

- **Board of Directors**
Legal and Human Resources Committee

September 9, 2008 Board Meeting

7-3

Subject

Approve amendments to the Metropolitan Water District Administrative Code to conform to current laws and practices and make corrections

Description

This letter proposes amendments to Metropolitan's Administrative Code to reflect changes in Metropolitan's practices, to conform the Code to pertinent laws and regulations, correct minor errors and to provide consistency with Administrative Code sections previously enacted or amended.

The proposed amendments are set forth in [Attachment 1](#), with overstrikes reflecting deletions and underlining reflecting additions. [Attachment 2](#) sets forth the sections as they would now appear in the Administrative Code. The Administrative Code is proposed to be amended as follows:

- To reflect changes in Metropolitan's organization, the following titles have been superseded and will be changed to current titles wherever they appear in the Administrative Code: Executive Vice President shall be changed to Chief Administrative Officer; Human Resources Section shall be changed to Human Resources Group; the Director of Human Resources shall lead the Human Resources Group; and Executive Secretary shall be changed to Board Executive Secretary. In addition, the listings of officers in the Administrative Code are amended to reflect current titles.
- To reflect the recent creation of the Audit and Ethics Special Committee, sections describing the Executive Committee are amended to move jurisdiction over Metropolitan's Audit Department and Ethics Office from the Executive Committee to section 2501, describing the Audit and Ethics Special Committee. Provisions on the powers and duties of the General Auditor and Ethics Officer are revised to include this committee change.
- Sections 2413 and 2451 are amended to reflect that the annual reviews of the compensation, business plans, annual goals and work objectives of the General Manager and General Counsel by the Executive and Legal and Human Resources Committees are in advance of the July Board meeting rather than in advance of the August Board meeting.
- Section 4304 on rate setting procedures is amended to reflect an amendment to Metropolitan Water District Act section 134.7, effective on January 1, 2008, that streamlines procedures for the continuation of existing standby charges and conforms them to procedures for continuation of similar property-related charges under Proposition 218.
- Section 5108 on appropriations is amended to delete the capital project dollar threshold because this amount is outdated and is set forth in Metropolitan Operating Policy F-07.
- Section 6207 is amended to reflect the format used in approved pay rate schedules for the respective employee classifications, and to authorize Department Heads, consistent with past practice, to modify salary grades for particular classifications pursuant to agreements reached with the respective bargaining units. Section 6208 is modified to show the comparison agencies currently used for the pay rate survey.
- Section 6500, the hourly pay rate schedule for unrepresented employees, is amended to reflect current unrepresented positions, with changes being subject to ratification by the Board, and their respective pay

grades. The salary ranges are adjusted to include a 3.7 percent cost of living increase pursuant to Section 6500(d). Authorization for Department Heads to move unrepresented positions within the authorized pay rate schedule is also included.

- Section 7105 of Metropolitan's Ethics Policy, concerning contracts and grants with Metropolitan, is amended to conform with conflict of interest laws. The changes recognize that contracts or grants in which a Metropolitan director, officer or employee has a financial interest are prohibited, except for remote interests and situations deemed not to constitute an interest under Government Code criteria.

Policy

Metropolitan Water District Administrative Code Section 2451(g)

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, the proposed action is not subject to CEQA because it involves government fiscal activities, which do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (Section 15378(b)(4) 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), 15378(b)(4), and 15061(b)(3) of the State CEQA Guidelines.

Board Options

Option #1

Adopt the CEQA determination and approve amendments to the Administrative Code set forth in [Attachment 2](#) to reflect the changes recommended in this letter.

Fiscal Impact: None

Business Analysis: To conform to current law and procedures

Option #2

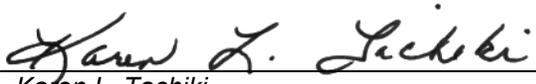
Adopt the CEQA determination and approve amendments to the Administrative Code set forth in [Attachment 2](#) with changes as directed by the Board.

Fiscal Impact: None

Business Analysis: To conform to current law and procedures

Staff Recommendation

Option #1



Karen L. Tachiki
General Counsel

8/26/2008
Date



Jeffrey Lightinger
General Manager

8/26/2008
Date

Attachment 1 – The Administrative Code of The Metropolitan Water District of Southern California (showing additions and deletions)

Attachment 2 – The Administrative Code of The Metropolitan Water District of Southern California (changed provisions only)

BLA #6203

ATTACHMENT 1

• **CHANGES IN ORGANIZATION.**

The following titles of officers and the Human Resources Group will be corrected wherever they appear in the Administrative Code:

*Executive Vice President shall be changed to Chief Administrative Officer;
Executive Secretary shall be changed to Board Executive Secretary;
Human Resources Section shall be changed to Human Resources Group; and
Human Resources Section Manager shall be changed to Director of Human Resources.*

These nonsubstantive changes will be made where necessary. In the interests of economy and sustainability, the revised sections are included in this letter only if additional, ~~substantive~~ changes ~~are~~ are also proposed for those sections.

§ 6400. Creation of Offices.

The following offices are hereby created:

(a) Executive Offices:

- General Manager
- General Counsel
- General Auditor
- Ethics Officer

(b) Principal assistants within the executive offices, with number as authorized from time to time by the Board.

(1) Principal assistants to the General Manager:

- Assistant General Manager(s) and/or Chief Operating Officer, Chief Administrative Officer and Chief Financial Officer
- Deputy General Manager(s)
- ~~Chief Financial Officer~~

(2) Principal assistants to the General Counsel:

- Assistant(s) General Counsel

(3) Principal assistants to the General Auditor:

- Assistant(s) General Auditor

(c) Other Offices:

- Controller
- Treasurer
- Board Executive Secretary
- Deputies General Counsel, with number as authorized from time to time by the Board.

§ 6411. Principal Assistants.

The powers and duties of the principal assistants to the General Manager are as follows:

(a) The Assistant General Manager(s), Chief Operating Officer, Chief Administrative Officer, and Chief Financial Officer shall perform such duties and render such services as may be assigned to them by the General Manager with like effect as though such duties or services were performed or rendered in person by the General Manager. The General Manager shall designate in writing by office and name principal assistants to act in the General Manager's place in the event the General Manager is absent, unable to act in person, or until the appointment and qualification of the General Manager's successor, and shall specify the order in which such principal assistants shall assume the powers and duties of the General Manager in any such event. The designation may be changed by the General Manager at any time and for any reason, but a designation shall be kept on file at all times. The original of the designation shall be filed in the office of the Board Executive Secretary, and a signed copy shall be delivered to the principal assistants named therein.

(b) The Assistant General Manager(s), Chief Operating Officer, Chief Administrative Officer, and Chief Financial Officer shall act in the name of the General Manager, except when empowered by law or in writing by the Board or the General Manager to act in their own names, and their acts shall be equally effective whether done in their own names or in the name of their principal.

• **AUDIT AND ETHICS SPECIAL COMMITTEE**

§ 2413. Duties and Functions. [Executive Committee]

(a) The Executive Committee shall study, advise, and make recommendations with regard to:

(1) Public information for governmental and other entities and officials, and for the citizens of California regarding matters affecting the District's interests;

(2) Official dealings with the United States Government, the State of California or other states, member public agencies or their sub-agencies, foreign governments and other entities or persons in matters of public policy or other activities as deemed appropriate;

(3) Policies and procedures to be considered by the Board or committees thereof, except for policy matters within the jurisdiction of a specific standing committee;

(4) Matters relating to the Colorado River Board of California;

(5) Major policy issues to be considered by the Board, including proposed amendments to the Metropolitan Water District Act;

(6) Questions raised by the officers and staff in intervals between meetings of the Board and in unexpected situations and emergencies.

~~(7) Policies and procedures of the District's ethics program;~~

~~(8) All reports of the General Auditor and external auditors, including the audited financial statements of the District, and requests from other committees of the Board for audits and reviews not included in annual business plan.~~

~~(79) The terms and conditions of employment of all consultants and advisors not within the jurisdiction of other committees;~~

~~(810) Resolution of conflicting committee recommendations pursuant to Section 2314;~~

(9+1) The progress of, and propose modifications to, the Board's goals in light of then existing and projected future conditions; and

(10+2) Such other matters as may be required by Division II of this Code.

(b) The Executive Committee shall:

(1) Review and approve board and committee agendas and, notwithstanding the jurisdiction of the other standing committees in the Code, have the authority to direct which committee shall consider an item;

(2) Review and approve the scheduling of board and committee meetings;

(3) Be responsible for the oversight and management of the organization including, but not limited to, the form of the District's organization and the flow of the authority and responsibility. This includes monitoring and overseeing the duties and responsibilities of management, ~~the Audit Department, and the external auditors as those duties and responsibilities relate to the effectiveness of the District's internal control system~~; and

(4) Consider the effectiveness of the District's internal control system, including information technology security and control.

(c) The Executive Committee shall retain ultimate responsibility for those duties as are specifically assigned to the subcommittees of the Executive Committee.

(d) The Executive Committee shall be responsible for the oversight of the performances and activities of the General Manager, ~~General Auditor, and the Ethics Officer~~ and an annual review of the compensation of the General Manager, General Counsel, General Auditor and Ethics Officer. The Executive Committee shall evaluate the performance of the General Manager, ~~General Auditor and Ethics Officer~~ at least annually in advance of the July Board meetings. It shall also review and approve the General Manager's comprehensive business plans and annual goals and work objectives of the General Manager, ~~General Auditor and Ethics Officer~~ at the start of each fiscal year in advance of the ~~July~~ August Board meetings.

(e) After its review and consideration of the annual assessment of, and recommendations concerning Department Heads, including the annual assessment and recommendations of the Legal and Human Resources Committee concerning the performance of the General Counsel and the Audit and Ethics Special Committee concerning the performance of the General Auditor and Ethics Officer, the Executive Committee shall make recommendations to the Board on the salary and other compensation of Department Heads in advance of the July meetings, with any changes to be effective at the start of the payroll period nearest to July 1.

(f) The Executive Committee shall also:

(1) Act on behalf of the Board in unexpected situations and emergencies, subject to subsequent approval or ratification of the actions taken whenever such approval or ratification is required by law.

(2) Provide policy guidance where appropriate to those directors and District staff members who are associated with organizations in which the District has membership.

(3) Conduct hearings on vendors' protests:

(i) Hearings requested pursuant to Section 8142(d), and other hearings granted on the Executive Committee's own motion, unless delegated pursuant to Section 8148 shall be held by the committee at its next regular meeting to be held at least 72 hours after filing of the notice of protest. The hearing shall be conducted in accordance with such rules as the Chair of the committee shall announce. The committee shall make a decision on the bidder's or applicant's protest, shall set forth its reasons therefor, and shall cause the Board

Executive Secretary to serve a copy of the decision on the bidder or applicant. The decision of the committee shall be final unless the committee chooses to refer the notice of protest to the Board.

(ii) The Chair of the Executive Committee may redelegate hearings provided for under subparagraph (i) above to a minimum of three members of the Executive Committee who shall act in place of the committee in the conduct of the hearing and who shall at the conclusion thereof make their recommendations to the full committee. Such recommendations shall be accompanied by copies of any materials submitted in evidence. Any hearing held and recommendations made pursuant to such delegated authority shall be completed in advance of the time set for the next regular meeting of the full committee following the meeting at which the matter would otherwise have been heard by the committee.

(4) Resolve disputes over inspection dates and monitor conduct of inspection trips to assure maximum effectiveness.

§ 2501. Audit and Ethics Special Committee.

(a) The Audit and Ethics Special Committee shall hold regular meetings not less than four times a year on a quarterly basis, or as required to accomplish a specific committee objective.

(b) Duties and Functions.

(1) The Audit and Ethics Special Committee shall study, advise and make recommendations with regard to:

(i) All reports of the General Auditor and external auditors, including the audited financial statements of the District;

(ii) The Audit Department's annual business plan and annual budget;

(iii) The Ethics Department's annual business plan and annual budget;

(iv) Requests from other committees of the Board for audits and reviews not included in the Audit Department's annual business plan.

(v) The policies and procedures of Metropolitan's ethics program.

(2) The Audit and Ethics Special Committee shall be responsible for oversight of the General Auditor's performance and activities; and, for monitoring and overseeing the duties and responsibilities of the Audit Department and the external auditors as those duties and responsibilities relate to the effectiveness of the District's internal control system. It shall evaluate the performance of the General Auditor at least annually in advance of the July Board meeting. The results of that evaluation shall be provided to the Executive Committee for consideration as part of its annual review of the General Auditor's compensation. It shall review and approve the comprehensive plan and annual goals and work objectives of the General Auditor and the Audit Department at the start of each fiscal year in advance of the July Board meeting.

(3) The Audit and Ethics Special Committee shall be responsible for oversight of the performance and activities of the Ethics Officer. It shall evaluate the performance of the Ethics Officer at least annually in advance of the July Board meeting. The results of that evaluation shall be provided to the Executive Committee for consideration as part of its annual review of the compensation of the Ethics Officer. It shall also review and approve the comprehensive business plan and annual goals and work objectives for the Ethics Office at the start of each fiscal year in advance of the July Board meeting.

§ 5108. Appropriations.

...

(b) Appropriations shall from time to time be authorized by the Board for capital projects ~~estimated to cost \$25,000 or more~~ and for funding of continuing expenditures not susceptible to immediate direct allocation, including those for undistributed payroll and fringe benefits, for operating equipment, and for materials and equipment inventories. Appropriations for all other purposes shall be authorized on an annual basis in accordance with Section 5107 hereof.

§ 6450. Powers and Duties. [General Auditor]

(a) The District's independent internal auditing function is governed by provisions of the California Government Code and by policies established by the Board of Directors. The ~~Executive Committee~~ Audit and Ethics Special Committee is responsible for the oversight of the internal auditing function, approving the Audit Department charter (subject to review and approval of the Board of Directors), selecting and overseeing the work of external auditors, and reviewing reports issued by both the internal and external auditors.

(b) The General Auditor manages the District's Audit Department and is responsible for formulating departmental policies and procedures; directing and evaluating the performance of work done by employees within the department, administering the internal records of the department; and administering the District's contract for external audit services. The General Auditor shall annually in advance of the July Board meetings, submit to the ~~Executive Committee~~ Audit and Ethics Special Committee a comprehensive Audit business plan for review and approval. The business plan shall be submitted in conjunction with similar reports by the General Manager, and General Counsel to the Executive Committee and the Legal and Human Resources Committee.

(c) The General Auditor shall report the findings, opinions, and recommendations which result from the performance of the duties outlined in paragraph 6450(b) to the General Manager, General Counsel and Ethics Officer for their information and appropriate actions. Whenever an audit report contains recommendations for corrective actions or changes in current practices, the General Manager, General Counsel, Ethics Officer or their designees shall respond to the General Auditor in an appropriate manner and within a reasonable time, indicating their views on the recommendations and proposed actions to be taken, if any.

(d) The General Auditor's reports on internal audit assignments shall be addressed to the ~~Executive Committee~~ Audit and Ethics Special Committee. The General Auditor shall have the discretion to determine the form and content of such audit reports, subject to guidance by the ~~Executive Committee~~ Audit and Ethics Special Committee. With the exception of those reports which the General Auditor deems to be urgent or confidential in nature, copies of all audit reports addressed to the ~~Executive Committee~~ Audit and Ethics Special Committee shall be submitted to the General Manager and General Counsel for review and comment simultaneously to their submittal to the ~~Executive Committee~~ Audit and Ethics Special Committee.

(e) The General Auditor shall transmit all reports issued by the District's external auditors to the ~~Executive Committee~~ Audit and Ethics Special Committee and any other committees of the Board as may be applicable. Such transmittal letters should include any comments on the external auditor's reports that the General Auditor deems necessary.

(f) The General Auditor may receive requests from time to time from the other executive officers or committees of the Board to perform audit assignments which are not included in the approved annual Audit Business Plan. Similarly, the General Auditor may identify a need to include new assignments in the Audit Business Plan during the year. The General Auditor shall have sufficient latitude and discretion to include those new assignments in the annual Audit Business Plan as he deems necessary. The reporting process for assignments requested by either executive management or by committees of the Board shall generally follow the process outlined in paragraphs 6450(c) or (d) previously. However, any reports on audits requested by a committee of the Board shall be jointly addressed to such committee and the ~~Executive Committee~~ Audit and

Ethics Special Committee. Copies of these reports will first be provided to management for review and comment consistent with the provisions of paragraph 6450(d).

(g) The General Auditor shall manage the work of the Audit Department in accordance with the Audit Department Charter. The General Auditor shall assess annually whether the purpose, authority and responsibility, as defined in this Charter, continue to be adequate to enable the Audit Department to accomplish its objectives.

§ 6451. Audit Department Charter.

(a) Mission and Scope of Work - The mission of the Audit Department is to provide independent, professional, objective assurance and consulting services designed to add value and improve Metropolitan's operations. It helps the organization accomplish its objectives by using a proactive, systematic approach to evaluate and improve the effectiveness of risk management, control and governance processes. The scope of work of the Audit Department is to determine whether the organization's network of risk management, internal control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- (1) Risks are appropriately identified, managed and monitored;
- (2) Significant financial, managerial and operating information is accurate, reliable and timely;
- (3) Employees; actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- (4) Resources are acquired economically, used efficiently, and adequately protected;
- (5) Programs, plans, and objectives are achieved;
- (6) Quality and continuous improvement are fostered in the organization's control process;
- (7) Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately;

Opportunities for improving management internal control, efficiency and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

(b) Accountability - The General Auditor shall be accountable to the Board of Directors and the ~~Executive Committee~~Audit and Ethics Special Committee to:

- (1) Advise on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks;
- (2) Report significant issues related to the processes for controlling the activities of the organization, including potential improvements to those processes, and provide information concerning such issues through to resolution;
- (3) Coordinate with other Metropolitan control and monitoring functions (risk management, legal, finance, ethics, security and environmental);

(c) Responsibilities - The Audit Department shall carry out the following responsibilities:

- (1) Develop and present a flexible annual audit plan to the ~~Executive Committee~~Audit and Ethics Special Committee for review and approval. This plan should be developed utilizing a risk-based methodology and should include risks or internal control concerns identified by Management or the Board of Directors;
- (2) Report periodically to the ~~Executive Committee~~Audit and Ethics Special Committee and Management the status of the current year's audit plan and the sufficiency of department resources;
- (3) Issue an opinion on internal controls over financial reporting on a annual basis;
- (4) Submit audit reports to the ~~Executive Committee~~Audit and Ethics Special Committee and Management communicating the auditor's opinion regarding the internal control structure, identifying significant control issues and providing related recommendations;

(5) Evaluate the adequacy and timeliness of Management's responses to , and the corrective action taken on, all significant control issues noted in such reports. Conduct follow-up reviews as necessary and periodically report to the ~~Executive Committee~~Audit and Ethics Special Committee the status of Management's progress;

(6) Ensure the selection, development and supervision of competent and professional audit staff;

(7) Meet or exceed the *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics set forth by The Institute of Internal Auditors (IIA). Comply with Metropolitan's policies and procedures; the California Government Code; and Government Auditing Standards (GAGAS);

(8) Perform a quality assurance program by which the General Auditor evaluates internal auditing activities against professional standards. Obtain external quality assurance review as required by GAGAS and the *Standards*;

(9) Perform consulting services to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services;

(10) Evaluate additions or changes in internal control processes coincident with their development and implementation;

(11) Keep the ~~Executive Committee~~Audit and Ethics Special Committee informed of significant emerging trends and best practices in internal auditing and governance;

(12) Assist in the investigation of significant suspected fraudulent activities within the organization. Assure reporting to the ~~Executive Committee~~Audit and Ethics Special Committee on the results, as appropriate;

(13) Coordinate with external auditors to minimize duplication of effort and to ensure that issues raised, as a result of their review, are appropriately addressed.

(d) Authority - The General Auditor and Audit Department staff members are authorized to:

(1) Have unrestricted access to all functions, records, property, and personnel, subject to the requirements of safekeeping, confidentiality and applicable process;

(2) Have full and free access to the ~~Executive Committee~~Audit and Ethics Special Committee, subject to applicable law,

(3) Allocate resources, set frequencies, and select subject, determine scopes of work, and apply the techniques required to accomplish audit objectives;

(4) Obtain the necessary assistance of personnel in units of the organization where they perform audit, as well as other specialized services from within or outside the organization;

The General Auditor and Audit Department staff members are not authorized to:

(1) Perform any operational duties for the organization;

(2) Initiate or approve accounting transactions external to the internal auditing department;

(3) Direct the activities of any organization employee not employed by the internal auditing department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors;

This Charter shall be reviewed at least annually by the ~~Executive Committee~~Audit and Ethics Special Committee and Board of Directors.

§ 6453. Authority to Obtain Professional Services.

The General Auditor is authorized to employ the services of independent auditors or other professional or technical consultants to advise or assist him in performing his assigned duties as may be required or as he deems necessary provided that the amount to be expended in fees, costs, and expenses under any one contract in any one year shall not exceed \$40,000. External auditors, while employed as external auditors for Metropolitan, are prohibited from performing any other consulting work for Metropolitan or performing any work for other clients that conflicts, or may conflict, with their responsibilities as Metropolitan's external auditors. These prohibitions

shall be included in Metropolitan's agreements with external auditors. The General Auditor shall inform the ~~Executive Committee~~ Audit and Ethics Special Committee whenever he exercises the authority granted under this section and he shall further report quarterly to the Legal and Human Resources Committee concerning any agreements entered into under this section.

§ 6472. Authority to Obtain Professional Services. [Ethics Officer]

The Ethics Officer is authorized to employ the services of professional or technical consultants for advice and assistance in performing the duties assigned as may be required or as deemed necessary, provided that the amount to be expended in fees, costs and expenses under any one contract in any one year shall not exceed \$40,000. The Ethics Officer shall inform the Audit and Ethics Special Committee ~~Ethics Subcommittee~~ whenever the authority granted under this section is exercised, and shall further report quarterly on activities concerning any agreements entered into under this section.

§ 6473. Annual Report to Audit and Ethics Special Committee.

The Ethics Officer shall annually, in advance of the July Board meetings, submit to the Audit and Ethics Special Committee ~~Ethics Subcommittee~~ a comprehensive work plan for the Ethics Office with goals and work objectives for review and approval. The work plan with goals and work objectives for the Ethics Office shall also be submitted in conjunction with similar reports by the General Manager, General Counsel and General Auditor.

- **ANNUAL REVIEW OF DEPARTMENTAL BUSINESS PLANS**

The above provisions describing the Executive Committee and Audit and Ethics Special Committee include the duty of reviewing the business plans, annual goals and work objectives of the General Manager (Executive Committee) and General Auditor and Ethics Officer (Audit and Ethics Special Committee) in advance of the July Board meeting. The Legal and Human Resources Committee description is amended consistent with this timing.

§ 2451. Duties and Functions.

The Legal and Human Resources Committee shall study, advise and make recommendations with regard to:

(i) The oversight of the General Counsel's performance and activities. It shall evaluate the performance of the General Counsel at least annually in advance of the July Board meeting. The results of that evaluation shall be provided to the Executive Committee for consideration as part of its annual review of the General Counsel's compensation. It shall also review and approve the comprehensive business plan and annual goals and work objectives for the General Counsel and the Legal Department at the start of each fiscal year in advance of the July ~~August~~ Board meeting.

- **STANDBY CHARGE PROCEDURES**

§ 4304. Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenue.

(a) Not later than at its January meeting the General Manager shall present to the Business and Finance Committee of the Board:

(1) Determinations of the revenue requirements and cost of service analysis supporting the rates and changes required during the fiscal year beginning the following July 1, as determined by the General Manager in accordance with current Board policies, and,

(2) Recommendations of rates, including, but not limited to, the System Access Rate, Water Stewardship Rate, System Power Rate, Treatment Surcharge, and the Supply Rates, for the various classes of water service to become effective the following January 1. These recommended rates shall be the General Manager's determination, made in accordance with current Board policies, of the rates necessary to produce substantially the revenues to be derived from water sales during the fiscal year beginning the following July 1.

(b) The General Manager shall also present to the Business and Finance Committee at its January meeting recommendations regarding the ~~imposition-continuation~~ of a water standby charge or the imposition of an availability of service charge (such as the readiness-to-serve charge and capacity charge) which charge shall be the General Manager's determination, made in accordance with current Board policies, of the charge necessary to produce substantially the revenues to be derived from firm revenue sources, if any, exclusive of taxes, during the fiscal year beginning the following July 1 which the Business and Finance Committee has determined to be necessary.

(c) Not later than its January meeting the Business and Finance Committee shall set a time or times for, and shall thereafter hold, one or more meetings of the Business and Finance Committee to be held prior to its regular March meeting at which interested parties may present their views regarding the proposed water rates and availability of service charges to said committee. The Business and Finance Committee shall direct the General Manager to cause the publication of a notice of such public hearing to be published in newspapers of general circulation within the District's service area. Such notice shall be published not less than 10 days prior to the public hearing.

~~(d) The Business and Finance Committee shall also make at its January meeting a preliminary determination of the type of firm revenue, if any, to be raised for the following fiscal year and recommend to the Board a form of resolution of intention to impose either a water standby charge or an availability of service charge sufficient to raise such firm revenue, exclusive of taxes, to implement such determination. The committee shall also recommend to the Board that it (1) authorize and direct the General Manager to satisfy all notice requirements for implementation of such charge and (2) set dates, times and locations for, and thereafter hold, prior to the regular April meeting, one or more adjourned meetings of the Board, for public hearings and consideration of the imposition of the charge, at which interested parties may present their views regarding the proposed charge.~~

~~(ed)~~ At its regular March meeting the Business and Finance Committee shall make its determination regarding the revenue requirement to be paid from water rates and the water rates to become effective the following January 1 and shall recommend said water rates to the Board at the Board's regular March meeting.

~~(fe)~~ At its March meeting, the Board shall establish water rates for deliveries beginning the following January 1.

~~(ef)~~ Not later than its regular May meeting, the Business and Finance Committee shall make its final determination regarding the water standby charge or other firm revenue charge, if any, for the fiscal year beginning the following July 1, and shall recommend such charge, if any, to the Board at its regular May meeting.

~~(hg)~~ Not later than its May meeting, the Board shall consider and take action upon the recommendations, if any, of the Business and Finance Committee regarding a firm revenue source, exclusive of taxes, for the fiscal year beginning the following July 1.

~~(hh)~~ Proposals for changes in water rates to become effective at times other than on January 1 shall require adequate notice to the public and a hearing before such proposals are acted upon by the Board, unless the Board finds that an immediate change in water rates is urgent.

- **PAY RATE ADMINISTRATION**

§ 6207. Positions Authorized.

Positions in the District service are authorized as follows:

(a) Positions in the classified and unclassified service shall be as set forth in pay rate schedules adopted by the Board showing the ~~position, titles and number of employees authorized for each position~~ salary grade, salary range and title. The number of employees in any position may exceed the number authorized for that position provided the total number of employees authorized ~~in the departmental payroll budget by the schedules~~ is not exceeded. Department Heads are authorized to move a title to a different salary grade in accordance with practices, policies and procedures promulgated by the General Manager.

(b) The General Manager is authorized to employ, for work related to construction, such additional temporary employees as the General Manager deems necessary in positions set forth in the schedules adopted.

(c) For construction work authorized by the Board and performed by District forces, the General Manager is authorized to employ temporary employees in any of the job classifications named in resolutions adopted from time to time by the Board to ascertain and determine the general prevailing rate of wages under contracts awarded by the Board.

(d) Department Heads are authorized to hire such additional temporary employees as may be necessary to (1) provide substitutes for employees on leave; and (2) perform part-time, periodic or emergency work.

(e) Department Heads are authorized to employ such additional employees, consistent with applicable procedures, as may be necessary to fill positions in advance of termination of the incumbents.

(f) The Department Heads are authorized to employ temporary employees provided the total number of employees authorized in the pay rate schedules is not exceeded and may employ for part-time or short periods persons with special qualifications who cannot be classified under the approved job descriptions.

§ 6208. Pay Rate Administration.

(a) Pay rate schedules, as approved by the Board, shall include pay rate grades and pay rate ranges consisting of minimum and maximum rates of pay for each position. Except by action of the Board, or as provided in Section 6208(d), the hourly pay rate paid each employee shall be at least the minimum but not in excess of the maximum hourly pay rate prescribed for the applicable position. Notwithstanding any other provision of this section, the salaries of the department heads shall be fixed as a flat rate.

(b) Pay rates for Department Heads shall be individually fixed by the Board. Pay rates for all employees shall be fixed by their respective Department Heads within the ranges fixed by the Board for such positions in accordance with practices, policies and procedures promulgated by the General Manager. The Executive Committee shall annually make a recommendation to the Board concerning any changes in the salaries and other compensation of the Department Heads, such changes to be acted upon by the Board no later than at its June meeting to be effective at the start of the payroll period beginning nearest to July 1.

(c) Job descriptions in terms of duties and responsibilities shall be prepared by the Director of Human Resources ~~Section Manager~~ for each position. Job descriptions for positions requiring appointment or approval of appointment by the Board shall be submitted to the Board for approval. Job descriptions for positions peculiar to the Legal or Audit Departments or Ethics Office shall be subject to approval of the General Counsel, General Auditor, or Ethics Officer as appropriate. It shall be the duty of Human Resources to insure that all employees are properly classified.

(d) The General Manager is authorized to provide for payment at a "Y" rate to any employee whose position is reclassified to a position in a lower pay rate or the pay rate of whose position is reduced and the General Manager may maintain the employee at a "Y" rate until such time as the General Manager deems the "Y" rate to be no longer justified. As used herein, "Y" rate means a pay rate higher than the highest rate applicable to the employee's position.

(e) New employees, upon entering District service, will be placed by the Director of Human Resources Section Manager at a salary grade and step within the salary range appropriate for the position available and the applicant's qualifications. Employees who are promoted to a position in a higher range shall be paid at least the minimum of such range but not more than four steps over their prior rate or the fifth step of the higher pay rate range, whichever is higher, but not in excess of the maximum rate specified for the position to which promoted. New employees are eligible for a merit increase after completion of a six-month probationary period. The eligibility date for subsequent merit reviews shall be 12 months from the most recent merit increase, promotion or demotion, whichever is later. Employees at the top step of the pay range will not be eligible for any merit increase. Merit increases will be awarded as provided for by Section 6211.

(f) Pay rates for temporary employees in District service are the rates paid to regular employees in the same classifications.

(g) Subject to Section 6211, the performance of regular employees other than Department Heads, will be annually reviewed by their Department Heads to determine eligibility for merit increases under evaluation procedures, guidelines and rules developed by the General Manager. Changes in pay rate ranges approved by the Board have no effect upon these limitations.

(h) Pay Rate Survey.

(1) As needed, the General Manager has the authority to cause a survey to be made of rates of pay and benefits of employees of other organizations specified by the Board, and may thereafter recommend to the Board revisions in the pay rate structure and benefits for employees. The survey need not include positions for which pay rates are established pursuant to a memorandum of understanding approved by the Board which is in effect for the entire calendar year. Action, if any, on the pay rate survey may be taken at the same meeting the survey information is presented or at a subsequent meeting. The General Counsel, ~~and~~ General Auditor and Ethics Officer may also recommend to the Legal and Human Resources Committee revisions regarding positions peculiar to their own departments.

(2) The list of agencies to be used in the District's pay rate survey may include the following nine comparator agencies:

- ~~City of Glendale~~
- ~~Southern California Water Company~~
- ~~Southern California Edison Company~~
- ~~City of Pasadena~~
- ~~Mobil Oil Company~~
- ~~City of Los Angeles~~
- ~~State Department of Water Resources~~
- ~~County of Orange~~
- ~~City of Los Angeles Department of Water & Power~~
- ~~Southern California Gas Company~~
- ~~County of Los Angeles~~
- East Bay Municipal Utility District
- Los Angeles Metropolitan Transportation Authority
- Los Angeles County Sanitation District

Los Angeles Department of Water & Power
Orange County Water Authority District
San Diego County Water Authority
San Francisco Public Utilities Commission
State Department of Water Resources

The nine comparator agencies were selected by comparing the following factors: Industry (type of utility), total number of units managed, population served, total number of employees, total assets, net operating income, gross revenue, and total service area (square miles).

_____ (i) For temporary construction personnel employed under authority of Section 6207(c), the General Manager is authorized to fix the hourly rates of pay at least equal to, but not more than 20 percent higher than, those so determined by the Board to be prevailing in the county in which such personnel primarily will be engaged.

- **UNREPRESENTED EMPLOYEES**

§ 6500. Hourly Pay Rate Schedule.

(a) The hourly pay rate (as that term is defined in subdivision (h~~i~~) of Section 6200) and schedule of positions occupied by unclassified service employees not in an appropriate unit recognized pursuant to Section 6108 shall be as follows:

<u>Grade</u>	<u>Range</u>	<u>Title</u>
54	\$32,7531.58-\$44,0242.45 (\$68,120-65,686-\$91,56288,296)	Staff Assistant to the General Manager Legislative Representative
64	\$42,8441.31-\$57,5455.49 \$89,10785,925-\$119,683115,419	Board Executive Secretary
68	\$47,7246.02-\$64,1461.85 (\$99,25895,722-\$133,411128,648)	Principal Legislative Representative
<u>70</u>	<u>\$50.36-67.73</u> (\$104,749-\$140,878)	<u>Staff Assistant to the General Manager</u>
<u>71</u>	<u>\$51.70-69.55</u> (\$107,536-\$144,664)	<u>Senior Executive Assistant to General Manager</u>
73	\$54,5652.61-\$73,4470.82 (\$113,485109,429-\$152,755147,306)	Employee Relations Unit Manager
<u>75</u>	<u>\$57.54-\$77.57</u> (\$119,683-\$161,346)	<u>Inland Feeder Project Manager</u>
78	\$62,4160.18-\$84,1181.11 (\$129,813125,174-\$174,949168,709)	Special Projects Manager <u>Human Resources Section Manager</u>
79	\$64,1461.85-\$86,4383.35 (\$133,411128,648-\$179,774173,368)	Executive Legislative Representative Executive Strategist

		Assistant Group Manager Assistant General Auditor Executive Assistant <u>Senior Deputy General Counsel – Labor</u>
83	\$71,4968.94-\$96,3592.91 (\$148,699143,395-\$200,408193,253)	Group Manager Director of Human Resources Chief Deputy General Counsel - Labor
84	\$73,4470.82-\$99,0095.47 (\$152,755147,306-\$205,920198,578)	Deputy General Manager – <u>External Affairs</u> Assistant General Counsel
91	\$88,8185.64-\$126,35115.41 (\$184,725178,131-\$262,808290,053)	Assistant General Managers Chief Operating Officer Chief Administrative Officer Chief Financial Officer Strategic Water Initiatives

() Shows approximate annual salary range for convenience; Board approved rates are hourly. None of the above positions are eligible for overtime.

(b) Unrepresented employees are eligible to receive a monthly transportation allowance. Transportation allowance amounts are to be administered by the General Manager based on a schedule approved by the Board of Directors.

(c) Unrepresented employees are eligible to participate in a pay-for-performance incentive program promulgated by the General Manager. The Board shall establish the total expenditure for the program.

(d) Unless otherwise directed by the Board, the range of base hourly pay rates for the employees in the positions identified in Section 6500(b) will be adjusted annually to correspond with the annual across-the-board salary adjustment provided to the District’s management unit. Actual pay rates for these employees will be based on merit pursuant to employee evaluations. Department Heads are authorized to move a position to a different salary grade in accordance with practices, policies and procedures promulgated by the General Manager.

§ 6501. Provisions Related to Unrepresented Positions.

(a) The General Manager may designate titles other than those identified in Section 6500 to be unrepresented positions when the following criteria are met:

(1) The incumbent employee performs duties determined by the applicable Department Head ~~General Manager~~ as having significant responsibilities for formulating and administering District policies or programs at the executive level, or as having significant responsibilities for administering employer-employee relations matters at the executive level.

(2) The title is provided for, and the employee is to be paid at the same grade as and within the same range of an identical position included in another salary schedule approved by the Board.

(b) Any titles designated pursuant to Section 6501(a) shall be deleted as an unrepresented position if not included by the Board when it next amends Section 6500 or approves a related memorandum of understanding pursuant to Section 6110(e).

(c) The General Manager may eliminate titles designated as unrepresented when the title is included in another schedule approved by the Board, and if the General Manager determines the incumbent holding the title no longer has significant responsibilities for formulating and administering District policies or programs at the executive level, or as having significant responsibilities for administering employer-employee relations matters at the executive level.

- **CONTRACTS AND GRANTS WITH METROPOLITAN**

§ 7105. Contracts and Grants With Metropolitan.

(a) Board members, officers, and employees are prohibited from offering inducements to a potential vendor, contractor, grantee, or other party, to the exclusion of similar persons or firms, in hopes of obtaining reciprocal favors. Metropolitan policies pertaining to the procurement of goods, services, and contractors, as well as the hiring of personnel, must be followed to ensure fairness to the participants.

(b) No Board member, officer, ~~or~~ employee or consultant shall make, participate in making or attempt to influence exercise any decision-making power with respect to any transaction, contract, grant or sale to which Metropolitan is a party, ~~if and in which~~ the Board member, officer, ~~or~~ employee or consultant, or an immediate relative ~~thereof, of the Board member, officer or employee,~~ has a financial interest (as defined in the California Political Reform Act), ~~or is an officer or employee.~~ “Immediate relative” means a spouse, domestic partner, child, parent, parent in-law, brother, sister, stepparent, stepchild, grandparent or grandchild. Metropolitan may require potential contractors or grantees to submit verified written statements regarding any financial interests of Board members, officers, employees, consultants or their immediate relatives in proposed transactions, contracts, grants or sales.

(c) No Board member, officer, or employee shall grant any special consideration, treatment or advantage to any person or group beyond that available to every other person or group in the same circumstances, as prohibited by Section 7103 of this Administrative Code, in connection with any transaction, contract, grant or sale to which Metropolitan is a party. Proposed relationships with former Board members or Metropolitan employees subject to Board approval must be evaluated carefully in advance of completing any agreement with such persons to ensure that no unfair advantage is given to them and that Metropolitan’s interests are fully protected in such situations.

(d) Metropolitan shall not make any contract or award any grant in which a to a Metropolitan Board member, officer or employee has a financial interest, unless a remote interest or non-interest, as defined in the California Government Code, applies.

(e) Metropolitan shall not contract for services of any director during the Director’s term of office and a period of one year thereafter. The restriction on contracting after leaving office may be waived in specific cases by a 2/3 vote of the Board of Directors.

ATTACHMENT 2

- **CHANGES IN ORGANIZATION.**

The following titles of officers and the Human Resources Group will be corrected wherever they appear in the Administrative Code:

*Executive Vice President shall be changed to Chief Administrative Officer;
Executive Secretary shall be changed to Board Executive Secretary;
Human Resources Section shall be changed to Human Resources Group; and
Human Resources Section Manager shall be changed to Director of Human Resources.*

These nonsubstantive changes will be made where necessary. In the interests of economy and sustainability, the revised sections are included in this letter only if additional changes are also proposed for those sections.

§ 6400. Creation of Offices.

The following offices are hereby created:

(a) Executive Offices:

- General Manager
- General Counsel
- General Auditor
- Ethics Officer

(b) Principal assistants within the executive offices, with number as authorized from time to time by the Board.

(1) Principal assistants to the General Manager:

- Assistant General Manager(s) and/or Chief Operating Officer, Chief Administrative Officer and Chief Financial Officer
- Deputy General Manager(s)

(2) Principal assistants to the General Counsel:

- Assistant(s) General Counsel

(3) Principal assistants to the General Auditor:

- Assistant(s) General Auditor

(c) Other Offices:

- Controller
- Treasurer
- Board Executive Secretary
- Deputies General Counsel, with number as authorized from time to time by the Board.

§ 6411. Principal Assistants.

The powers and duties of the principal assistants to the General Manager are as follows:

(a) The Assistant General Manager(s), Chief Operating Officer, Chief Administrative Officer, and Chief Financial Officer shall perform such duties and render such services as may be assigned to them by the General

Manager with like effect as though such duties or services were performed or rendered in person by the General Manager. The General Manager shall designate in writing by office and name principal assistants to act in the General Manager's place in the event the General Manager is absent, unable to act in person, or until the appointment and qualification of the General Manager's successor, and shall specify the order in which such principal assistants shall assume the powers and duties of the General Manager in any such event. The designation may be changed by the General Manager at any time and for any reason, but a designation shall be kept on file at all times. The original of the designation shall be filed in the office of the Board Executive Secretary, and a signed copy shall be delivered to the principal assistants named therein.

(b) The Assistant General Manager(s), Chief Operating Officer, Chief Administrative Officer, and Chief Financial Officer shall act in the name of the General Manager, except when empowered by law or in writing by the Board or the General Manager to act in their own names, and their acts shall be equally effective whether done in their own names or in the name of their principal.

- **AUDIT AND ETHICS SPECIAL COMMITTEE**

§ 2413. Duties and Functions. *[Executive Committee]*

(a) The Executive Committee shall study, advise, and make recommendations with regard to:

(1) Public information for governmental and other entities and officials, and for the citizens of California regarding matters affecting the District's interests;

(2) Official dealings with the United States Government, the State of California or other states, member public agencies or their sub-agencies, foreign governments and other entities or persons in matters of public policy or other activities as deemed appropriate;

(3) Policies and procedures to be considered by the Board or committees thereof, except for policy matters within the jurisdiction of a specific standing committee;

(4) Matters relating to the Colorado River Board of California;

(5) Major policy issues to be considered by the Board, including proposed amendments to the Metropolitan Water District Act;

(6) Questions raised by the officers and staff in intervals between meetings of the Board and in unexpected situations and emergencies.

(7) The terms and conditions of employment of all consultants and advisors not within the jurisdiction of other committees;

(8) Resolution of conflicting committee recommendations pursuant to Section 2314;

(9) The progress of, and propose modifications to, the Board's goals in light of then existing and projected future conditions; and

(10) Such other matters as may be required by Division II of this Code.

(b) The Executive Committee shall:

(1) Review and approve board and committee agendas and, notwithstanding the jurisdiction of the other standing committees in the Code, have the authority to direct which committee shall consider an item;

- (2) Review and approve the scheduling of board and committee meetings;
 - (3) Be responsible for the oversight and management of the organization including, but not limited to, the form of the District's organization and the flow of the authority and responsibility. This includes monitoring and overseeing the duties and responsibilities of management; and
 - (4) Consider the effectiveness of the District's internal control system, including information technology security and control.
- (c) The Executive Committee shall retain ultimate responsibility for those duties as are specifically assigned to the subcommittees of the Executive Committee.
- (d) The Executive Committee shall be responsible for the oversight of the performances and activities of the General Manager and an annual review of the compensation of the General Manager, General Counsel, General Auditor and Ethics Officer. The Executive Committee shall evaluate the performance of the General Manager at least annually in advance of the July Board meetings. It shall also review and approve the General Manager's comprehensive business plan and annual goals and work objectives of the General Manager at the start of each fiscal year in advance of the July Board meetings.
- (e) After its review and consideration of the annual assessment of, and recommendations concerning Department Heads, including the annual assessment and recommendations of the Legal and Human Resources Committee concerning the performance of the General Counsel and the Audit and Ethics Special Committee concerning the performance of the General Auditor and Ethics Officer, the Executive Committee shall make recommendations to the Board on the salary and other compensation of Department Heads in advance of the July meetings, with any changes to be effective at the start of the payroll period nearest to July 1.
- (f) The Executive Committee shall also:
- (1) Act on behalf of the Board in unexpected situations and emergencies, subject to subsequent approval or ratification of the actions taken whenever such approval or ratification is required by law.
 - (2) Provide policy guidance where appropriate to those directors and District staff members who are associated with organizations in which the District has membership.
 - (3) Conduct hearings on vendors' protests:
 - (i) Hearings requested pursuant to Section 8142(d), and other hearings granted on the Executive Committee's own motion, unless delegated pursuant to Section 8148 shall be held by the committee at its next regular meeting to be held at least 72 hours after filing of the notice of protest. The hearing shall be conducted in accordance with such rules as the Chair of the committee shall announce. The committee shall make a decision on the bidder's or applicant's protest, shall set forth its reasons therefor, and shall cause the Board Executive Secretary to serve a copy of the decision on the bidder or applicant. The decision of the committee shall be final unless the committee chooses to refer the notice of protest to the Board.
 - (ii) The Chair of the Executive Committee may redelegate hearings provided for under subparagraph (i) above to a minimum of three members of the Executive Committee who shall act in place of the committee in the conduct of the hearing and who shall at the conclusion thereof make their recommendations to the full committee. Such recommendations shall be accompanied by copies of any materials submitted in evidence. Any hearing held and recommendations made pursuant to such delegated authority shall be completed in advance of the time set for the next regular meeting of the full committee following the meeting at which the matter would otherwise have been heard by the committee.

(4) Resolve disputes over inspection dates and monitor conduct of inspection trips to assure maximum effectiveness.

§ 2501. Audit and Ethics Special Committee.

(a) The Audit and Ethics Special Committee shall hold regular meetings not less than four times a year on a quarterly basis, or as required to accomplish a specific committee objective.

(b) Duties and Functions.

(1) The Audit and Ethics Special Committee shall study, advise and make recommendations with regard to:

(i) All reports of the General Auditor and external auditors, including the audited financial statements of the District;

(ii) The Audit Department's annual business plan and annual budget;

(iii) The Ethics Department's annual business plan and annual budget;

(iv) Requests from other committees of the Board for audits and reviews not included in the Audit Department's annual business plan.

(v) The policies and procedures of Metropolitan's ethics program.

(2) The Audit and Ethics Special Committee shall be responsible for oversight of the General Auditor's performance and activities; and, for monitoring and overseeing the duties and responsibilities of the Audit Department and the external auditors as those duties and responsibilities relate to the effectiveness of the District's internal control system. It shall evaluate the performance of the General Auditor at least annually in advance of the July Board meeting. The results of that evaluation shall be provided to the Executive Committee for consideration as part of its annual review of the General Auditor's compensation. It shall review and approve the comprehensive plan and annual goals and work objectives of the General Auditor and the Audit Department at the start of each fiscal year in advance of the July Board meeting.

(3) The Audit and Ethics Special Committee shall be responsible for oversight of the performance and activities of the Ethics Officer. It shall evaluate the performance of the Ethics Officer at least annually in advance of the July Board meeting. The results of that evaluation shall be provided to the Executive Committee for consideration as part of its annual review of the compensation of the Ethics Officer. It shall also review and approve the comprehensive business plan and annual goals and work objectives for the Ethics Office at the start of each fiscal year in advance of the July Board meeting.

§ 5108. Appropriations.

...

(b) Appropriations shall from time to time be authorized by the Board for capital projects and for funding of continuing expenditures not susceptible to immediate direct allocation, including those for undistributed payroll and fringe benefits, for operating equipment, and for materials and equipment inventories. Appropriations for all other purposes shall be authorized on an annual basis in accordance with Section 5107 hereof.

§ 6450. Powers and Duties. [General Auditor]

(a) The District's independent internal auditing function is governed by provisions of the California Government Code and by policies established by the Board of Directors. The Audit and Ethics Special Committee is responsible for the oversight of the internal auditing function, approving the Audit Department charter (subject to review and approval of the Board of Directors), selecting and overseeing the work of external auditors, and reviewing reports issued by both the internal and external auditors.

(b) The General Auditor manages the District's Audit Department and is responsible for formulating departmental policies and procedures; directing and evaluating the performance of work done by employees within the department, administering the internal records of the department; and administering the District's contract for external audit services. The General Auditor shall annually in advance of the July Board meetings, submit to the Audit and Ethics Special Committee a comprehensive Audit business plan for review and approval. The business plan shall be submitted in conjunction with similar reports by the General Manager, and General Counsel to the Executive Committee and the Legal and Human Resources Committee.

(c) The General Auditor shall report the findings, opinions, and recommendations which result from the performance of the duties outlined in paragraph 6450(b) to the General Manager, General Counsel and Ethics Officer for their information and appropriate actions. Whenever an audit report contains recommendations for corrective actions or changes in current practices, the General Manager, General Counsel, Ethics Officer or their designees shall respond to the General Auditor in an appropriate manner and within a reasonable time, indicating their views on the recommendations and proposed actions to be taken, if any.

(d) The General Auditor's reports on internal audit assignments shall be addressed to the Audit and Ethics Special Committee. The General Auditor shall have the discretion to determine the form and content of such audit reports, subject to guidance by the Audit and Ethics Special Committee. With the exception of those reports which the General Auditor deems to be urgent or confidential in nature, copies of all audit reports addressed to the Audit and Ethics Special Committee shall be submitted to the General Manager and General Counsel for review and comment simultaneously to their submittal to the Audit and Ethics Special Committee.

(e) The General Auditor shall transmit all reports issued by the District's external auditors to the Audit and Ethics Special Committee and any other committees of the Board as may be applicable. Such transmittal letters should include any comments on the external auditor's reports that the General Auditor deems necessary.

(f) The General Auditor may receive requests from time to time from the other executive officers or committees of the Board to perform audit assignments which are not included in the approved annual Audit Business Plan. Similarly, the General Auditor may identify a need to include new assignments in the Audit Business Plan during the year. The General Auditor shall have sufficient latitude and discretion to include those new assignments in the annual Audit Business Plan as he deems necessary. The reporting process for assignments requested by either executive management or by committees of the Board shall generally follow the process outlined in paragraphs 6450(c) or (d) previously. However, any reports on audits requested by a committee of the Board shall be jointly addressed to such committee and the Audit and Ethics Special Committee. Copies of these reports will first be provided to management for review and comment consistent with the provisions of paragraph 6450(d).

(g) The General Auditor shall manage the work of the Audit Department in accordance with the Audit Department Charter. The General Auditor shall assess annually whether the purpose, authority and responsibility, as defined in this Charter, continue to be adequate to enable the Audit Department to accomplish its objectives.

§ 6451. Audit Department Charter.

(a) Mission and Scope of Work - The mission of the Audit Department is to provide independent, professional, objective assurance and consulting services designed to add value and improve Metropolitan's operations. It helps the organization accomplish its objectives by using a proactive, systematic approach to evaluate and improve the effectiveness of risk management, control and governance processes. The scope of

work of the Audit Department is to determine whether the organization's network of risk management, internal control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- (1) Risks are appropriately identified, managed and monitored;
- (2) Significant financial, managerial and operating information is accurate, reliable and timely;
- (3) Employees; actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- (4) Resources are acquired economically, used efficiently, and adequately protected;
- (5) Programs, plans, and objectives are achieved;
- (6) Quality and continuous improvement are fostered in the organization's control process;
- (7) Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately;

Opportunities for improving management internal control, efficiency and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

(b) Accountability - The General Auditor shall be accountable to the Board of Directors and the Audit and Ethics Special Committee to:

- (1) Advise on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks;
- (2) Report significant issues related to the processes for controlling the activities of the organization, including potential improvements to those processes, and provide information concerning such issues through to resolution;
- (3) Coordinate with other Metropolitan control and monitoring functions (risk management, legal, finance, ethics, security and environmental);

(c) Responsibilities - The Audit Department shall carry out the following responsibilities:

- (1) Develop and present a flexible annual audit plan to the Audit and Ethics Special Committee for review and approval. This plan should be developed utilizing a risk-based methodology and should include risks or internal control concerns identified by Management or the Board of Directors;
- (2) Report periodically to the Audit and Ethics Special Committee and Management the status of the current year's audit plan and the sufficiency of department resources;
- (3) Issue an opinion on internal controls over financial reporting on an annual basis;
- (4) Submit audit reports to the Audit and Ethics Special Committee and Management communicating the auditor's opinion regarding the internal control structure, identifying significant control issues and providing related recommendations;
- (5) Evaluate the adequacy and timeliness of Management's responses to , and the corrective action taken on, all significant control issues noted in such reports. Conduct follow-up reviews as necessary and periodically report to the Audit and Ethics Special Committee the status of Management's progress;
- (6) Ensure the selection, development and supervision of competent and professional audit staff;
- (7) Meet or exceed the *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics set forth by The Institute of Internal Auditors (IIA). Comply with Metropolitan's policies and procedures; the California Government Code; and Government Auditing Standards (GAGAS);
- (8) Perform a quality assurance program by which the General Auditor evaluates internal auditing activities against professional standards. Obtain external quality assurance review as required by GAGAS and the *Standards*;
- (9) Perform consulting services to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services;
- (10) Evaluate additions or changes in internal control processes coincident with their development and implementation;

- (11) Keep the Audit and Ethics Special Committee informed of significant emerging trends and best practices in internal auditing and governance;
- (12) Assist in the investigation of significant suspected fraudulent activities within the organization. Assure reporting to the Audit and Ethics Special Committee on the results, as appropriate;
- (13) Coordinate with external auditors to minimize duplication of effort and to ensure that issues raised, as a result of their review, are appropriately addressed.

(d) Authority - The General Auditor and Audit Department staff members are authorized to:

- (1) Have unrestricted access to all functions, records, property, and personnel, subject to the requirements of safekeeping, confidentiality and applicable process;
- (2) Have full and free access to the Audit and Ethics Special Committee, subject to applicable law,
- (3) Allocate resources, set frequencies, and select subject, determine scopes of work, and apply the techniques required to accomplish audit objectives;
- (4) Obtain the necessary assistance of personnel in units of the organization where they perform audit, as well as other specialized services from within or outside the organization;

The General Auditor and Audit Department staff members are not authorized to:

- (1) Perform any operational duties for the organization;
- (2) Initiate or approve accounting transactions external to the internal auditing department;
- (3) Direct the activities of any organization employee not employed by the internal auditing department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors;

This Charter shall be reviewed at least annually by the Audit and Ethics Special Committee and Board of Directors.

§ 6453. Authority to Obtain Professional Services.

The General Auditor is authorized to employ the services of independent auditors or other professional or technical consultants to advise or assist him in performing his assigned duties as may be required or as he deems necessary provided that the amount to be expended in fees, costs, and expenses under any one contract in any one year shall not exceed \$40,000. External auditors, while employed as external auditors for Metropolitan, are prohibited from performing any other consulting work for Metropolitan or performing any work for other clients that conflicts, or may conflict, with their responsibilities as Metropolitan's external auditors. These prohibitions shall be included in Metropolitan's agreements with external auditors. The General Auditor shall inform the Audit and Ethics Special Committee whenever he exercises the authority granted under this section and he shall further report quarterly to the Legal and Human Resources Committee concerning any agreements entered into under this section.

§ 6472. Authority to Obtain Professional Services. [Ethics Officer]

The Ethics Officer is authorized to employ the services of professional or technical consultants for advice and assistance in performing the duties assigned as may be required or as deemed necessary, provided that the amount to be expended in fees, costs and expenses under any one contract in any one year shall not exceed \$40,000. The Ethics Officer shall inform the Audit and Ethics Special Committee whenever the authority granted under this section is exercised, and shall further report quarterly on activities concerning any agreements entered into under this section.

§ 6473. Annual Report to Audit and Ethics Special Committee.

The Ethics Officer shall annually, in advance of the July Board meetings, submit to the Audit and Ethics Special Committee a comprehensive work plan for the Ethics Office with goals and work objectives for review and approval. The work plan with goals and work objectives for the Ethics Office shall also be submitted in conjunction with similar reports by the General Manager, General Counsel and General Auditor.

- **ANNUAL REVIEW OF DEPARTMENTAL BUSINESS PLANS**

The above provisions describing the Executive Committee and Audit and Ethics Special Committee include the duty of reviewing the business plans, annual goals and work objectives of the General Manager (Executive Committee) and General Auditor and Ethics Officer (Audit and Ethics Special Committee) in advance of the July Board meeting. The Legal and Human Resources Committee description is amended consistent with this timing.

§ 2451. Duties and Functions.

The Legal and Human Resources Committee shall study, advise and make recommendations with regard to:

(i) The oversight of the General Counsel's performance and activities. It shall evaluate the performance of the General Counsel at least annually in advance of the July Board meeting. The results of that evaluation shall be provided to the Executive Committee for consideration as part of its annual review of the General Counsel's compensation. It shall also review and approve the comprehensive business plan and annual goals and work objectives for the General Counsel and the Legal Department at the start of each fiscal year in advance of the July Board meeting.

- **STANDBY CHARGE PROCEDURES**

§ 4304. Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenue.

(a) Not later than at its January meeting the General Manager shall present to the Business and Finance Committee of the Board:

(1) Determinations of the revenue requirements and cost of service analysis supporting the rates and changes required during the fiscal year beginning the following July 1, as determined by the General Manager in accordance with current Board policies, and,

(2) Recommendations of rates, including, but not limited to, the System Access Rate, Water Stewardship Rate, System Power Rate, Treatment Surcharge, and the Supply Rates, for the various classes of water service to become effective the following January 1. These recommended rates shall be the General Manager's determination, made in accordance with current Board policies, of the rates necessary to produce substantially the revenues to be derived from water sales during the fiscal year beginning the following July 1.

(b) The General Manager shall also present to the Business and Finance Committee at its January meeting recommendations regarding the continuation of a water standby charge or the imposition of an availability of service charge (such as the readiness-to-serve charge and capacity charge) which charge shall be the General Manager's determination, made in accordance with current Board policies, of the charge necessary to produce substantially the revenues to be derived from firm revenue sources, if any, exclusive of taxes, during the fiscal year beginning the following July 1 which the Business and Finance Committee has determined to be necessary.

(c) Not later than its January meeting the Business and Finance Committee shall set a time or times for, and shall thereafter hold, one or more meetings of the Business and Finance Committee to be held prior to its regular March meeting at which interested parties may present their views regarding the proposed water rates and

availability of service charges to said committee. The Business and Finance Committee shall direct the General Manager to cause the publication of a notice of such public hearing to be published in newspapers of general circulation within the District's service area. Such notice shall be published not less than 10 days prior to the public hearing.

(d) At its regular March meeting the Business and Finance Committee shall make its determination regarding the revenue requirement to be paid from water rates and the water rates to become effective the following January 1 and shall recommend said water rates to the Board at the Board's regular March meeting.

(e) At its March meeting, the Board shall establish water rates for deliveries beginning the following January 1.

(f) Not later than its regular May meeting, the Business and Finance Committee shall make its final determination regarding the water standby charge or other firm revenue charge, if any, for the fiscal year beginning the following July 1, and shall recommend such charge, if any, to the Board at its regular May meeting.

(g) Not later than its May meeting, the Board shall consider and take action upon the recommendations, if any, of the Business and Finance Committee regarding a firm revenue source, exclusive of taxes, for the fiscal year beginning the following July 1.

(h) Proposals for changes in water rates to become effective at times other than on January 1 shall require adequate notice to the public and a hearing before such proposals are acted upon by the Board, unless the Board finds that an immediate change in water rates is urgent.

- **PAY RATE ADMINISTRATION**

§ 6207. Positions Authorized.

Positions in the District service are authorized as follows:

(a) Positions in the classified and unclassified service shall be as set forth in pay rate schedules adopted by the Board showing the salary grade, salary range and title. The number of employees in any position may exceed the number authorized for that position provided the total number of employees authorized in the departmental payroll budget is not exceeded. Department Heads are authorized to move a title to a different salary grade in accordance with practices, policies and procedures promulgated by the General Manager.

(b) The General Manager is authorized to employ, for work related to construction, such additional temporary employees as the General Manager deems necessary in positions set forth in the schedules adopted.

(c) For construction work authorized by the Board and performed by District forces, the General Manager is authorized to employ temporary employees in any of the job classifications named in resolutions adopted from time to time by the Board to ascertain and determine the general prevailing rate of wages under contracts awarded by the Board.

(d) Department Heads are authorized to hire such additional temporary employees as may be necessary to (1) provide substitutes for employees on leave; and (2) perform part-time, periodic or emergency work.

(e) Department Heads are authorized to employ such additional employees, consistent with applicable procedures, as may be necessary to fill positions in advance of termination of the incumbents.

(f) The Department Heads are authorized to employ temporary employees provided the total number of employees authorized in the pay rate schedules is not exceeded and may employ for part-time or short periods persons with special qualifications who cannot be classified under the approved job descriptions.

§ 6208. Pay Rate Administration.

(a) Pay rate schedules, as approved by the Board, shall include pay rate grades and pay rate ranges consisting of minimum and maximum rates of pay for each position. Except by action of the Board, or as provided in Section 6208(d), the hourly pay rate paid each employee shall be at least the minimum but not in excess of the maximum hourly pay rate prescribed for the applicable position. Notwithstanding any other provision of this section, the salaries of the department heads shall be fixed as a flat rate.

(b) Pay rates for Department Heads shall be individually fixed by the Board. Pay rates for all employees shall be fixed by their respective Department Heads within the ranges fixed by the Board for such positions in accordance with practices, policies and procedures promulgated by the General Manager. The Executive Committee shall annually make a recommendation to the Board concerning any changes in the salaries and other compensation of the Department Heads, such changes to be acted upon by the Board no later than at its June meeting to be effective at the start of the payroll period beginning nearest to July 1.

(c) Job descriptions in terms of duties and responsibilities shall be prepared by the Director of Human Resources for each position. Job descriptions for positions requiring appointment or approval of appointment by the Board shall be submitted to the Board for approval. Job descriptions for positions peculiar to the Legal or Audit Departments or Ethics Office shall be subject to approval of the General Counsel, General Auditor, or Ethics Officer as appropriate. It shall be the duty of Human Resources to insure that all employees are properly classified.

(d) The General Manager is authorized to provide for payment at a "Y" rate to any employee whose position is reclassified to a position in a lower pay rate or the pay rate of whose position is reduced and the General Manager may maintain the employee at a "Y" rate until such time as the General Manager deems the "Y" rate to be no longer justified. As used herein, "Y" rate means a pay rate higher than the highest rate applicable to the employee's position.

(e) New employees, upon entering District service, will be placed by the Director of Human Resources at a salary grade and step within the salary range appropriate for the position available and the applicant's qualifications. Employees who are promoted to a position in a higher range shall be paid at least the minimum of such range but not more than four steps over their prior rate or the fifth step of the higher pay rate range, whichever is higher, but not in excess of the maximum rate specified for the position to which promoted. New employees are eligible for a merit increase after completion of a six-month probationary period. The eligibility date for subsequent merit reviews shall be 12 months from the most recent merit increase, promotion or demotion, whichever is later. Employees at the top step of the pay range will not be eligible for any merit increase. Merit increases will be awarded as provided for by Section 6211.

(f) Pay rates for temporary employees in District service are the rates paid to regular employees in the same classifications.

(g) Subject to Section 6211, the performance of regular employees other than Department Heads, will be annually reviewed by their Department Heads to determine eligibility for merit increases under evaluation procedures, guidelines and rules developed by the General Manager. Changes in pay rate ranges approved by the Board have no effect upon these limitations.

(h) Pay Rate Survey.

(1) As needed, the General Manager has the authority to cause a survey to be made of rates of pay and benefits of employees of other organizations specified by the Board, and may thereafter recommend to the Board revisions in the pay rate structure and benefits for employees. The survey need not include positions for which pay rates are established pursuant to a memorandum of understanding approved by the Board which is in effect for the entire calendar year. Action, if any, on the pay rate survey may be taken at the same meeting the survey information is presented or at a subsequent meeting. The General Counsel, General Auditor and Ethics Officer may also recommend to the Legal and Human Resources Committee revisions regarding positions peculiar to their own departments.

(2) The list of agencies to be used in the District's pay rate survey may include the following nine comparator agencies:

- County of Los Angeles
- East Bay Municipal Utility District
- Los Angeles Metropolitan Transportation Authority
- Los Angeles County Sanitation District
- Los Angeles Department of Water & Power
- Orange County Water ~~Authority~~ District
- San Diego County Water Authority
- San Francisco Public Utilities Commission
- State Department of Water Resources

The nine comparator agencies were selected by comparing the following factors: Industry (type of utility), total number of units managed, population served, total number of employees, total assets, net operating income, gross revenue, and total service area (square miles).

(i) For temporary construction personnel employed under authority of Section 6207(c), the General Manager is authorized to fix the hourly rates of pay at least equal to, but not more than 20 percent higher than, those so determined by the Board to be prevailing in the county in which such personnel primarily will be engaged.

- **UNREPRESENTED EMPLOYEES**

§ 6500. Hourly Pay Rate Schedule.

(a) The hourly pay rate (as that term is defined in subdivision (h) of Section 6200) and schedule of positions occupied by unclassified service employees not in an appropriate unit recognized pursuant to Section 6108 shall be as follows:

<u>Grade</u>	<u>Range</u>	<u>Title</u>
54	\$32.75-\$44.02 (\$68,120--\$91,562)	Legislative Representative
64	\$42.84-\$57.54 \$89,107-\$119,683	Board Executive Secretary
68	\$47.72-\$64.14 (\$99,258-\$133,411)	Principal Legislative Representative
70	\$50.36-67.73 (\$104,749-\$140,878)	Staff Assistant to the General Manager

71	\$51.70-69.55 (\$107,536-\$144,664)	Senior Executive Assistant to General Manager
73	\$54.56-\$73.44 (\$113,485-\$152,755)	Employee Relations Unit Manager
75	\$57.54-\$77.57 (\$119,683-\$161,346)	Inland Feeder Project Manager
78	\$62.41-\$84.11 (\$129,813-\$174,949)	Special Projects Manager Human Resources Section Manager
79	\$64.14-\$86.43 (\$133,411-\$179,774)	Executive Legislative Representative Executive Strategist Assistant Group Manager Assistant General Auditor Executive Assistant Senior Deputy General Counsel – Labor
83	\$71.49-\$96.35 (\$148,699-\$200,408)	Group Manager Director of Human Resources Chief Deputy General Counsel - Labor
84	\$73.44-\$99.00 (\$152,755-\$205,920)	Deputy General Manager – External Affairs Assistant General Counsel
91	\$88.81-\$126.35 (\$184,725-\$262,808)	Assistant General Managers Chief Operating Officer Chief Administrative Officer Chief Financial Officer Strategic Water Initiatives

() Shows approximate annual salary range for convenience; Board approved rates are hourly. None of the above positions are eligible for overtime.

(b) Unrepresented employees are eligible to receive a monthly transportation allowance. Transportation allowance amounts are to be administered by the General Manager based on a schedule approved by the Board of Directors.

(c) Unrepresented employees are eligible to participate in a pay-for-performance incentive program promulgated by the General Manager. The Board shall establish the total expenditure for the program.

(d) Unless otherwise directed by the Board, the range of base hourly pay rates for the employees in the positions identified in Section 6500(b) will be adjusted annually to correspond with the annual across-the-board salary adjustment provided to the District's management unit. Actual pay rates for these employees will be based on merit pursuant to employee evaluations. Department Heads are authorized to move a position to a different salary grade in accordance with practices, policies and procedures promulgated by the General Manager.

§ 6501. Provisions Related to Unrepresented Positions.

(a) The General Manager may designate titles other than those identified in Section 6500 to be unrepresented positions when the following criteria are met:

(1) The incumbent employee performs duties determined by the applicable Department Head as having significant responsibilities for formulating and administering District policies or programs at the executive level, or as having significant responsibilities for administering employer-employee relations matters at the executive level.

(2) The title is provided for, and the employee is to be paid at the same grade as and within the same range of an identical position included in another salary schedule approved by the Board.

(b) Any titles designated pursuant to Section 6501(a) shall be deleted as an unrepresented position if not included by the Board when it next amends Section 6500 or approves a related memorandum of understanding pursuant to Section 6110(e).

(c) The General Manager may eliminate titles designated as unrepresented when the title is included in another schedule approved by the Board, and if the General Manager determines the incumbent holding the title no longer has significant responsibilities for formulating and administering District policies or programs at the executive level, or as having significant responsibilities for administering employer-employee relations matters at the executive level.

- **CONTRACTS AND GRANTS WITH METROPOLITAN**

§ 7105. Contracts and Grants With Metropolitan.

(a) Board members, officers, and employees are prohibited from offering inducements to a potential vendor, contractor, grantee, or other party, to the exclusion of similar persons or firms, in hopes of obtaining reciprocal favors. Metropolitan policies pertaining to the procurement of goods, services, and contractors, as well as the hiring of personnel, must be followed to ensure fairness to the participants.

(b) No Board member, officer, employee or consultant shall make, participate in making or attempt to influence any transaction, contract, grant or sale to which Metropolitan is a party, if the Board member, officer, employee or consultant, or an immediate relative thereof, has a financial interest (as defined in the California Political Reform Act). "Immediate relative" means a spouse, domestic partner, child, parent, parent-in-law, brother, sister, stepparent, stepchild, grandparent or grandchild. Metropolitan may require potential contractors or grantees to submit verified written statements regarding any financial interests of Board members, officers, employees, consultants or their immediate relatives in proposed transactions, contracts, grants or sales.

(c) No Board member, officer, or employee shall grant any special consideration, treatment or advantage to any person or group beyond that available to every other person or group in the same circumstances, as prohibited by Section 7103 of this Administrative Code, in connection with any transaction, contract, grant or sale to which Metropolitan is a party. Proposed relationships with former Board members or Metropolitan employees subject to Board approval must be evaluated carefully in advance of completing any agreement with such persons to ensure that no unfair advantage is given to them and that Metropolitan's interests are fully protected in such situations.

(d) Metropolitan shall not make any contract or award any grant in which a Metropolitan Board member, officer or employee has a financial interest, unless a remote interest or non-interest, as defined in the California Government Code, applies.

(e) Metropolitan shall not contract for services of any director during the Director's term of office and a period of one year thereafter. The restriction on contracting after leaving office may be waived in specific cases by a 2/3 vote of the Board of Directors.