and we commit to actively seek and integrate that diversity into all levels

of our workforce to ensure that our activities are based on creative and responsive viewpoints.

Leadership - We value leaders and leadership skills. We encourage employees to be role models who inspire and motivate others. To foster an environment that develops skilled and satisfied leaders we need to:

- Be positive role models
- Walk the talk
- Encourage and reward leadership
- Support innovation / remove barriers.

Teamwork - We value teamwork as a core philosophy in all our activities. Teamwork requires:

- Mutual respect and trust
- Participation of all individuals
- Sharing knowledge and information
- Support for one another

We will be successful as a Team when we are successful as individuals and we will be successful as individuals when we **Succeed as a Team.**



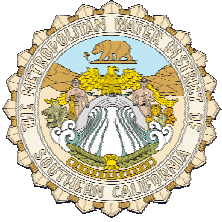
Proposed General Manager's Business Plan Fiscal Year 2007/08

Overall Leadership and Management

Carry out the mission of The Metropolitan Water District of Southern California

Provide our customers with adequate and reliable supplies of high quality water to meet present and future needs in an environmentally and economically responsible way

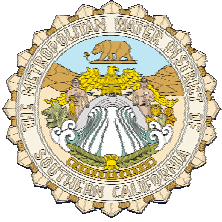
Partnerships/Working Relationships	Water Supply and System Reliability	Workforce and Real Property Management	Financial Management
Board of Directors, Member Agencies, Legislative Affairs, and Business Partners	Water Supply	Competent and Effective Workforce	Financial Clarity and Integrity
<p>Board of Directors</p> <ul style="list-style-type: none"> Support the business of the Board of Directors Support community outreach Conduct Inspection trips Provide technical support <p>Member Agencies</p> <ul style="list-style-type: none"> Coordinate and communicate day-to-day efforts: <ul style="list-style-type: none"> Operations and maintenance Source water quality protection and water treatment Infrastructure replacement and refurbishment Emergency management Media communications and outreach Promote public communications and legislative strategies <p>Legislative Affairs</p> <ul style="list-style-type: none"> Manage local, state, and federal water policy and legislative strategies Promote state and federal water policy and legislative actions consistent with Board-adopted policy <p>Business Partners</p> <ul style="list-style-type: none"> Develop and maintain effective working relationships with other public entities and water agencies to gain mutual and regional benefits Manage public information programs to emphasize effectiveness in long-term resource planning, water quality protection, conservation, and other water policy issues Maintain an effective Business Outreach Program Ensure consistent and positive messaging Strengthen leadership and outreach efforts 	<ul style="list-style-type: none"> Strengthen IRP implementation Develop policy for SWP and Delta reliability Implement Colorado River Strategies Conduct Integrated Area Studies to develop strategies to meet future demand <p>System Reliability</p> <ul style="list-style-type: none"> Operational reliability and efficiency <ul style="list-style-type: none"> Annual Operating Plan Maintenance Management Program Quagga Mussel containment Emergency management Environmental, Health and Safety 	<ul style="list-style-type: none"> Develop Workforce Strategic Plan Develop compensation strategy Improve human resource services Promote equal employment opportunities Improve workforce relationships Implement a comprehensive health and safety program Continue to invest in workforce development Implement Employee Recognition program Manage Labor negotiations <p>Real Property Management</p> <ul style="list-style-type: none"> Develop sustainable real property development and management and improve internal planning, management, and administration of real property activities Manage existing public recreation facilities at DVL and Lake Skinner, while effectively protecting water quality Develop the basic recreational infrastructure at DVL Manage the Center for Water Education facility in a sustainable manner Manage liability and property claims program and risk assessment process 	<ul style="list-style-type: none"> Record and report the financial activities in a timely and transparent manner Effectively manage and communicate results of the budget Ensure adequate financial controls are utilized Manage and refine budget and reporting processes to improve visibility of costs and improve cost control <p>Capital Market</p> <ul style="list-style-type: none"> Use Asset/Liability Management to reduce interest rate risk and capital costs Update capital financing plans Ensure disbursements are made in accordance with policies Manage investor relations to ensure clear communications, accuracy of information, and integrity
	Capital Investment Plan	Business Processes	Deliver Water at Affordable Rates
	<ul style="list-style-type: none"> Implement infrastructure reliability initiative Complete Inland Feeder on schedule and within budget Continue Oxidation Retrofit Program Complete Skinner Treatment Plant Expansion Maintain reliability and improve the operating efficiency of water treatment plants Ensure reliability of the conveyance and distribution system Implement IT Strategic Plan initiatives to improve reliability, security, and efficiency 	<ul style="list-style-type: none"> Promote environmentally sound business practices Continue benchmarking assessments and implement appropriate recommendations Continue to implement business improvements to increase organizational efficiency Develop a Communications Technology Strategy Develop a Business Process Strategy 	<ul style="list-style-type: none"> Manage and effectively administer rates and charges Update Water Information System
	Water Quality		
	<ul style="list-style-type: none"> Operate the treatment plants to meet water deliveries and ensure compliance with drinking water quality standards Protect and improve source water quality including Las Vegas Wash Perchlorate, Moab uranium mill tailings, Topock Chromium 6 		
	Energy Management		
	<ul style="list-style-type: none"> Establish carbon footprint baseline and develop specific actions to manage Develop and implement comprehensive strategies to manage power resources in the most cost-effective manner Develop power resources portfolio and plan 		



General Manager's Business Plan -- Proposed Fiscal Year 2007/08

Partnerships and Working Relationships

1 BOARD OF DIRECTORS	Provide support to the Board of Directors in conducting the business of the Board including the coordination of a variety of administrative functions for the Board of Directors and related committees, Metropolitan staff, member agencies and the general public.	PERFORMANCE MEASURE
Initiative a. Support the business of the Board of Directors b. Support legislative and community outreach c. Conduct inspection trips d. Provide technical support	Actions 1. Provide timely and thorough information to the Board. 2. Respond to direction and policies established by the Board. 3. Support Board of Directors' Sustainability priorities. 4. Track and monitor the progress of the Board/Committee's affirmed goals and objectives. 5. Provide administrative support for the Board. 6. Maintain sound working relationships with the Board and its committees. 7. Strengthen relationships between the Board, management and staff. 8. Coordinate special events. 1. Support the Board of Directors in direct outreach to local, regional, state and federal legislators on key issues of importance to the District, including Bay-Delta and Colorado. 2. Support Board members' communication and relationships with elected officials other government leaders and business/community leaders. 1. Conduct Board-sponsored inspection trips. 2. Enhance inspection trip program. 1. Utilize current technologies and appropriate media to effectively communicate with the Board. 2. Respond to and support technical needs of the Board of Directors.	<ul style="list-style-type: none"> ▪ Satisfaction of the Board of Directors ▪ Information distributed in a timely manner ▪ Coordination of committee and board meetings



General Manager's Business Plan--Proposed Fiscal Year 2007/08

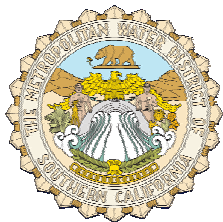
2 MEMBER AGENCIES

Communicate and work with Metropolitan's member agencies to assist in coordination and delivery of common water policy themes and actions to assure that Metropolitan is addressing those issues that are most important to its member agencies.

PERFORMANCE MEASURE

- Member agency service satisfaction index ≥ 4 on a scale of 1-5

<i>Initiative</i>	<i>Actions</i>
a. Coordinate and communicate development of the long-term sustainability initiative	<ol style="list-style-type: none"> 1. Develop a sustainable water supply strategy consistent with the update of the Integrated Resources Plan 2. Finalize the Integrated Area Studies 3. Develop an energy management plan 4. Develop a source water quality and treatment strategy 5. Update of the Long Range Finance Plan 6. Fully utilize information and communications technology advances for the collection and dissemination of information.
b. Coordinate and communicate day-to-day efforts to maintain and improve: operations and maintenance; source water quality protection and water treatment; infrastructure replacement, refurbishment and development; emergency management; and media communications and community outreach	<ol style="list-style-type: none"> 1. Coordinate system operations to maintain reliable deliveries at all times. 2. Develop and produce annual shutdown schedule in partnership with the member agencies for routine maintenance and implementation of CIP projects. 3. Continue to coordinate member agency input on source water quality protection actions and water treatment process improvements. 4. Work with member agencies on media communications and community outreach.
c. Work with member agencies to promote consistent public communications and legislative strategies	<ol style="list-style-type: none"> 1. Obtain funding for feasible projects and programs in support of the IRP, Integrated Area Study Recommendations and Emergency Management improvements. 2. Coordinate legislative strategy to promote Metropolitan's federal and state policy initiatives.



General Manager's Business Plan--Proposed Fiscal Year 2007/08

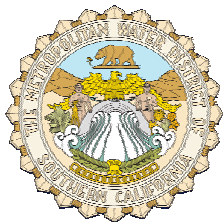
3 LEGISLATIVE AFFAIRS

At the Board's direction, develop federal and state legislative strategies consistent with Board-adopted policy principles.

PERFORMANCE MEASURE

- Objectives met at public policy forums
- External funding appropriated = 100%
- Policy support ratio \geq 60 percent

Initiative	Actions
a. Manage local, state, and federal water policy and legislative strategies	<ol style="list-style-type: none"> 1. Strengthen communication between Metropolitan Directors and elected officials. 2. Conduct briefings, presentations and site visits for legislators, other government leaders and stakeholders regarding Colorado River, Bay-Delta, water supply and management, emergency preparedness and other key issues and projects.
b. Promote state and federal water policy and legislative actions consistent with Board-adopted policies	<ol style="list-style-type: none"> 1. Analyze legislative proposals. 2. Inform legislators and stakeholders about effects of legislative proposals on Metropolitan. 3. Secure support of legislators and stakeholders for Metropolitan's positions on issues of high importance.



General Manager's Business Plan--Proposed Fiscal Year 2007/08

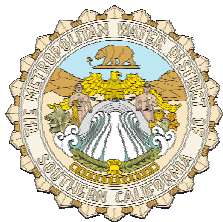
4 BUSINESS PARTNERS

Develop and maintain effective working relationships with other public entities, water agencies, business and community partners and the media to advance Metropolitan's mission.

PERFORMANCE MEASURE

- Media value achieved \geq \$2 million

<i>Initiative</i>	<i>Actions</i>
<p>a. Develop and maintain effective working relationships with other public entities and water agencies to gain mutual and regional benefits</p>	<ol style="list-style-type: none"> 1. Partner with other public agencies and private entities to maintain emergency preparedness and response capabilities for the service area. 2. Continue construction contractors' forum to develop contractual and procurement approaches to competitive costs. 3. Maintain close working relationships with other water agencies within California and other states to ensure that strategic initiatives, such as the Colorado River Quantification Settlement Agreement and Bay-Delta program, are implemented to provide mutual benefits. 4. Maintain close working relationships with other public agencies and regulatory agencies within California to minimize negative regulatory impacts to Metropolitan and its member agencies environmental, health and safety programs. 5. Position Metropolitan to benefit from emerging energy efficiency/water resource policies by state government and to develop a comprehensive power management strategy for Metropolitan. 6. Strengthen relationships and partnerships with professional associations and organizations to leverage expertise and promote Metropolitan's interests.
<p>b. Manage public information programs to emphasize Metropolitan's effectiveness in long-term resource planning, water quality protection, conservation and other water policy issues</p>	<ol style="list-style-type: none"> 1. Communicate resource planning and management programs' results to stakeholder groups and the news media. 2. Maintain strong partnerships with water agency, business, environmental and agricultural interests on water programs and initiatives in support of Metropolitan policies. 3. Implement reciprocal stakeholder education and relationship-development activities between Metropolitan and business partners throughout the state.



General Manager's Business Plan--Proposed Fiscal Year 2007/08

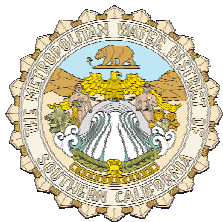
4 BUSINESS PARTNERS

Develop and maintain effective working relationships with other public entities, water agencies, business and community partners and the media to advance Metropolitan's mission.

PERFORMANCE MEASURE

- Media value achieved \geq \$2 million

<i>Initiative</i>	<i>Actions</i>
c. Maintain an effective Business Outreach Program for regional, small businesses and veterans to ensure broad participation and competitive costs	<ol style="list-style-type: none"> 1. Maintain board-approved percentage of contract dollars to Small Business Enterprise firms. 2. Implement Expanded SBE Reciprocal Certification Program with public agency partners. 3. Implement vendor-training program throughout region tracking SBE contract success. 4. Implement member agency small business outreach group resulting in increased cost savings through contracting. 5. Maintain relationships with regional construction trade associations to support the SBE goals and objectives.
d. Ensure consistent and positive message through multi-media efforts	<ol style="list-style-type: none"> 1. Develop and maintain relationships with the news media. 2. Provide technical information to the news media. 3. Secure support in editorial pages for Metropolitan positions of high importance.
e. Strengthen Metropolitan's leadership and outreach efforts	<ol style="list-style-type: none"> 1. Implement Community Partnering Program. 2. Implement education programs including outreach to all member agencies, education community, and others.



General Manager's Business Plan--Proposed Fiscal Year 2007/08

Water Supply and System Reliability

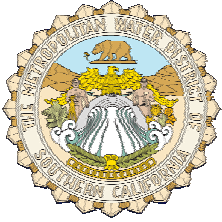
5 WATER SUPPLY

Acquire sufficient water supply and demand management resources to satisfy dry year demands through 2025, or as otherwise established by further Integrated Resources Plan updates.

PERFORMANCE MEASURE

- Operational reserve \geq 110% of estimated dry year firm demands in FY 06/07
- Planning reserve \geq 110% of dry year demand through 2025

<i>Initiative</i>	<i>Actions</i>
a. Strengthen IRP Implementation	<ol style="list-style-type: none"> 1. Increase partnerships with member agencies and other resource providers including energy utilities, sanitation districts, storm water management agencies, industry, and the public. 2. Incorporate resource sustainability strategies by strengthening approach to Local Resources, conservation, and groundwater storage and assuring production of IRP targets.
b. Develop policy for SWP and Delta Reliability	<ol style="list-style-type: none"> 1. Assess and recommend emergency preparedness measures for the Delta through the Delta Risk Management Study and an emergency preparedness and response implementation plan. 2. Ensure long-term reliability of the Delta through analysis and recommendations of infrastructure improvements and a Bay-Delta Conservation Plan. 3. Obtain high value on SWP investment through accurate and reasonable Statement of Charges, protection of water quality, influencing DWR to develop a strategic energy plan, and fostering key relationships with DWR and other SWP contractors. 4. Ensure reliable SWP water deliveries consistent with needs outlined in the IRP and WSDM plans and ensuring sufficient SWP infrastructure reliability and capacity.
c. Implement Colorado River Strategies	<ol style="list-style-type: none"> 1. Support IRP needs through advancing programs to improve supply assets, allowing for agricultural conservation, water transfers, and potential surplus water to support the increasing amount of supplies required. 2. Address Basin States and water supply challenges through participating in key federal and state processes to finalize the 2008 Annual Operating Plan, fostering key relationships with USBR, California, and Colorado River basin states, and ensuring federal appropriation of adequate funds for the Colorado River Salinity Control Forum. 3. Develop policy positions to improve Colorado River system operations and supply assets.



General Manager's Business Plan--Proposed Fiscal Year 2007/08

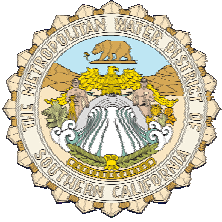
5 WATER SUPPLY

Acquire sufficient water supply and demand management resources to satisfy dry year demands through 2025, or as otherwise established by further Integrated Resources Plan updates.

PERFORMANCE MEASURE

- Operational reserve \geq 110% of estimated dry year firm demands in FY 06/07
- Planning reserve \geq 110% of dry year demand through 2025

<i>Initiative</i>	<i>Actions</i>
d. Conduct Integrated Area Studies (IAS) to develop strategies to meet future demand	<ol style="list-style-type: none"> 1. Complete technical assessments of demand gap and portfolio of projects for Riverside/San Diego and Central Pool areas. 2. Complete IAS technical analyses of Inland Empire. 3. Review and adopt policies arising from IAS for Riverside/San Diego and West Valley/Inland Empire.



General Manager's Business Plan--Proposed Fiscal Year 2007/08

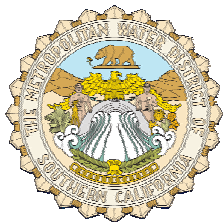
6 SYSTEM RELIABILITY

Operate and maintain the system in an effective and efficient manner to ensure reliable delivery of water supplies.

PERFORMANCE MEASURE

- Unplanned outages resulting in disruption of services = 0
- Meet all scheduled water deliveries = 100%

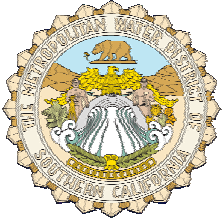
<i>Initiative</i>	<i>Actions</i>
a. Operational reliability and efficiency	<ol style="list-style-type: none"> 1. Implement the Annual Operating Plan to meet member agency demands and supply objectives, meet water quality goals, and manage costs. 2. Perform all routine, scheduled maintenance in a timely, effective and efficient manner. 3. Roll out maintenance practice improvements identified by Maintenance Management Integration Program pilot effort to other facilities. 4. Continue to support the implementation of the Water System Control Master Plan including completing: the pilot implementation of a system hydraulic model; the full upgrade and replacement of the Automatic Meter Reading System and Phase II of the Energy Management System. 5. Implement Phase II of the Quagga Mussel Containment Program
b. Emergency management	<ol style="list-style-type: none"> 1. Maintain and continue to improve the security of employees, the public and the District's infrastructure and facilities. 2. Continue to improve emergency management capability through focused training. 3. Continue to support the upgrade to the two-way radio system 4. Conduct regular exercises to ensure the ability to recover critical IT systems during an emergency.
c. Environmental, Health and Safety	<ol style="list-style-type: none"> 1. Complete Environmental, Health and Safety Tactical Assessment and Compliance Program 2. Continue effort to address health and safety issues identified through the tactical and compliance assessment 3. Continue effort to provide environmental, health and safety training to employees and meet all regulatory compliance requirements



General Manager's Business Plan--Proposed Fiscal Year 2007/08

7 CAPITAL INVESTMENT PLAN		Implement board-approved Capital Investment Plan (CIP) to ensure the quality and reliability of the region's water supply and infrastructure.	PERFORMANCE MEASURE
<i>Initiative</i>	<i>Actions</i>		
a. Implement Board's new initiatives on infrastructure reliability	<ol style="list-style-type: none"> 1. Review and update the infrastructure rehabilitation and replacement program. 2. Review long-range funding needs of infrastructure rehabilitations and replacements. 3. Conduct geotechnical investigations of 15 dams to assess seismic safety using up-to-date criteria. 		
b. Complete Inland Feeder on schedule and within budget	<ol style="list-style-type: none"> 1. To meet target mining completion dates, meet or exceed an average mining rate of 400 feet each per month for Arrowhead West Tunnel and Arrowhead East Tunnel. 		
c. Continue the Oxidation Retrofit Program (ORP) at various plants to comply with U.S. Environmental Protection Agency Disinfectants/Disinfection By-Products Rule	<ol style="list-style-type: none"> 1. Award construction contract, and initiate construction activities for Weymouth ozone facilities. 2. Advertise and award construction contract, and initiate construction activities for Diemer ozone facilities. 3. Complete delivery of ORP influent piping, and continue construction activities for the new ozone facilities at Skinner. 		
d. Complete Skinner Treatment Plant Expansion.	<ol style="list-style-type: none"> 1. Complete Skinner Treatment Plant Expansion No. 4 and start-up of Module No. 7. 		
e. Maintain reliability and improve the operating efficiency of water treatment plants to meet treated water demands	<ol style="list-style-type: none"> 1. Award construction contract for restoration of Basin No. 3 and Module No. 1 filter valve replacement at the Jensen plant. 2. Continue design of the power system upgrade, and commence construction of the new 66 kV electrical service at the Weymouth plant. 3. Complete start-up and post-construction activities for the coal removal system, WQMV Expansion, new chemical tank farms, and associated chemical feed systems at the Skinner plant. 4. Complete analysis of necessary seismic upgrades to the filter outlet conduit, east washwater tank, and finished water reservoir at the Diemer plant. 5. Award a construction contract and initiate construction activities for Ozone Contactors 3 and 4 at the Mills plant. 		
f. Complete major projects to ensure reliability of the conveyance and distribution system to meet increasing demands.	<ol style="list-style-type: none"> 1. Award Perris Valley Pipeline North Reach construction contract and substantially complete construction of North Reach with service connection to Eastern Municipal Water District. 2. Conduct geological, geotechnical, and hydro geological investigations for the remaining pipeline and tunnel portions of San Diego Pipeline No. 6. 		

- Implement CIP within 95% of construction schedules



General Manager’s Business Plan--Proposed Fiscal Year 2007/08

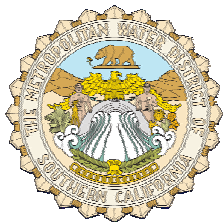
7 CAPITAL INVESTMENT PLAN

Implement board-approved Capital Investment Plan (CIP) to ensure the quality and reliability of the region’s water supply and infrastructure.

PERFORMANCE MEASURE

- Implement CIP within 95% of construction schedules

<i>Initiative</i>	<i>Actions</i>
g. Implement IT Strategic Plan initiatives to improve reliability, security, and efficiency	<ol style="list-style-type: none"> 1. Complete the installation of the first 100 Automated Meter Reading (AMR) units, as part of Phase II of the AMR upgrade project. 2. Implement the highest priority recommendations from the cyber security vulnerability assessment, as part of Phase II of the Security Assessment/Remediation project. 3. Complete the design of the new integrated budget management and reporting system. 4. Award consulting contract to initiate bar coding project at district warehouses to increase efficiency of receiving, stocking, auditing, issuing, and re-ordering stock items. 5. Implement the new water billing system according to plan. 6. Complete Union Station Technology upgrade according to plan.



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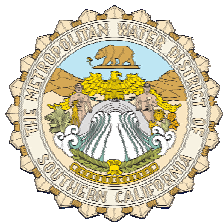
8 WATER QUALITY

Develop and implement comprehensive programs to ensure Metropolitan delivers water that meets or exceeds all water quality regulations and objectives.

PERFORMANCE MEASURE

- Compliance with primary drinking water quality standards = 100%
- Total Dissolved Solids \leq 500 mg/L

<i>Initiative</i>	<i>Actions</i>
a. Operate the treatment plants to meet scheduled water deliveries and ensure compliance with drinking water quality standards	<ol style="list-style-type: none"> 1. Conduct all necessary analysis for chemical, microbial and other contaminants. 2. Pursue Proposition 50 funding opportunities to support treatment technology projects. 3. Successfully start-up Module No. 7 at the Skinner Water Treatment Plant
b. Source water quality protection and improvement	<ol style="list-style-type: none"> 1. Participate in forums to promote Metropolitan's interest concerning source water issues (e.g., State Water Contractors Facilitation Work Group, Chromium 6 Consultative Work Group and Clean Water Coalition Stakeholders, member agency Perchlorate Task Force). 2. Complete an update of Metropolitan's source water quality and treatment strategy to meet expected regulations and adapt to changing source quality and operational conditions. 3. Continue monitoring: Colorado River Perchlorate levels; clean-up efforts at Las Vegas Wash area; regulatory status for Public Health Goal and Maximum Contaminant Level and conduct forensic evaluation of Perchlorate loading into Colorado River. 4. Maintain Colorado River Basin Salinity criteria and accelerate implementation of salinity control projects. 5. Continue to solicit support of other Colorado River Basin states to address remediation of the uranium mill tailings pile at Moab Utah; support legislative process to appropriate funding for remediation and work to maintain priority status of remediation with Department of Energy. 6. Implement Chromium 6 Action Plan including: continue formal and regular communications with PG&E; expand the monitoring program; Director site visits; conduct regulatory, public and political outreach efforts. 7. Expand source water monitoring for pharmaceuticals and personal care products



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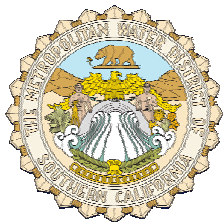
9 ENERGY MANAGEMENT

Manage energy resources to secure reliable power at reasonable costs, achieve energy use efficiencies, and reduce greenhouse gas emissions.

PERFORMANCE MEASURE

- Pay no more than average, melded market price
- Meet greenhouse gas emissions targets

<i>Initiative</i>	<i>Actions</i>
a. Establish carbon footprint baseline and develop specific actions to manage	1. Identify and evaluate projects to meet carbon footprint reduction targets.
b. Develop and implement comprehensive strategies to manage power resources in the most cost-effective manner	1. Evaluate strategic options for Hoover contract renewal process and Southern California Edison service. 2. Acquire California Energy Commission Renewable Portfolio Standard certification for Phase I small hydro generators presently under contract to DWR. 3. Initiate process to obtain Wholesale Distribution Access Transmission service for Phase II small hydro generators presently under contract to SCE. 4. Develop strategic white paper for Metropolitan's Colorado River Aqueduct transmission. 5. Pursue efficiency improvements with Bureau of Reclamation and other power contractors for generating units at Hoover and Parker Dam power plants. 6. Collaborate with SWC and DWR to minimize costs and secure reliable power portfolio. 7. Implement solar energy at Skinner with completion of final design. 8. Complete hydroelectric plant assessment for potential new sites and retrofitting of existing plants.
c. Power resources portfolio and plan	1. Develop an integrated long-term strategic energy plan (IRP-type) that includes alternative energy projects, energy efficiencies at Metropolitan facilities, and hedging future energy risks.



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Workforce and Real Property Management

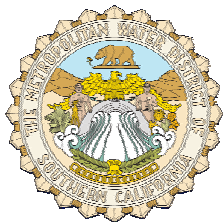
10 COMPETENT AND EFFECTIVE WORKFORCE

Provide the workforce with career development and technical training opportunities and tools, including application of advanced technologies, to continually improve workforce skills, competencies, and productivity to improve services to member agencies and other customers.

PERFORMANCE MEASURE

- Meet milestones for human resources services = 100%
- Meet milestones for employee evaluations and training = 100%

<i>Initiative</i>	<i>Actions</i>
a. Develop Workforce Strategic Plan	1. Develop Long-Range Staffing Plan including long-term strategies for proactively identifying and meeting future labor resource requirements.
b. Develop compensation strategy	1. Develop and obtain board approval for a compensation strategy to ensure Metropolitan sustains an effective workforce.
c. Improve human resource services	1. Implement management response to the external audit of human resource functions and organization. 2. Prepare documentation of key HR policies and procedures.
d. Improve recruitment practices	1. Streamline recruitment processes. 2. Establish recruitment strategies for specific difficult-to-hire positions. 3. Develop creative recruitment methods such as job fairs to target specific candidate pools.
e. Promote equal employment opportunities	1. Update annual Affirmative Action Plan, in cooperation with employee associations, to effectively meet organizational objectives.
f. Improve workforce relationships	1. Utilize multiple communication tools (speeches, videos, memos, newsletters, voicemail, teleconferences, IntraMet and meetings) to provide employees with timely, accurate, consistent information on business direction and goals. 2. Expand workforce access to HR communications (through HR Web page, HR newsletter, AskHR, SIT with HR, etc.).



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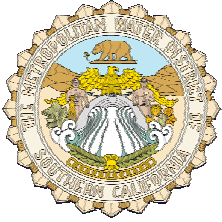
10 COMPETENT AND EFFECTIVE WORKFORCE

Provide the workforce with career development and technical training opportunities and tools, including application of advanced technologies, to continually improve workforce skills, competencies, and productivity to improve services to member agencies and other customers.

PERFORMANCE MEASURE

- Meet milestones for human resources services = 100%
- Meet milestones for employee evaluations and training = 100%

<i>Initiative</i>	<i>Actions</i>
g. Provide employees with the increased training to enhance skills and competencies required for them to effectively perform their job functions	<ol style="list-style-type: none"> 1. Enhance and expand the apprenticeship and internship programs. 2. Establish training plans for employees. 3. Provide training opportunities in computer and business process training, technical skills and management development and supervisory skills. 4. Expand use of e-learning and other training methods to reduce time away from job for training. 5. Support and encourage the use of the Tuition Reimbursement program. 6. Complete 100% of mandated employee training (federal, state and local regulatory). 7. Deliver classes on the history, development and growth of Metropolitan, its member agencies, and surrounding service areas in response to past, present and future water demands.
h. Implement a comprehensive health and safety program	<ol style="list-style-type: none"> 1. Complete comprehensive employee health and safety program assessments at all facilities to meet Metropolitan's 100% compliance goal.
i. Continue to implement training on safe work practices to promote safety at all Metropolitan sites	<ol style="list-style-type: none"> 1. Meet all Cal OSHA regulations related to workplace health and safety. 2. Deliver all training identified as related to workplace health and safety. 3. Complete 100% of mandated employee training (federal, state and local regulatory).
j. Continue to invest in workforce development	<ol style="list-style-type: none"> 1. Conduct leadership forums to keep managers updated on internal and external influences to their business, broaden their exposure across a range of issues, and foster peer-to-peer networking. 2. Continue to assess customer feedback and roll out customer service training based on formal and informal feedback sessions/surveys. 3. Enhance networking strategies to build strong partnerships, foster continuous learning, and showcase technical expertise and competence.
k. Implement Employee Recognition program	<ol style="list-style-type: none"> 1. Continue implementation of Employee Recognition Program. 2. Host service awards events.



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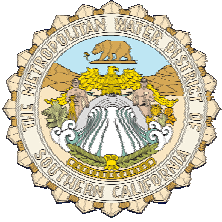
10 COMPETENT AND EFFECTIVE WORKFORCE

Provide the workforce with career development and technical training opportunities and tools, including application of advanced technologies, to continually improve workforce skills, competencies, and productivity to improve services to member agencies and other customers.

PERFORMANCE MEASURE

- Meet milestones for human resources services = 100%
- Meet milestones for employee evaluations and training = 100%

<i>Initiative</i>	<i>Actions</i>
I. Manage Labor Negotiations	1. Prepare for upcoming labor negotiations. 2. Support Health-Benefits Advisory Committee.



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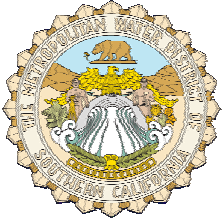
11 REAL PROPERTY MANAGEMENT

Maintain and improve all of Metropolitan's real property assets and facilities in a condition needed to support future demands, operational challenges, and business needs.

PERFORMANCE MEASURE

- Compliance with agreement terms for invoicing and accounting of rents of leased real property = 100%
- Compliance with environmental permitting requirements = 100%

Initiative	Actions
<p>a. Develop policies for Board adoption, strategies, and actions that enable sustainable real property development and management, at the same time improving the internal planning, management, and administration of real property activities</p>	<ol style="list-style-type: none"> 1. Create draft policy principles associated with real property acquisition, surplus, and disposition for Board consideration and adoption. 2. Identify and acquire necessary right-of-ways for planned Capital Investment Plan projects and future projects identified in the System Overview Study, ensuring operational needs and security requirements are balanced with environmental stewardship (will this move to CIP?). 3. Evaluate real property holdings on an ongoing basis for future operational uses, surplus, and disposition. 4. Facilitate appropriate future third-party uses of Metropolitan's real property by completing a comprehensive prioritized use plan. 5. 6. Develop strategic real property and right-of-way protection procedures and process improvements that foster sustainable land management approaches while protecting the water system infrastructure. 7. Redesign and implement a new real property lease inspection process that ensures leaseholders are in compliance with the lease terms. 8. Redesign and implement a right-of-way inspection process to improve the management, maintenance, and appearance of Metropolitan's right-of-way. 9. Streamline and improve administrative controls to improve customer service and satisfaction; shorten cycle times; and, reduce process steps for approval of external requests.
<p>b. Manage existing public recreation facilities at Diamond Valley Lake and Lake Skinner, while effectively protecting water quality</p>	<ol style="list-style-type: none"> 1. Provide safe and enjoyable public recreation activities, while recovering concessionaire costs through visitor revenues and remaining within O&M budget. 2. Ensure no adverse impact on water quality.



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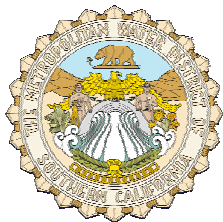
11 REAL PROPERTY MANAGEMENT

Maintain and improve all of Metropolitan's real property assets and facilities in a condition needed to support future demands, operational challenges, and business needs.

PERFORMANCE MEASURE

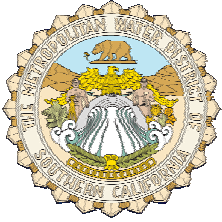
- Compliance with agreement terms for invoicing and accounting of rents of leased real property = 100%
- Compliance with environmental permitting requirements = 100%

<i>Initiative</i>	<i>Actions</i>
c. Develop the basic recreational infrastructure at DVL utilizing the principles of sustainability, including fiscal responsibility	<ol style="list-style-type: none"> 1. Refine Business Plan for the East Recreation Area at DVL, obtain Board concurrence with the approach, and identify partners, including the City of Hemet, for plan implementation. 2. Work in partnership with City of Hemet to amend specific plans for development of the East Recreation Area and North Property. 3. Continue study, design and construction projects for Board-approved basic DVL recreational infrastructure on schedule and within budget.
d. Manage the Center for Water Education facility in a sustainable manner	<ol style="list-style-type: none"> 1. Integrate the Center into Metropolitan's real property holdings, and maintain the building consistent with Metropolitan standards in a cost effective manner. 2. Identify and pursue possible partners, uses, and funding for the Center in order to develop and implement educational program(s) that embody sustainability principles and further Metropolitan's educational goals.
e. Manage liability and property claims program and risk assessment process	<ol style="list-style-type: none"> 1. Minimize contract risk exposure and control claims costs.



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12 BUSINESS PROCESSES		PERFORMANCE MEASURE
Implement business process improvements to increase organizational efficiencies and manage the organization to achieve budget objectives.		<ul style="list-style-type: none"> ▪ Department O&M costs ≤ board-approved budgets
<i>Initiative</i>	<i>Actions</i>	
a. Promote environmentally sound business practices	1. Develop environmentally sound business practices in the areas of procurement, landscape maintenance, technical documentation, and facilities.	
b. Continue benchmarking assessments and implement appropriate recommendations	1. Identify Best Management Practices for Engineering. 2. Review and refine IT Business Case Analysis tracking process.	
c. Continue to implement business improvements to increase organizational efficiency	1. Complete implementation of the PC replacement program by rolling out new hardware and software to augment workforce productivity.	
d. Develop a Communications Technology Strategy	1. Develop strategy to most fully utilize information and communications technology advances for the dissemination and gathering of information	
e. Develop a Business Process Strategy	1. Develop strategy to utilize renewable energy sources, reduce waste stream, and implement water use efficiency measures at all Metropolitan facilities.	



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Financial Management

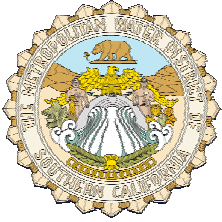
13 FINANCIAL CLARITY AND INTEGRITY

Assure member agencies, rating agencies, the Legislature and the public that Metropolitan is effectively managing the public's finances through consistent, clear, and timely financial policies and reporting.

PERFORMANCE MEASURE

- Timely financial reporting = 100%
- Accurate financial reporting = 100%
- Significant external audit findings = 0
- Actual total costs vs. budget \leq 100%

<i>Initiative</i>	<i>Actions</i>
a. Record and report the financial activities of Metropolitan in a timely and transparent manner to the Board and member agencies	<ol style="list-style-type: none"> 1. Distribute financial reports in a timely manner and receive positive feedback from the Board and member agencies. 2. Maintain excellence and transparency of financial accounting and receive favorable audit findings. 3. Manage financial reporting and receive the Government Finance Officers Association Award of Excellence.
b. Effectively manage and communicate results of Metropolitan's budget to meet the Board's policies and objectives	<ol style="list-style-type: none"> 1. Monitor annual Operating & Maintenance budget at the team level. 2. Produce timely variance reports on a quarterly basis.
c. Ensure adequate financial controls are utilized	<ol style="list-style-type: none"> 1. Facilitate annual review of financial reports.
d. Manage and refine budget and reporting processes to improve visibility of costs and improve cost control.	<ol style="list-style-type: none"> 1. Develop a budget consistent with GFOA guidelines and receive the Award of Excellence for budgeting. 2. Initiate the implementation of a new budget management and reporting system by the 2008/09 budget cycle.



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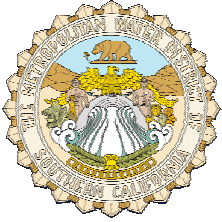
14 CAPITAL MARKET

Ensure that Metropolitan continues to have access to capital markets at cost-effective rates.

PERFORMANCE MEASURE

- Credit ratings \geq "AA"
- Revenue Bond coverage \geq 2.0
- Fixed charge coverage \geq 1.2

<i>Initiative</i>	<i>Actions</i>
a. Use Asset/Liability Management to reduce interest rate risk and capital costs consistent with Board policy	1. Manage net interest rate exposure (impact of change in interest rates on Metropolitan's investment portfolio and variable rate debt program) variability to within board-approved parameters.
b. Update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities and ensure cost-effective access to capital markets	1. Maintain capital finance plans consistent with CIP and other financing requirements. 2. Monitor financial metrics to ensure adherence to financial goals and policies. 3. Work with member agencies and Board to update Long-Range Financial Plan and develop comprehensive debt policy.
c. Ensure that disbursements are made in accordance with Metropolitan's policies	1. Disburse funds as business requirements dictate, within approved policy parameters.
d. Manage investor relations to ensure clear communications, accuracy of information, and integrity	1. Complete all transactions accurately, efficiently and within investor community expectations.



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15 DELIVER WATER AT AFFORDABLE RATES

Manage costs to ensure reliable, quality water service at the lowest possible rates.

PERFORMANCE MEASURES

- Metropolitan rate increases lower than water industry rate increase index (Comparative rate index < 100%)

<i>Initiative</i>	<i>Actions</i>
a. Manage and effectively administer rates and charges to recover costs consistent with Board policy	<ol style="list-style-type: none"> 1. Update Long-Range Finance Plan forecast and objectives. 2. Ensure that revenues and reserves are sufficient to recover costs through long-term forecasting, analysis, and financial management. 3. Complete cost-of-service report and rate analysis for Board and member agency use.
b. Update Water Information System (WINS)	<ol style="list-style-type: none"> 1. Work with Information Technology and implement update to WINS by June 30, 2008.