

• Board of DirectorsJuly 8, 2008 Board Meeting

6E**Subject**

Approve General Manager's Business Plan for fiscal year 2008/09

Description

This is the General Manager's Business Plan, which outlines the priorities, strategies and actions to be implemented over the next fiscal year. The implementation of these strategies and actions, as supported by Metropolitan's annual budget, are intended to ensure meeting Metropolitan's mission 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. For FY 2008/09, Metropolitan will continue to work on core business activities, which include managing water supply, maintaining system reliability, achieving milestones on capital investment plan projects, maintaining water quality, supporting Metropolitan's Board of Directors, external affairs, workforce effectiveness, real property management, business processes, and financial management. Key areas of focus for this fiscal year include five strategic priorities, as identified below:

- *Water Supply Reliability*
- *Bay-Delta Solutions*
- *Financial Strength and Capabilities*
- *Sustainability*
- *High Performance Workplace*

Water Supply Reliability

FY 2008/09 promises to be a challenging year for water supply reliability. Metropolitan and the member agencies will be faced with determining how available water supplies and increasing demands must be managed from 2009 through 2013 under court-imposed reductions to address environmental problems, such as the declining population of Delta smelt fish and other species, and the possible continuation of critically dry hydrology in the southwestern United States. Metropolitan staff is developing, through a coordinated effort with our member agencies, a Five-Year Water Supply Plan that will include performance measures such as acceptable levels of risk, a package of actions and implementation plans, and the communication and outreach strategy required to support this plan. Metropolitan will also focus on strengthening and updating its Integrated Resources Plan by enhancing the diversity and adaptability of its resources management to meet emerging water supply issues, including climate change, over the next decades. Metropolitan will also continue to develop and expand the resource 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 (SWP) and Colorado River deliveries.

Bay-Delta Solutions

This past year, California has received significantly reduced water supplies from the Sacramento-San Joaquin Delta due to court-imposed reductions to address the declining Delta smelt fish population as well as other fish. Because cutbacks will almost certainly continue, identifying near- and long-term Bay-Delta Solutions is a key area of focus for FY 2008/09 for Metropolitan to ensure a greater degree of reliability to protect Metropolitan's SWP investments.

Metropolitan is committed to working within a framework of actions with the goal of building a sustainable Delta and reducing conflicts between water supply conveyance and the environment. This framework includes developing near- and long-term Delta measures. Near-term Delta measures must be compatible with a long-term Delta solution, improve water supply reliability, facilitate protection of fish species and ecosystem recovery, and improve water quality.

Financial Strength and Capabilities

Metropolitan must have a long-term strategic focus on financial stability and management in order to accomplish its mission. The Long Range Finance Plan will provide a strategic framework to ensure revenues are adequate to maintain a reliable supply of water and provide sufficient reserves to withstand potential uncertainties of water supplies and national financial market conditions.

Water rates are the primary source of revenue for Metropolitan. Metropolitan will carefully manage the rate-setting process to maximize cost certainty and minimize cost increases for our member agencies. To that end, it will be important to communicate the potential rate impacts of Metropolitan's 5-Year Reliability Plan and manage the rate cycle to ensure full cost recovery in FY 2010/11 consistent with board policies and objectives.

Equally important to our financial stability is the prudent and efficient management of Metropolitan resources. With inflationary pressures increasing, creative efforts at cost containment and budget control will become even more important. Minimizing State Water Contract cost increases by influencing DWR's strategic financial decisions will be of particular importance, given the magnitude of our contract commitment. On a tactical level, we will implement the Integrated Budget Management System to more effectively develop our annual budget, starting with the FY 2009/10 budget. Planning processes will continue with the goal of moving Metropolitan to Programmatic Budgeting in FY 2010/11, better aligning the budget and rate setting process with the General Manager's business plan and integrating performance management and measurement into the budget process.

Sustainability

Metropolitan is faced with many challenges to ensure the long-term viability and sustainability of Southern California's water supply serving over 18 million people. The challenges include the potential impacts of changing climate, increased urbanization, endangered species, increased environmental regulation and litigation, increasing competition for water, and population pressures. Metropolitan is committed to addressing these issues and ensuring long-term, high quality water supply in a manner that promotes our commitment to sustainability and reduces our environmental footprint. Our legacy to the future is ensuring that we meet the complex needs of the present without compromising the ability of future generations to meet their needs.

We must incorporate sustainability into both our strategic planning and our day-to-day business processes occurring at all levels. This includes reducing our dependency on non-renewable resources; increasing our production and use of renewable energy to offset green house gases; maximizing the efficient use, reuse, and recycling of materials; buying green whenever possible; incorporating sustainable features and practices into design and construction; and managing our facilities in ways that continue to reduce our environmental footprint.

The Business Plan for FY 2008/09 outlines a wide range of business process sustainability initiatives and actions that will be completed by many different parts of the organization.

High Performance Workplace

Metropolitan staff must develop the capabilities to meet future water resource management and system operations needs, take advantage of new technologies while keeping pace with changing workplace demographics, new business requirements and increased pressures for cost-containment. To address these challenges, we must demonstrate higher levels of adaptability, innovation, speed, productivity and business results. Metropolitan seeks to establish itself as a compelling workplace that attracts and retains talented employees capable and committed to working in a high performance organization.

This requires that Metropolitan ensure its Human Resource practices are strategically aligned to our business goals, that our employees are empowered and committed to make a difference, and that employees continually develop their skills and talents to deliver value, as well as continually improve their level of performance.

Metropolitan will continue to proactively invest in its employees to best prepare for a changing future and continue to enhance organizational knowledge transfer and peer-to-peer networking. Metropolitan will expand workforce and succession planning, conduct leadership forums for managers, develop strategies for continuous learning, and present opportunities to showcase technical expertise and competence. Management excellence will be a key Metropolitan competency.

The initiatives and actions presented in **Attachment 1** provide the direction for achieving Metropolitan's core business activities and the five strategic priorities.

Policy

Metropolitan Water District Administrative Code Section 6416: Annual Report to Executive Committee

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

Board Options

Option #1

Adopt the CEQA determination and approve the General Manager's Business Plan for FY 2008/09.

Option #2

Adopt the CEQA determination and redirect the General Manager's Business Plan to accomplish alternative policy goals.

Staff Recommendation

Option#1



Jeffrey Kightlinger
General Manager

6/19/2008
Date

Attachment 1 – General Manager's Business Plan Initiatives and Actions