

- **General Manager's March 2008 Activity Report**

Summary

The attached report details the activities of the Office of the General Manager for the month of March 2008. Metropolitan has delivered sufficient water supplies and has achieved full compliance with drinking water quality standards.

This report summarizes the status of Metropolitan's core business in terms of:

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

Attachments

General Manager's Monthly Activity Report

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Water Management

Colorado River

Study of Long-Term Augmentation Options for the Water Supply of the Colorado River System

On March 21, 2008, the Governors' Representatives on Colorado River Operations transmitted a summary report on the Study of Long-Term Augmentation Options for the Water Supply of the Colorado River System to the Secretary of the Interior. The Southern Nevada Water Authority funded the study. Metropolitan staff participated in the Technical Committee for the study. Twelve potential long-term augmentation options were identified and evaluated in terms of water quality, technical feasibility, reliability, environmental factors, and permitting considerations. The Colorado River Basin states will use the information in evaluating long-term strategies for Colorado River augmentation. Augmentation strategies advanced in the future will be coordinated with the Bureau of Reclamation and other stakeholders.

Emergency Deliveries to Mexico

In response to Mexico's request, 374 acre-feet was delivered across the international boundary to Tijuana this past February. Mexico has requested about 4,400 AF in emergency deliveries for Tijuana in 2008. These deliveries are made under the terms and conditions of the existing five-year Agreement, which ends November 2008. Mexico also requested the Agreement be extended another five years. Metropolitan, San Diego County Water Authority, and Otay Water District are discussing possible renewal of the agreement including revised terms and conditions.

State Water Project

Northern California Power Agency Participation Agreement

The California Department of Water Resources executed a participation agreement with the Northern California Power Agency and 13 other project partners regarding the planning and development of a new natural gas-fired power plant in the Lodi area. If a decision were made to move forward, DWR would receive 60 megawatts (MW) of energy from the 255-MW plant.

Delta Risk Management Strategy

As required by AB 1200 (Laird), DWR and the Department of Fish and Game recently released a report on "Risks and Options to Reduce Risks to Fishery and Water Supply Uses of the Sacramento/ San Joaquin Delta," which summarizes their progress evaluating potential impacts or risks to all the beneficial uses of the Sacramento-San Joaquin Delta. The report recognizes the substantial seismic risks and emphasizes the need to continue evaluations in 2008. In addition to the baseline analysis of risks and potential damages, DWR is proceeding with a Delta levee optimization that would weigh the probability of various hazards, their costs, and the economic benefits associated with various levels of levee improvements. Metropolitan staff are working closely with DWR on this planning effort.

Colorado River

Reservoir Storage

	3/24/08 Storage	Percent of Capacity
Lake Powell	10.8 MAF	44%
Lake Mead	13.0 MAF	50%

State Water Project

As of 3/24/08	Storage To-Date	Percent of Capacity
Lake Oroville	1.6 MAF	40%
San Luis Reservoir	1.7 MAF	84%
San Luis State Share	0.9 MAF	86%

Water Management

State Water Project

Governor Schwarzenegger's Letter to Legislature Outlining Comprehensive Delta Actions

On February 28, Governor Schwarzenegger sent a letter to Senators Perata, Steinberg and Machado outlining a series of short- and long-term actions his administration is considering as part of a comprehensive solution in the Delta. The key actions outlined in the Governor's letter include a plan for reducing per capita use by 2020; expediting near term and emergency actions; and proceeding with the environmental documentation process on a Bay-Delta Conservation Plan alternative, which includes conveyance and habitat elements. The approach laid out by the Governor tracks closely with Metropolitan's Board-adopted comprehensive Delta plan.

On March 17, the Department of Water Resources announced immediate actions to implement the Governor's plan for Delta sustainability. DWR initiated the public environmental review process for the Bay-Delta Conservation Plan, including alternative water conveyance, implement new statewide water conservation initiatives, and strengthen emergency response plans for the Delta. DWR held a workshop on March 24 to discuss the scope and timeline of the environmental review process.

Conservation

Water Savings Performance Program

Metropolitan entered into an agreement with Ready Pac Produce to provide approximately \$250,000 to help implement process improvements at its Irwindale facility. Ready Pac, a leader in providing premium fresh-cut salads, fruits and vegetables to retail and food service customers across the country, will invest in capital improvements to increase water use efficiency in their processing, cooling and sanitizing operations. The project is expected to save about 260 acre-feet of water annually.

Landscape Agreement

Metropolitan executed a landscape irrigation improvement agreement with Sycamore Canyon Village Homeowners Association in Simi Valley. Up to \$54,000 will be provided in financial incentives under a five-year agreement for the project, which is expected to save about 65 acre-feet per year.

Local Resources Program

Groundwater Replenishment System Project

Orange County Water District commenced operation earlier of its Groundwater Replenishment System Project. The project will increase regional supply reliability by reducing future dependency on imported water provided for seawater intrusion barrier purposes. Metropolitan will contribute up to \$3.75 million each year for 31,000 acre-feet under an existing Local Resources Program contract. Metropolitan, Municipal Water District of Orange County, and Orange County Water District are also discussing ways to expand production and improve groundwater storage operations.

Desalination

Equity Partnership Meetings

As reported to the Board in January 2008, Metropolitan initiated discussions regarding partnership opportunities with member agencies in seawater desalination, brackish groundwater desalination, and recycling demonstration projects showcasing new supply technologies. Metropolitan has begun discussions with eight member agencies regarding potential projects. The next steps include exploring project objectives and financial principles with interested agencies, and providing basic framework information to the Board for review and further direction.

Carlsbad Seawater Desalination Project

The San Diego Regional Water Quality Control Board issued additional comments on a conditional discharge permit issued to the Carlsbad Seawater Desalination Project. The new comments are related primarily to Poseidon Resource's environmental analysis and its plans for mitigating the sea-life impacts of intake operations.

Two environmental organizations have sued the California Coastal Commission over its granting the Carlsbad Seawater Desalination Project a conditional permit. The environmental groups claim the Coastal Commission failed to protect the coastal zone by not adequately protecting marine life and the lagoon environment where the project is located, and failing to require the best available intake technology for the seawater desalination project. The Coastal Commission rescheduled a hearing on the Carlsbad Project's environmental evaluation, mitigation, and greenhouse gas reduction plans from March 5 to May 7 - 9.

System Operations

Pharmaceuticals and Personal Care Products

The Associated Press published a national investigative series of stories regarding trace levels of pharmaceuticals and personal care products (PPCPs) in source and treated drinking water supplies in the United States. As part of this series, the results from a 2006 survey of source and treated water at the Metropolitan's Joseph Jensen Water Treatment Plant, conducted as part of an American Water Works Association Research Foundation/California Urban Water Agencies study, were included in the coverage. That survey revealed the presence of trace amounts (in the parts-per-trillion range) of nine different pharmaceuticals, one human steroid, and two pesticides in the Jensen plant's influent waters. Samples collected from the plant's treated effluent and at a distribution site downstream showed the presence of two pharmaceutical compounds and one pesticide in the parts-per-trillion range. PPCPs are not regulated by the state or federal government at this time. The health effects, if any, by consuming water with trace levels of PPCPs are unknown. Metropolitan was contacted by the media and conducted 19 interviews with radio, TV, and newspapers.

Power Operations and Planning

On February 28, staff initiated discussions with Southern California Edison Company regarding Metropolitan's share of refunds that SCE has received through settlements with entities involved in energy transactions during the California energy crisis of 2000-2001. During the crisis, SCE acted as Metropolitan's scheduling coordinator with the Power Exchange (PX) until the PX ceased to function in January 2001. Metropolitan and SCE are discussing the amount of refunds paid or that are anticipated to be paid and a basis for Metropolitan's share of the refunds.

On March 17, staff met with SCE to resolve certain issues regarding the expansion of the SCE electrical transmission facilities at the CRA Hinds pumping plant. The expansion is necessary to interconnect a new transmission line to an existing generator in Blythe, California. Agreement was tentatively reached on indemnification and liability issues as well as responsibility under the National Electric Reliability Council's new standards. The resulting contract will not require amendment of the existing CRA Service and Interchange Agreement with SCE.

System Operations

During the month of March deliveries were approximately 160,000 AF higher than originally forecast due to dry conditions in March. Despite dry conditions, deliveries are lower than last March.

Pumping on the Colorado River Aqueduct was reduced to a zero-pump flow on March 10, for a 10-day CRA shutdown for quagga mussel control activities. CRA flows resumed at a five-pump flow after successful completion of the shutdown.

SWP blends remained at 30 percent for the Weymouth and Diemer treatment plants, due to the 35 percent SWP allocation. SWP blends in the San Diego Canal to Lake Skinner also remained at low levels during the month, except during the CRA shutdown when withdrawals from DVL, which is a blend of SWP and CRA supplies, replaced the CRA supplies normally delivered to Skinner.

In response to the low current SWP allocation, returns from SWP related storage and exchange programs are continuing. The programs being implemented include Semitropic, Mojave, Kern Delta, San Bernardino and Arvin-Edison. About 110,000 AF has been returned from these programs since January 1, 2008.

Imported supplies are also being supplemented with returns from the Calleguas and Foothill groundwater conjunctive use storage programs. An earlier call for 4,333 acre-feet from the Long Beach conjunctive use program was successfully completed in calendar year 2007.

Treatment Plants

Low flows in March enabled the water treatment plants to conduct maintenance on basins and solids handling facilities in preparation for the summer high flow period. For example, the Weymouth plant replaced flocculator shafts in one of the older basins as part of a capital project completed by Metropolitan forces. Favorable water quality conditions and low blends of State Water Project supplies have reduced chemical expenditures by approximately 32 percent relative to budget (through February).

System Operations

Water Demands

Water Sales Cash Year (May-April)

2,173,473 AF Current Projection

2,161,756 AF Budget Projection

11,717 AF Difference

As of March 24, sales for Calendar Year 2008 are 2.0 MAF.

Distribution and Storage (As of 3/24/08)

	<u>Current Storage</u>	<u>End of Month Forecast</u>
Lake Mathews	150,100 AF	141,700 AF
Lake Skinner	37,100 AF	35,000 AF
DVL	598,200 AF	599,700 AF
Lake Perris	72,600 AF	72,000 AF

Sales/Deliveries

February Sales Estimate 152,000 AF

February Delivery Estimate 160,000 AF *

* excludes Desert Water / Coachella Valley

Taste-and-Odor

Taste and odor was acceptable in all of Metropolitan's source and finished waters.

System Maintenance



CRA Shutdown
San Jacinto Tunnel Weir Measurement

The Sepulveda Feeder was shut down twice in March. The purpose of the shutdown was Eddy Current inspection of the Prestressed Concrete Cylinder Pipe. Two shutdowns were required to perform the inspection of over 32 miles of pipeline. The shutdowns were broken into two separate reaches to facilitate the amount of work for this inspection process. The shutdowns incorporated approximately 20 miles of pipeline inspection. A visual inspection of the steel pipe section upstream of the Venice Hydroelectric Power plant was performed and repairs made to the mortar lining.

The CRA shutdown began on March 10, for 10-days. This shutdown allowed Metropolitan to evaluate how successful the quagga mussel control measures have been and to tie-in the new chlorine injection line at Copper Basin as part of interim Chlorine Feed System. Other work performed during the shutdown included survey work of the West Portal of the San Jacinto Tunnel and the weir measurement to determine flow within the San Jacinto.

System Operations

Conveyance and Operations

Staff prepped and coated pump columns for the Jensen's Washwater Reclamation Plant.



Prepped and coated pump columns for Jensen Washwater Reclamation Plant

Water Supply—San Diego No. 6, South Reach Feasibility Study

In March, the drilling of three core holes was completed, and monitoring wells were installed. The data will assist in developing a more accurate construction cost estimate, including provisions for handling groundwater. Conceptual pipeline plans and profiles for all alternative alignments have been completed and the determination of right-of-way requirements and construction methodology are being finalized. The draft environmental assessment has been completed and is currently being reviewed by staff. Coordination meetings with San Diego County Water Authority have also been held. Staff is incorporating updated operating and delivery options into this study which were developed under the Integrated Area Study.

Capital Investment Plan

CIP Summary

Ongoing Contracts—18 construction contracts and 4 related procurement contracts were ongoing through January. The total bid amount of these contracts is \$858 million.

February Construction Payments—Over \$16 million in contract payments were made for construction performed in the month of January. Nearly \$5 million were related to work at the Skinner plant, including the ongoing construction of ozonation facilities, and Washwater Reclamation Plant 3. More than \$5 million were expended on the Arrowhead Tunnels construction. Almost \$3 million were expended on the north reach of the Perris Valley Pipeline.

Major Contracts—Skinner Treatment Plant Oxidation Retrofit and Washwater Reclamation Plant No. 3 is approximately 78 percent complete. At the Diemer plant, the construction of the ORP site preparation work remains at approximately 98 percent complete; construction of the Vehicle Maintenance Center and Solids Handling Facility is approximately 99 percent complete; construction of Phase I of the Chemical Tank Farm Improvements for the ORP is approximately 99 percent complete; and final design of the Diemer ozone facilities is 99 percent complete. At the Jensen treatment plant, a project for chlorine containment, unloading and handling is approximately 73 percent complete. Three contracts for the removal and replacement of new Metropolitan-furnished vacuum and air release valves throughout portions of the Distribution System are approximately 96 percent complete. The Perris Valley Pipeline, North Reach is 34 percent complete. Two additional Ozone Contactors at the Mills Treatment Plant Facility are 26 percent complete.

Completed Construction Contracts—The following projects were completed this month:

- Diemer Water Treatment Plant Oxidation Retrofit Program – Chemical System Upgrades
- Weymouth Water Treatment Plant Perimeter Improvements – Phase II

Profile on Recent CIP Event

Value Engineering Sessions

Value Engineering sessions were conducted for the Jensen Entrance Improvements, Diemer North Access Road, and the Skinner Solar projects during the month of March. Several design recommendations were proposed by the value engineering team to reduce construction costs on these programs. Staff is evaluating the recommendations and incorporating them as appropriate.

Real Estate Management

Diamond Valley Lake Recreation Program

Appropriation Budget	
Approved distributed funds	\$68.9 M
Undistributed funds	\$23.9 M
Total Appropriation	\$92.8 M
Surplus Property Sales *	\$ 4.7 M
<i>Actual expenditure as of 2/29/08</i>	\$62.7 M

* Appropriated for use related to the Center for Water Education debt per February 2007 Board Action.

Diamond Valley Lake Recreation Program

Metropolitan hosted a Watercraft Inspection and Decontamination Training class on February 28 at the DVL Visitors Center. There were more than 70 attendees representing California lake concessionaires, Riverside County Parks, California State Parks, member agencies, sub agencies, California Department of Fish and Game, as well as bass tournament directors. The course covered background on quagga/zebra mussels, including habitat, impacts, identification, and information on outreach and educational programs. Participants were instructed on how to inspect for the mussels and decontaminate vessels and equipment.

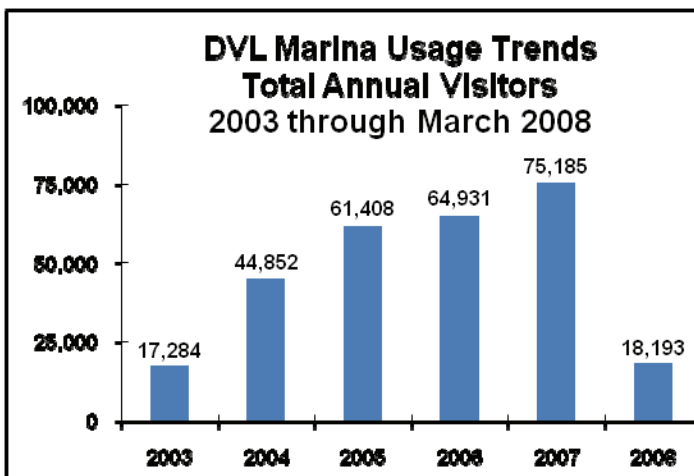
The former DVL marina store, a leased modular in need of repair or replacement, was replaced with a surplus modular owned by Metropolitan. The new facility provides expanded retail space and an improved layout for office space.



Watercraft Inspection and Decontamination Training Class



Instruction on how to inspect for quagga mussels and decontaminate vessels and equipment



Real Estate Management

Real Estate Activities

A permanent easement was conveyed to the City of Fontana. The easement is for public street and utility purposes crossing a portion of the Etiwanda Pipeline right-of-way.

Three permanent easements were conveyed to the City of Fontana for public street and utility purposes crossing portions of the Foothill Feeder/Rialto Pipeline right-of-way.

A permanent easement was conveyed to the City of Fontana for emergency access purposes across a portion of the Foothill Feeder Rialto Pipeline right-of-way.

A permanent easement was conveyed to Southern California Gas Company for the operation and maintenance of a two-inch natural gas pipeline crossing a portion of the Upper Feeder in the County of Riverside.

A permanent easement was conveyed to Three Valleys Municipal Water District for the operation and maintenance of a water pipeline crossing the Foothill Feeder Rialto Pipeline right-of-way.

Leases, Licenses and Entry Permits

A lease with Lamar Advertising Company was amended to change the term to year-to-year and to make a scheduled increase in the annual rent. This lease is for an advertising billboard located on a portion of the Inland Feeder right-of-way at the intersection with Interstate Highway 60 in Moreno Valley and near Gilman Springs Road.

A lease with Unavco, Inc., was amended to consolidate existing Global Positioning System monitoring sites into one agreement. Metropolitan receives a substantial benefit due to this agreement as Unavco shares the real time satellite and seismic data with Metropolitan's surveying and engineering staff.

A one-day entry permit was granted to the Laurence School. This allowed for use of a portion of the parking areas at 700 North Alameda for an event held at Union Station.

Business Outreach

Metropolitan Co-Hosts the 15th Annual Los Angeles Vendor Fair

Known as the area's largest public contracting and procurement networking event, the Greater Los Angeles Vendor Fair (Vendor Fair) drew over 1,000 small business owners to the March 25 event, held at the Los Angeles Convention Center. The Vendor Fair is hosted by four large Southern California public agencies: the City of Los Angeles, County of Los Angeles, Los Angeles Metropolitan Transportation Authority and Metropolitan.

The expo was an overwhelming success, with all 150-booths sold, 12 workshops reaching over 400 participants and 1,000 people at the sold out luncheon. Mayor Antonio R. Villaraigosa gave the luncheon keynote speech and said how much he appreciated the agencies' mutual interest in ensuring business growth and opportunity in the Southern California region. Assistant General Manager Gilbert F. Ivey also gave a luncheon speech.

Hosted the Governor's Small Business Advocate's Advisory Group

On March 24, Business Outreach partnered with the State of California, Governor's Office of Planning and Research to host the first ever advisory group meeting in Southern California. The meeting was chaired by the Governor's appointee Marty Keller. Over 50 business leaders and advocates attended the session. Topics included: a report on behalf of the Senate Research Bureau on education research, a report on small business disaster preparedness programs, and a presentation on programs and initiatives coming from the federal government.

Business Processes/ Operations

Emergency Management

Diemer and Water Quality Incident Command Centers conducted emergency management exercises related to catastrophic events throughout the service area. Training was also conducted for the Emergency Operations Center / Incident Commander Center function.

Staff continues to plan the Golden Guardian 2008 major emergency exercise scheduled for November 2008. This state-wide exercise is based on a 7.8 magnitude earthquake on the Southern San Andreas Fault. Other participants include California Department of Public Health, Office of Emergency Services, and Office of Homeland Security, US Geological Survey, and numerous water agencies.

Security

Security supported ongoing facility modifications and expansions with integration of access controls and a combination of security and process monitoring surveillance cameras. Security staff also supplied Engineering staff with information to support implementation of new anti-ram vehicle barriers at the Jensen water treatment Plant.

Information Technology

Personal Computer Replacement Project

The PC Replacement Project is 99 percent complete. All but a few of Metropolitan's PCs have been upgraded to current-generation, dual processor systems with the Microsoft Vista operating system and Office 2007. IT is working with Microsoft to resolve the remaining technical issues with Board Letters and it is anticipated that these issues will be resolved to complete deployment of all remaining PCs by mid-April.

Work Tech Enhancements

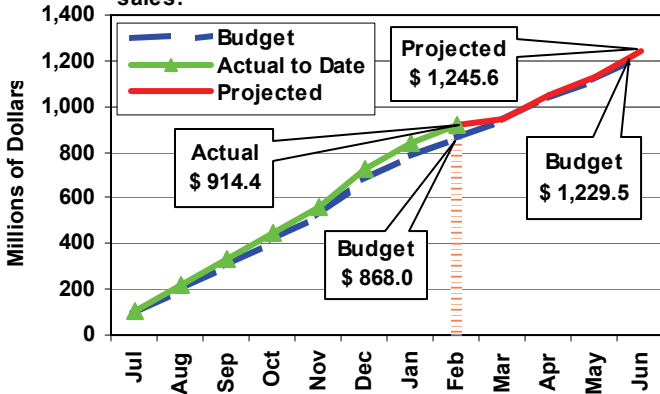
IT has recently released an upgrade to the Work Tech Time system to account for bereavement leave and other situations. This upgrade is expected to be completed by the end of March.

Finance

On March 25, 2008, Metropolitan closed a variable rate demand obligation refunding issue. This debt issue refunded about \$500 million of outstanding auction rate securities that were insured by XL Capital Assurance, one of the municipal bond insurers negatively affected by the sub-prime mortgage market crisis. As a result of the turmoil in the auction rate market, Metropolitan's auction rate securities were resetting at annual interest rates in excess of 5 percent each week. Working with the support of the Ad Hoc Committee (Board Chairman, Chair of the Business and Finance Committee) and the Vice Chair of the Business and Finance Committee, staff completed this refunding in less than 30 days. As each week results in about \$300,000 additional interest costs, speed was critical. Outstanding work from Syd Bennion, Assistant General Counsel, a team of experts including the underwriters Bank of America and Citigroup, Public Resources Advisory Group, and Fulbright & Jaworski, and the Chief Financial Office staff ensured that this transaction was completed quickly and efficiently. During this process, Metropolitan's long-term debt ratings were affirmed at AAA/AA+/Aa2 by Standard and Poor's, Fitch Ratings, and Moody's, respectively. During these critical time periods, Metropolitan's strong credit rating is extremely valuable, in terms of interest rates and the ability to move quickly. All three rating agencies noted that despite the many challenges facing Metropolitan, the Board has already taken steps, including approving the January 1, 2009 rate increase to ensure Metropolitan's strong financial position.

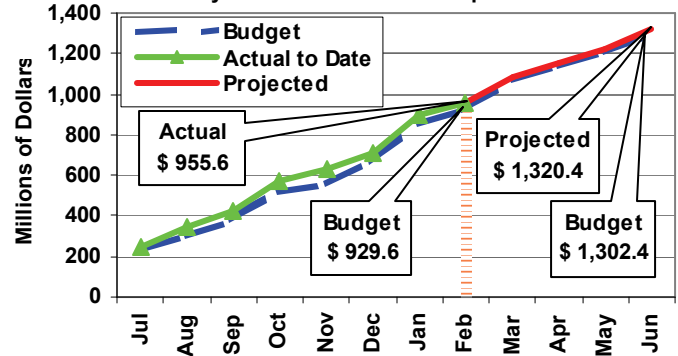
Finance as of February 29, 2008

Receipts are expected to be \$16 million over budget by year end, mainly due to higher water sales.



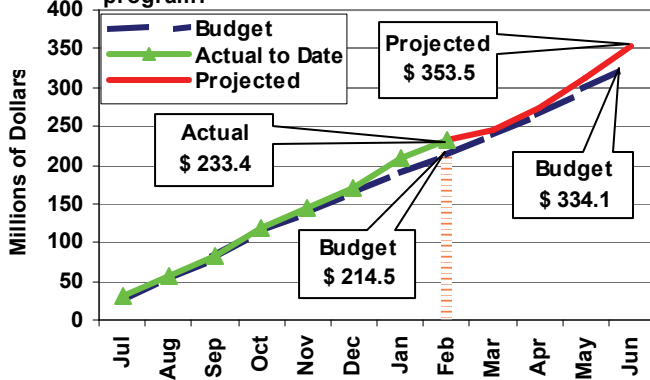
Excludes Bond Construction and Other Trust Funds Activity

Expenditures are trending at \$18 million over budget by year end, mainly due to higher Water Supply Program, O&M and SWP costs, partially offset by lower construction expenditures.

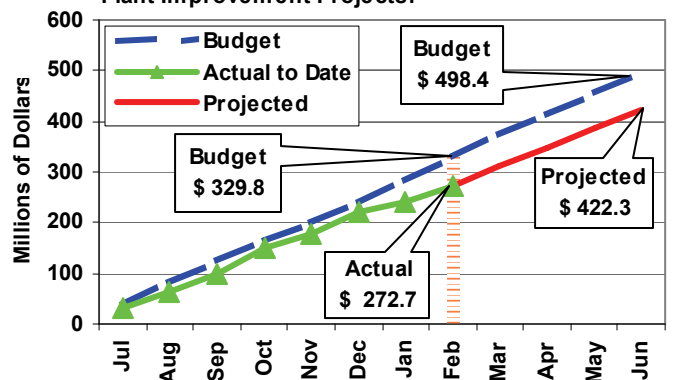


Excludes Bond Construction and Other Trust Funds Activity

O&M expenditures are forecast to be \$19 million over budget by year end, due to the Cargill settlement and the quagga mussel containment program.

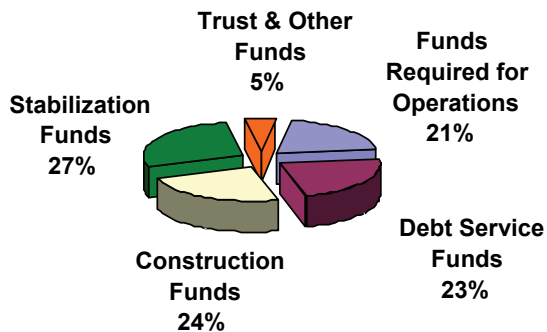


Construction costs are expected to be \$76 million below budget at year end primarily due to delays on the Oxidation Retrofit Program and Treatment Plant Improvement Projects.



Cash and Investments

\$ 1,194.8 million



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.68 x
Revenue Debt Service Coverage	> 2.00 x	2.14 x
Revenue Bond Debt / Equity Ratio	< 100.0%	72.5%

Credit Ratings

	Target	Actual
- Moody's Investors Service	Aa2	Aa2
- Fitch Ratings	AA	AA+
- Standard & Poor's	AA	AAA

External Affairs

Federal Legislative Update

March 4: Staff and Director John Morris participated in the New Water Supply Coalition Annual Board Meeting in Washington, D.C., followed by individual appointments with members of Congress to promote Metropolitan's interests in H.R.3452 (Becerra), legislation authorizing tax credit bond financing for new local water supply projects.

March 6: Staff attended a House Homeland Security Full Committee mark up of H.R.5577 (Thompson), legislation which extends the U.S. Department of Homeland Security's jurisdiction over water treatment chemical storage. Staff briefed key regulators at the U.S. Department of Homeland Security to provide information about Metropolitan's current chemical safety management practices.

March 13: Director Randy Record testified before the House Resources Subcommittee on Water and Power in support of H.R. 4841 (Bono Mack), legislation authorizing the terms of the Soboba Band Settlement Agreement. Metropolitan's written testimony, supporting the bill was submitted.

State Legislative Update

Metropolitan-Sponsored Legislation:

AB 2938 (De Leon) was introduced to draw attention to and respond to other stress factors that have contributed to the fisheries decline of the Bay-Delta ecosystem. The measure is currently a spot-bill, but subsequent amendments will require that all in-Delta diversions measure or meter diversions. In addition, the bill will require reports to the State Water Resources Control Board on the volume, timing and uses of in-Delta water diversions. AB 2938 would improve the scientific understanding of the potential impact diversions have on sensitive fish populations in the Delta.

SB 1391 (Padilla) - Inconsistent regulation by some regional water quality control boards has proven to be an impediment to maximizing recycled water potential. SB 1391 is intended to bring consistency and certainty to the permitting process. Under proposed amendments to the bill, the Department of Public Health would set standards for recycled water recharge projects that take into account public health protections and existing salt management plans for the basin.

State Legislative Update continued....

Legislative Committee Hearing: On March 11, the Senate Natural Resources and Water Committee hosted a joint hearing with the Senate Budget and Fiscal Subcommittee No. 2 on Resources, Environmental Protection and Energy, for the purposes of publicly discussing and assessing Governor Schwarzenegger's outline for a comprehensive solution for the Delta.

DWR Director Lester Snow provided further details on the Governor's proposal and discussed what opportunities the Legislature can consider to advance the Governor's plan. The testimony of Catherine Freeman from the Legislative Analyst's Office focused on the projected cost estimates for implementing the Governor's plan and sought to identify the viability and impacts of allocating existing bond dollars for implementation.

A "response panel" of invited stakeholders followed and included Metropolitan Assistant General Manager Roger Patterson, ACWA Executive Director Tim Quinn, General Manager Tom Birmingham from Westland's Water District, Tom Zuckerman from the Central and South Delta Water Agencies, Erin Field from Western Growers, Jonas Minton from the Planning and Conservation League and Barry Nelson with the Natural Resources Defense Council.

State Budget: Recent actions by the Legislature during the Third Extraordinary Session provided \$7.1 billion in relief for addressing the state's projected \$16.5 billion shortfall for FY 2008/09. The balance of the shortfall, \$9.4 billion, will be addressed as the Legislature and Administration negotiate a spending plan for the budget year.

In response to the remaining shortfall, the Legislative Analyst's Office released an unprecedented "alternative budget" to address the shortfall which includes a property tax shift from special districts to fund general fund activities. While Metropolitan is not affected by this shift, Association of California Water Agencies, California Association of Sanitation Agencies, California Special Districts Association, and many Metropolitan member agencies are proactively involved in educating the Legislature on the serious consequences that the tax shift would have upon local services and infrastructure.

External Affairs

Local Government Update

March 6: Staff joined with the Southern California Contractors Association during their 2008 Legislative Day in Sacramento. The SCCA delegation's key advocacy themes were statewide infrastructure issues – including transportation funding under Proposition 42 and the need for a statewide water bond. Executive Legislative Representative Kathy Cole briefed the SCCA members regarding the importance of the Delta and provided the group with an update on the statewide water bond being considered by the State Legislature and the Governor.

March 12: U.S. Senator Dianne Feinstein's Southern California staff, James Peterson and Chris Carrillo, joined Metropolitan on a trip to Gene, Intake, Copper Basin and the California aqueduct during a shutdown inspection related to quagga mussels. Assistant General Manager/Chief Operating Officer Debra Man, Deputy General Manager for External Affairs Linda Waade and Ric DeLeon, Water Quality and Water Systems Operations, provided a one-day trip and briefing on the issue of aquatic nuisance mitigation and its impacts on Metropolitan's infrastructure.

March 13: Kara Etheridge and David Varnum, District Representatives for Congressman Gary Miller, were given a tour and briefing of the Robert B. Diemer Filtration Plant. The Congressman's staff were shown the current and upcoming projects including the north access road.

March 13: Deputy General Manager Linda Waade provided a water briefing to the Independent Cities Association.

March 25: Staff briefed Congresswoman Grace Napolitano and her staff on the proposed layout and construction of the north access road at the Robert B. Diemer Filtration Plant.

March 28: Metropolitan co-hosted a Community Leaders Breakfast Briefing with Assemblyman Anthony Adams (R- 59th AD) in La Verne at the Sierra La Verne Country Club. General Manager Jeff Kightlinger addressed water challenges facing the region. Directors Fellow, De Jesus, Jim Edwards and over 50 community leaders from the San Gabriel Valley attended the event.

Conservation Outreach

Television, radio and print ads are in production for the conservation advertising campaign scheduled for April 14 - May 18, and June 9 - July 6. A 30-second public service announcement, 10-second television commercial and 60-second radio commercial are being produced with the focus on reducing outdoor water.

Community Outreach and Other Events

Staff coordinated and participated in community and intergovernmental outreach with residents and public officials in La Verne, Yorba Linda and Los Angeles related to water resources and capital improvements including projects at the Weymouth and Diemer plants and the Sepulveda Feeder Shutdown.

March 3: Staff coordinated and participated in La Verne City Council recognition of Metropolitan for landscape design at the Weymouth treatment plant. Assistant General Manager Gilbert Ivey and Sal Vasquez, External Affairs, represented Metropolitan.

Media

A national investigative package of stories by the Associated Press regarding trace levels of pharmaceuticals and personal care products in source and treated drinking water supplies generated significant media coverage during March. In response, Metropolitan's press office staff drafted a memo for the General Manager and prepared talking points for distribution to the Board and handled numerous inquiries from reporters and editors at newspapers as well as radio and television news stations about the AP series, including the Los Angeles Times, Los Angeles Daily News, San Diego Union-Tribune, Riverside Press-Enterprise. As part of the coverage, Dr. Mic Stewart, Metropolitan's water quality manager, was interviewed by news crews at KABC-TV Channel 7, KTLA-TV Channel 5 and KNBC-TV Channel 4 as well as KFI, KNX, KPCC and KFWB news radio stations.

Staff also managed press inquiries on the Board's adoption of new water rates and charges. Numerous stories on this topic appeared in the Los Angeles Times, North County Times and San Diego Union-Tribune, as well as in coverage on KABC-TV Channel 7.

Staff arranged a meeting with the editorial board of the Los Angeles Times on Metropolitan's water supply allocation plan and Metropolitan's efforts to address the problems in the Sacramento-San Joaquin Delta. Director Nancy Sutley, General Manager Jeff Kightlinger and Deputy General Manager Linda Waade attended the meeting.

Education

Staff conducted 10 field trips at the new DVL classroom and Visitor Center. Three hundred and one students (4th-8th grade) from Hemet, San Jacinto, Murrieta, and Temecula Valley Unified School Districts attended.

Workforce

Apprenticeship Program

Class of 2012

The Class of 2012 (33 students) started Period 1 instruction on January 29. Classes completed to date include power tool operations.



Power tool operations and safety class

Recruitment

Seven new employees and one annuitant joined Metropolitan during March.

Employee Relations

Effective March 24, 2008, the Common 44/36 work schedule was implemented at Union Station Headquarters.

Benefits

Conducted a *Pre-Death Retirement Workshop* at Lake Skinner with 34 participants on March 12. This new three-hour workshop, rolled out in December, covers the benefits that are available to an employee's survivors and beneficiaries.

Environmental Health & Safety

Metropolitan staff participated in the first of four Cal/OSHA Tunnel Safety Advisory Committee meetings to review new Tunnel Safety Orders that will result in modified regulatory requirements for tunnel work. Cal/OSHA invited Metropolitan because of its expertise in tunnel construction to sit on the advisory panel to hear public comment on the revised tunnel safety orders. Participating on the committee provides Metropolitan with a critical position in making recommendations regarding any changes to tunnel safety orders.

Metropolitan settled a citation issued by Cal/OSHA related to a construction incident that occurred in March 2006. The incident involved the removal of a section of pipe that had fallen into a trench during excavation related to the reconfiguration of the electrical duct bank at the Mills plant. Without admitting liability, Metropolitan agreed to pay \$280 to settle the matter.

EHS developed and distributed an annual Regulatory Training Calendar for managers and employees. This calendar allows for managers and employees to plan training along with projects to be completed this calendar year.

Worker's Compensation

Activities for March:

- Conducted initial investigations for nine injury-related incidents resulting in seven new workers' compensation claims being filed with the claim administrator.
- Sent out four claim forms in regard to allegations of work stress.
- Monitored medical status of six disability claims and ten modified duty claims and coordinating return-to-work in four cases.
- Obtained settlement authority on three claims and finalized settlement of one claim.
- Conducted two training sessions on workers compensation procedures

