

General Manager's Business Plan Semiannual Status Report FY2008/09

This is the Semiannual Status Report on the Office of the General Manager's Business Plan. Metropolitan's Business Plan identifies the priorities, strategies and actions to be implemented for Fiscal Year 2008/09. The implementation of these strategies and actions, as supported by Metropolitan's annual budget, are intended to ensure meeting Metropolitan's mission. This report represents the accomplishments and activities supporting the mission for the period July 1, 2008 through December 31, 2008. Metropolitan continues to work on core business activities while focusing on five strategic priorities – Water Supply Reliability, Bay-Delta Solutions, Financial Strength and Capabilities, Sustainability, and High Performance Workplace.

The first half of the fiscal year has not been without its challenges. The financial markets are experiencing turmoil not seen since the 1930s; however, Metropolitan's prudent financial policies and risk management strategies have minimized impacts to Metropolitan's financial condition. As General Manager, I asked staff to take additional actions to help us weather the effects of the crisis. These actions were made immediately effective in October – a substantial hiring freeze, reductions in travel, deferral of capital projects and deferred purchase of operating equipment and materials. Staff will continue to review and scrutinize all expenses to mitigate the impacts of this crisis.

Strategic planning for water supply reliability and developing Bay-Delta solutions has been crucial as environmental protections in the north, below-average precipitation and drought in the Colorado River basin continue to restrict Metropolitan's water supplies. We have accelerated development of alternative supplies with a proactive, aggressive five-year water supply plan that will bring new supplies online quickly.

Facing these challenges is not addressed by a few, but by many. It is the workforce of this organization that completes the business of Metropolitan and I am proud to present this report as a showcase of that talent.



A handwritten signature in black ink, appearing to read "Jeffrey Kightlinger".

Jeffrey Kightlinger
General Manager

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

Table of Contents

Introduction	1
Water Supply	2-6
SWP/Bay-Delta Solutions	7
Finances	8-9
Sustainability	10-12
Workforce	13-14
Board	15
Member Agencies	15-17
Legislative and Community Relations	18
System Reliability	19-20
Water Quality	21
Capital Investment Plan	22-23
Business Processes	24
Real Property Management	25-26
Unanticipated Events	27
Upcoming Events	27

WATER SUPPLY

STRATEGIC PRIORITY

WATER SUPPLY RELIABILITY—Ensure water supply reliability by incorporating emerging trends and challenges, including climate change, in the near-term through adaptive strategies and in the long-term through updating the Integrated Resources Plan.

FIVE-YEAR WATER SUPPLY PLAN

Work continues to implement Five-Year Action Plan supplies as soon as possible. Results of conservation ordinance workshops with retailers and local jurisdictions were presented to the Board in December 2008. Supplies from the Colorado River are solidifying. An agreement has been reached with Coachella Valley Water District for 25 TAF in 2009, and Metropolitan is closer to reaching agreements with Arizona and Southern Nevada for 45 TAF more than what was anticipated in Fall 2008, bringing the total estimated yield for these two agreements to 110 TAF in 2009. Other programs on the Colorado River continue to be negotiated.

For new groundwater supplies, Metropolitan and the Los Angeles Department of Water and Power entered into an agreement in December 2008 on the LADWP Groundwater Demonstration Project. An agreement with a treatment system vendor is anticipated in March 2009, and the system is planned to be online in September 2009.

Near-Term Delta and State Water Project Five-Year Supplies continue to have challenges due to the dry conditions on the State Water Project. Staff is still targeting at least 100 TAF from the Drought Water Bank, but if dry conditions continue there may not be enough sellers in the Bank to provide this amount to Metropolitan. Staff is continuing to negotiate transfer agreements with North of Delta, In-Delta, and South of Delta farmers to secure as much water as possible for 2009.

An updated summary of the anticipated yield of the Five-Year Action Plan supplies in 2009 is shown in the table below:

Conservation	215,000 AF
Colorado River Transactions	158,000 AF
SWP Transactions	110,000 AF
Groundwater Recovery	8,000 AF
Local Resources	5,000 AF
Total	496,000 AF

WATER SUPPLY

STRATEGIC PRIORITY

WATER SUPPLY RELIABILITY—Ensure water supply reliability by incorporating emerging trends and challenges, including climate change, in the near-term through adaptive strategies and in the long-term through updating the Integrated Resources Plan.

UPDATE INTEGRATED RESOURCES PLAN

- Held four large regional stakeholder forums (Newport Beach, Ontario, Los Angeles, and San Diego). Held one Board workshop on IRP Update. Initiated IRP Technical phase, held one Technical Oversight meeting and scheduled five initial Technical Workgroup meetings. Presented IRP to various organizations as part of Public Outreach.
- Completed member agency workgroup process for accelerated local development, with a draft approach pending for future Board consideration. Long-Term (ongoing).
- Held IRP Update Technical Oversight meeting to collect data on energy use of existing and potential water resources. Prepared analysis on energy/water nexus for input to the California Urban Water Agencies.
- Increase storage capacity (ongoing).
- Groundwater Workshop Process – Held groundwater workshop meetings No. 4 and 5 (October and December 2008) with member agencies and groundwater basin managers to explore means to manage groundwater storage and conjunctive use. The outcome will be a set of recommendations which will be incorporated into the IRP Update process and presented to the Board for consideration.

WATER CONSERVATION

- Coordinated a media release on regional residential rebate program.

- Collected/summarized more than 70 local agency ordinances and provided to member agencies as reference through a secure website.
- Developed draft model water conservation ordinance for use by local jurisdictions.
- Hosted four workshops to review draft model ordinance and to encourage development and adoption of local water conservation ordinances.
- Began regional residential marketing efforts with small and large retail outlets including Home Depot, Lowe's, Orchard Supply Hardware, Howards, etc., to encourage stores to increase availability of water efficient products.
- Completed Landscape Market Research Study, co-funded by United States Bureau of Reclamation, which developed landscape conservation program improvements based on Metropolitan's research studies.
- Added four new devices and six program refinements under 2008 annual review process with member and retail agencies, following Board approval.
- Initiated 2009 annual review of Metropolitan's conservation programs with member and retail agencies.
- Obtained Board approval accepting a \$2 million state grant to implement pilot Turf Replacement Program under Governor's Urban Drought Assistance Grant Program and executed agreement with the California Department of Water Resources.
- Obtained Board approval for Phase II Public Sector Program.

General Manager's Business Plan Semiannual Status Report FY2008/09

WATER SUPPLY

STRATEGIC PRIORITY

WATER SUPPLY RELIABILITY—Ensure water supply reliability by incorporating emerging trends and challenges, including climate change, in the near-term through adaptive strategies and in the long-term through updating the Integrated Resources Plan.

LOCAL RESOURCES PROGRAMS

- Initiated review of three new LRP proposals from member agencies and retail agencies for applications to LRP recycled water projects.
- Met with other member agencies to explore potential local project development under the LRP.
- Local agencies commenced construction on the following Metropolitan LRP projects: Upper San Gabriel Valley MWD, Whittier Narrows Golf Course's irrigation system to recycled water under the Public Sector Program and Ventura County Waterworks District No. 8 Tapo Canyon Groundwater Treatment Plant.

CORE BUSINESS

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

COLORADO RIVER

- Provided comments to the Bureau of Reclamation (Reclamation) on the draft Interim Determination by the Secretary of the Interior of the Quantity of Water Conserved by the All-American Canal Lining Project between Drops 1 and 2 and between Drops 2 and 3 and the amount of water available for allocation.
- Maximum possible acreage of 25,947 acres is currently fallowed under the Palo Verde Irrigation District Fallowing Program saving 35,600 acre-feet during the first quarter and 11,400 acre-feet during the second quarter for a total of 47,000 acre-feet the first half of this fiscal year.
- Continued coordination with Imperial Irrigation District staff on developing the IID Water Conservation Program's 2009 budget.

It is estimated to total \$9.6 million on the management of the various projects to ensure the efficient operations of the program and the timely delivery of conserved water to Metropolitan.

- Benchmark database of the Socio-Economic Assessment of the Proposed Palo Verde Irrigation District Land Management, Crop Rotation and Water Supply Program report prepared in 2002 has been updated to continue monitoring socio-economic changes in the Palo Verde Valley over time.
- Provided comments, which were accepted by Arizona DWR, on the proposed Exhibit P to the Lower Colorado River Basin Intentionally Created Surplus Forbearance Agreement.

WATER SUPPLY

CORE BUSINESS

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

COLORADO RIVER

Further activities:

- Negotiated and prepared amendments for the execution by the Colorado River Basin States to cost-share expanded weather modification activities for water year 2009.
- Managed, for the Colorado River Basin States, a comprehensive assessment of tamarisk conditions, state of the science, evapo-transpiration, control techniques, and the need for additional research as part of an investigation to determine if managing tamarisk could potentially result in augmentation of the flow in the Colorado River.
- Developed an interstate storage program with Arizona to store unused Colorado River water with Metropolitan for recovery by Arizona and Nevada during a Colorado River municipal and industrial shortage event.
- Amended the emergency delivery agreement with Mexico to extend through 2013.
- Recovered 27,000 AF from water stored under the 1992 Demonstration Program with the Central Arizona Water Conservation District.
- Participated in the Colorado River Basin Salinity Control Forum that ensures salinity control programs are funded and implemented in the Colorado River Basin. The Forum approved the "2008 Review, Water Quality Standards for Salinity, Colorado River System." The review determined it is unlikely the adopted numeric criteria would be exceeded in the near term.

IMPLEMENT INTEGRATED RESOURCES PLAN

- Complete annual update of the Integrated Area Study technical analysis and report (in progress).
- Develop recommendation on project portfolio for Riverside and San Diego area (in progress).

WATER SURPLUS AND DROUGHT MANAGEMENT PLAN

Continued collaboration with Water System Operations Group on the WSDM Technical Team. Contributed to Five-Year Supply Plan analysis on short-term resource development and system operations. Contributed to Water Supply Allocation Plan implementation meetings and analysis on potential need for water supply allocation in 2009.

DESALINATION

Facilitated a meeting between member agency staff and State Water Resources Control Board regulators on the ocean plan update process in order to provide input on potential regulations that could affect seawater desalination development.

WATER SUPPLY

CORE BUSINESS

WATER SUPPLY—Acquire sufficient water supply and demand management resources to satisfy dry year demands through 20025, or as otherwise established by further Integrated Resources Plan updates.

GROUNDWATER

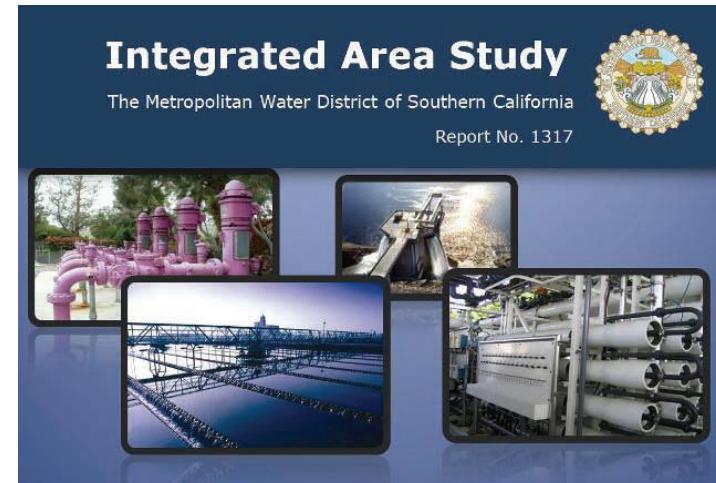
- On-going implementation of ten conjunctive use projects, including: completing construction of project facilities; initiating steps to retain an independent auditor to review management of Proposition 13 funds in compliance with agreement between Metropolitan and DWR; working with partners to develop operating plans for call of stored water; reach agreement on power and O&M credits.
- Initiated review with Pasadena and Raymond Basin Management Board for near-term recovery of approximately 20,000 AF of water stored in Raymond Basin by Pasadena on behalf of Metropolitan. Under the cooperative storage program, recovery of water requires treatment to remove perchlorate contamination.
- Continued informal communications with Central Basin and West Basin member agencies and storage facilitators to assist with resolution of institutional storage issues in the basins.
- Continued active participation in discussions with the Santa Ana Regional Water Quality Control Board to review water quality questions related to imported water recharge of groundwater basins.

WATER SUPPLY ALLOCATION

Conducted a series of member agency workshops and Board updates in preparation for implementing the Water Supply Allocation Plan in 2009. Staff has increased the communication and coordination efforts with the member agencies as the potential for an allocation in 2009 has increased due to dry conditions and regulatory Delta pumping restrictions.

INTEGRATED AREA STUDIES

Continued to prepare the Annual Integrated Area Study Report, an action identified in the collaborative studies for the Riverside, San Diego and Central Pool service areas.



General Manager's Business Plan Semiannual Status Report FY2008/09

STRATEGIC PRIORITY

BAY-DELTA /STATE WATER PROJECT—Ensure near- and long-term reliability of the Delta for fisheries and water supply to protect Metropolitan's State Water Project investments.

NEAR- AND LONG-TERM SOLUTIONS

- Worked with the State Water Project and Central Valley Project contractors to monitor progress on the development of the Biological Opinions (BiOps). Submitted comments on draft work products related to the BiOps. Staff is considering potential next steps. Similar tasks are in progress with the salmon BiOp.
- Worked with a team of State Water Project and Central Valley Project contractors to expedite the implementation process for the Two-Gate Project to test operational opportunities to produce water supply and fishery benefits. Work included preparation of draft CEQA/NEPA documentation and Biological Assessment, briefings for the California Department of Water Resources and United States Bureau of Reclamation, development of project operational protocols, and identification of funding sources for project implementation.
- Continued to participate in all Bay-Delta Conservation Plan (BDCP) workgroup efforts, including the identification of actions that maximize the potential benefits of new water conveyance facilities and operations with ecosystem restoration opportunities.
- Participated in joint water user efforts, including the new Public Water Coalition of California, to inform and update Delta stakeholder interests and member agencies on issues related to development of the BDCP, Delta Vision Process, and the SWP/CVP BiOps.
- Completed draft Conservation Strategy that outlines the key elements of the BDCP. The draft Conservation Strategy provides a framework for beginning the analysis in the BDCP EIR/EIS. Over the next several months the Conservation Strategy will be refined to develop the comprehensive suite of actions for ecosystem restoration and water supply reliability. Defining options for governance of the ecosystem measures and water operations was also a key activity over this last quarter.

EMERGENCY PREPAREDNESS

Continued to work with DWR to facilitate levee improvements along the Middle River pathway, which together with stockpiled materials, would aid in responding to a major catastrophic event in the Delta. Staff also prepared comments on DWR's draft criteria for distribution of levee funding.

STATE WATER PROJECT

- Assisted in finalizing a water transfer between North Kern Water Storage District and Desert Water Agency. The transfer resulted in additional 8,400 acre-feet this calendar year for MWD, with provision of returning water in a future year with Board approval.
- Implemented an Arsenic Treatment Program with the Semitropic Water Storage District to help manage the arsenic levels in the California Aqueduct and address downstream user concerns.

WATER TRANSFERS AND EXCHANGES

- Coordinated with the California Department of Water Resources to receive 2008 water transfer supplies from Sacramento Valley sellers.
- Assisted DWR with developing 2009 Drought Water Bank and reported progress to Metropolitan Board and member agency managers.
- Initiated development of a pilot project to allocate a portion of Metropolitan's 2009 Drought Water Bank supplies to individual member agencies and reported progress to Metropolitan's Board and member agency managers.
- Monitored construction of the Arvin-Edison Water Storage District Canal Improvement Project.

FINANCES

STRATEGIC PRIORITY

FINANCIAL STRENGTH AND CAPABILITIES—Ensure Metropolitan has cost-effective access to capital markets and ability to finance ongoing future needs.

LONG-RANGE FINANCE PLAN

Revised and updated the Long Range Finance Plan to include elements focused on cost management, Metropolitan's capital program, and the increasing cost of replacing and refurbishing current infrastructure.

After a significant review of the Interim Agricultural Water Program, the Board adopted a five-year phase-out of the program. This phase-out included an immediate opt-out provision for 2009 and subsequent years. As of January 2009, the opt-out provision has reduced the volume of participation in the IAWP by about 50 percent.

COST CONTAINMENT AND BUDGET CONTROL

- Implemented the Integrated Budget Management System for Metropolitan budgeting and utilized it for developing the FY 2009/10 budget.
- Completed 6 Information Technology Business Case Analyses for cost implications and for conducting post-implementation result analyses. (These are: Programmable Logic Controller; Energy Management System 2; E-Discovery; Automatic Meter Reading Phase 2; Bar Code Inventory System; and Smart-Ops.)
- Revised and updated the Business Continuity Plan.
- Worked with the California Department of Water Resources to remove recreation specific costs incurred at Lake Perris from the 2009 Statement of Charges.
- Advanced State Water Contractor views regarding future energy resource planning in the important areas of greenhouse gas management, long-term resource procurement, financial hedging

of volatile energy costs and transmission reliability.

- Met with DWR to discuss the seismic vulnerability of the State Water Project East Branch. Also had inspection completed for areas of the East Branch that were susceptible to failure during an earthquake on the San Andreas Fault.
- Hosted an East Branch Enlargement Workshop that included participation from DWR, consultants, and SWC. The Workshop provided ideas on how costs could potentially be phased to meet both Metropolitan's timing needs for the enlargement and the current cash flow limitations.
- Participated in DWR Lake Perris meetings and informed stakeholders that lake level could drop below a level needed for recreational activities for a prolonged period of time due to water supply needs.

General Manager's Business Plan Semiannual Status Report FY2008/09

FINANCES

CORE BUSINESS

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

Staff continued to accurately and efficiently manage, record, and report Metropolitan's financial activities in a timely manner, ensuring sufficient financial controls to protect Metropolitan's assets.

Other activities included the following:

- Completed the cost-of-service report.
- Defined the revenue requirements and initial staff proposal for 2010 rates and charges.

Metropolitan also continued to maintain its Standard & Poor's long-term bond rating of AAA, the Fitch rating of AA+, and Moody's rating of Aa2; met all liquidity requirements; and managed its investment portfolio in compliance with its investment policy and the California Government Code. Total returns exceeded the Board-approved benchmarks by 10 basis points generating \$273,000 in additional interest income.

Government Finance Officers Association

Metropolitan received the Award of Excellence for the FY 2008/09 budget.



General Manager's Business Plan Semiannual Status Report FY2008/09

STRATEGIC PRIORITY

SUSTAINABILITY—Work towards incorporating sustainable business practices in Metropolitan's day-to-day activities.

DECREASE CONSUMPTION OF NON-RENEWABLE ENERGY AND FUELS

California Climate Action Registry – Completed the measuring and reporting on Metropolitan's carbon footprint, including preparation, auditing, and certification of the 2007 carbon footprint and reporting emissions to the California Climate Action Registry.

Fuel Efficient Fleet – Increased high-fuel-efficient vehicles in Metropolitan's sedan fleet by purchasing 12 additional hybrid vehicles in October. Metropolitan also took receipt of the last of three ultra-low polluting heavy equipment units (motor grader, backhoe loader, tool carrier wheel loader) for construction forces thanks to a \$600,000 grant from the California Air Resources Board. The units are equipped with the latest, cleanest EPA Tier III certified engines and reduce emissions by 85 percent.

Remote Network Monitoring – Continued development for metric and data gathering for the installation of software to allow technicians to reset network systems from Union Station, eliminating the need to travel to various communication sites.

Rideshare and Mass Transit – Completed a long-term rideshare strategy balancing maximum employee participation and cost efficiency. Staff will present the strategy to the Board in the third quarter of this fiscal year.

Videoconferencing – Completed upgrading its videoconferencing capabilities in the second quarter of FY2008/09. Videoconferencing systems are now available in 19 locations at 13 Metropolitan sites. It is estimated that from July through November of 2008, Metropolitan reduced automobile travel by over 68,000 miles and associated travel time by more than 1,100 hours. This represents a savings of approximately \$158,000 and a reduction of more than 24 metric tons of carbon dioxide. In addition, air travel between Los Angeles and Sacramento/Washington, D.C. offices has been reduced by 70 trips, resulting in approximately \$75,000 savings in travel cost and associated travel time.

Web conferencing – Metropolitan now offers Web conferencing

services that allow multiple sites to communicate interactively. In July, the General Manager utilized this technology to present his State of the Metropolitan address to the employees.

COMPLETE CONSUMPTION OF NON-RENEWABLE, NON-RECYCLABLE MATERIAL AND ENCOURAGE SUSTAINABLE PROCUREMENT

Electronic O&M Manuals – Selected a consultant to complete a pilot that will convert operations and maintenance manuals into web-based form to enhance dissemination of technical information and save on paper usage.

Green Procurement Guidelines – Finalized guidelines that will be implemented in January 2009. The guidelines are intended to assist Metropolitan in purchasing products that minimize environmental impacts and greenhouse gas emissions, toxics, pollution, waste and hazards to workers and community safety to the greatest extent possible.

CONTINUE METROPOLITAN EMPLOYEE AWARENESS CAMPAIGN TO PROMOTE SUSTAINABLE PRACTICES

E-Newsletter - Our Legacy E-Newsletter series is disseminated to all employees on a biweekly basis and focuses on raising awareness about sustainability issues and encouraging positive behavior change.

Smart Irrigation Day - Metropolitan hosted the third annual Water-Wise expo designed to make it convenient for employees and others to learn about rebates and how to upgrade their homes and yards to be water-wise.

General Manager's Business Plan Semiannual Status Report FY2008/09

STRATEGIC PRIORITY

SUSTAINABILITY—Work towards incorporating sustainable business practices in Metropolitan's day-to-day activities.

REDUCE LIFE CYCLE ENVIRONMENTAL IMPACTS OF FACILITIES

Field Plumbing Retrofit – Completed the replacement of 64 water devices at the La Verne facility. Currently, the project is on-hold due to potential lead and asbestos. The project goal is to replace 300 water devices with water-efficient models throughout all of Metropolitan's field facilities to achieve a 25 percent reduction in water.

Phase One of the Information Technology Infrastructure Upgrade
- Continued the deployment of advanced software technology to "virtualize" Metropolitan's data center. The result will reduce the forecasted number of servers to be purchased over the next five years and result in reduced power consumption. Currently, 16 servers have been created on the existing hardware with a cost avoidance estimate of \$240,000 over the next five years. In addition, it is estimated that the purchase of 20 new servers has also been avoided.

Headquarters Landscaping – Completed green landscaping at Headquarters to incorporate California friendly plants and install water efficient irrigation system.

IDENTIFY AND IMPLEMENT RENEWABLE ENERGY PROJECTS

Skinner Solar Power Generation Facility – Awarded a construction contract and grading began in early December. When online in April 2009, the system will begin supplying 15-20 percent of Skinner's annual electricity consumption.

Weymouth Solar Power Generation Facility – Commenced preliminary design; the use of power purchase agreements as an alternative to high capital costs are being examined.

Yorba Linda Power Plant – Commenced final design in June 2008; project will support the future energy demands of the Diemer Oxidation Retrofit Program with renewable power.



Typical Solar Array to be Installed at Skinner

Hydroelectric Power Assessment – Commenced a study to evaluate the feasibility of increasing generation capacity at the existing power plants or adding new hydroelectric facilities.

Wind Power Assessment – Completed multi-year data collection and final report for Hinds pumping plant. Staff continues to evaluate wind power potential at additional Colorado River Aqueduct sites (Eagle, Iron, Gene).

General Manager's Business Plan Semiannual Status Report FY2008/09

STRATEGIC PRIORITY

SUSTAINABILITY—Work towards incorporating sustainable business practices in Metropolitan's day-to-day activities.

POWER RESOURCES MANAGEMENT

State Water Project Energy Management – The development of an energy management strategy for the SWP, with the various components listed, will help to operate the SWP in a sustainable and environmentally prudent manner.

- DWR is in the processes of developing a long-term energy plan for the SWP. Several portions have been drafted and circulated for review. A draft version is anticipated in the first quarter of Fiscal Year 2009/10.
- DWR signed an initial participation agreement with the Northern California Power Agency to study the feasibility of a gas-fired power plant in Lodi, CA in February 2008. A second agreement was signed on November 14, 2008, to preorder long-lead time generation equipment for the plant. An application to the California Energy Commission requesting approval of the plant was submitted and deemed adequate in the fourth quarter of 2008/09. Regulatory review is in process.
- A draft statement of principles regarding greenhouse gas emission management on the SWP has been completed with input from Metropolitan and the State Water Contractors and is under consideration by DWR's Director. The principles, once adopted, will guide the development of a green house gas emission reduction strategy for the SWP.

Energy Management Strategy – As part of an energy management strategy to address AB 32, renewable energy, market price volatility, contract negotiations and litigation risks, the Board in November received a proposal for Metropolitan to achieve 25 percent reduction at all Metropolitan retail energy facilities and 100 percent carbon neutrality by 2030 with greater energy independence. The next step is completion of a peer review of the staff proposal for Board consideration.

Phase 1 Etiwanda and DVL Hydro Contracts – As part of an evaluation of existing contracts for the sale of energy, an amendment to Phase 1 small hydro contract with DWR is in negotiations to allow use of Yorba Linda generation at the Diemer plant.

Participation Agreement – An agreement has been signed among DWR and participating parties to order long-lead time generation equipment for a gas-fired generator to be located at Lodi, CA. This will help reduce the state's green house gas emissions from the SWP operation when this facility replaces power from a coal fired facility.

Energy Policy – In August, the Board approved Energy Policy Principles that provide guidance and direction for Metropolitan. The principles centered around developing economically responsible renewable energy projects, promoting energy conservation through water conservation and promoting effective and equitable legislation and regulations regarding energy-related climate change and sustainability issues.

WORKFORCE

STRATEGIC PRIORITY

HIGH PERFORMANCE WORKPLACE—Ensure Metropolitan is a high performance workplace that is prepared for the future with talented and engaged employees delivering value, excellent leadership practices and cost-effective processes.

- Continued work with management HR Advisory Council on deployment of StrategicHR Plan initiatives to foster a High Performance Workplace to foster high performance standards, employee engagement and empowerment, financial responsibility and management excellence. An all-management session is being planned to ensure Management is on the same page in consistently applying Metropolitan people practices.
- Began preparations for deployment in the third quarter of a High Performance Climate Survey to all employees to assess Metropolitan's management practices and to ensure we can measure progress towards a climate that encourages employee engagement and high performance standards.
- Participated in American Water Works Association Research Foundation workshop on workforce development and sustainability as well as benchmarked the talent management practices of key non-water industry companies. Began HR reorganization to improve efficiency and effectiveness of HR services while also expanding reviews of internal HR process mechanics and policies.
- Continued positive reaction to Metropolitan's *One-Face to the Union* efforts to speed and build consistency of issue resolution and prevention. Working through recent changes in union leadership by continuing efforts to build positive union relationship as we move toward Interest-Based Negotiations. Most of the anticipated participants in negotiations have been through the two-day Interest-Based Negotiations training workshop and feedback about this approach has been generally highly favorable.



Water System Operations—Manager Boot Camp



Classification Study Focus Group

WORKFORCE

CORE BUSINESS

WORKFORCE EFFECTIVENESS—Provide the workforce with career development, training opportunities and tools, including application of advanced technologies, to continually improve workforce skills, competencies and productivity to deliver outstanding customer service.

The apprenticeship program has expanded into journey-level skills development. In addition to offering training to journey level employees, the program has begun working with field management to meet their specific technology and site equipment needs. The program has experienced great success delivering programmable logic controllers training at two treatment plants in anticipation of the new Ozone process controls equipment being installed. Additionally, a large valve maintenance curriculum is being developed and the training will be delivered using in-house resources.

Additional Workforce Effectiveness strategy activities:

- Completed Association of Confidential Employees Classification/ Compensation Study for Non-Human Resources positions and have completed some 600 focus groups for the American Federation of State, County and Municipal Employees Class/ Comp Study. Have begun Management/Labor team reviews of Job Descriptions to ensure clarity and accuracy of final job descriptions.
- Expanded Metropolitan's capabilities with Internet tools to find qualified candidates by using Internet-based job search and posting tools that will also reduce advertising costs for recruitment.
- Implemented PeopleSoft Self-Service and Employee Relations modules as well as continued improvements in utilization of PeopleSoft 8.9 capabilities. Expanded use of electronic Open Enrollment for Benefits and saw continued high participation in sponsored Retirement Seminars.
- Continued efforts to reduce needless escalation of employee issues while fostering faster resolution of concerns. Continued to address solutions to long-term employee performance and disciplinary issues. Expanded offering of E-learning courses to reduce time away from the job while also supporting Water System

Operations Boot Camp and Corporate Resources Group Leadership Forum initiatives as well providing ongoing team development and management coaching support. Reviewing Metropolitan Risk Management tools and continued work to enhance Leave and Workers' Compensation processes.

- Prepared recommendations for a new pay-for-performance plan for Executive and Unrepresented salary programs.



Apprenticeship Program—Students

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

BOARD OF DIRECTORS—Provide support to the Board of Directors in conducting the business of the Board, including the coordination of a variety of administrative functions.

Continued to provide a high level of administrative support to the Board—provided timely information to the Board, reported and supported the committee and board meetings, conducted 31 informational inspection trips, and administered technical support.

CORE BUSINESS

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

Coordinated meetings with Member Agency Managers, Member Agency Education Coordinators, Member Agency Public Information Officers and Member Agency Legislative Coordinator Meetings. Other activities included:

- Participated in the coordination and staffing of the Inland Feeder Breakthrough Event at Arrowhead Tunnel West in San Bernardino.
- Participated in meetings with Eastern MWD regarding the Perris Valley Pipeline Project Phase 2.
- Coordinated and conducted numerous inspection trips of Diamond Valley Lake and Lake Skinner (for Deputy Commissioner Kris Polly, Deputy Commissioner for External and Intergovernmental Affairs, U.S. Bureau of Reclamation; for Eastern MWD staff and interns; and for participants at the Fourth Annual Groundwater Institute for Teachers at Western MWD).
- Provided input to WateReuse Association Legislative Committee related to recycled water and groundwater recharge policies.
- The Summer 2008 "Caution! Water Waster" advertising campaign ran throughout August with 10-second television commercials, 60-second radio spots and print and online advertising. The ads can be seen and heard on five television stations and 28 radio stations throughout Southern California.
- Provided comments to State 20x2020 strategic plan, State

recycled water policy and antidegradation policy, and California Health Department groundwater recharge policy, proposed state urban water conservation regulatory program, and DWR model landscape ordinance.

- Met with member and retail agencies to discuss statewide processes and proposed legislation to advance water-use efficiency.
- Hosted four workshops to encourage development and adoption of local water conservation ordinances.
- Supported and engaged member agencies by partnering with Director John W. Murray, Jr. and the Southern California Minority Business Development Council and Director Robert Apodaca and Central Basin Municipal Water District to bring Metropolitan's Water Conservation and Business Development programs to member agency communities.
- Coordinated and conducted outreach to city and county of San Bernardino officials and staff in Riverside and Fontana, Rancho Cucamonga and Rialto regarding construction and other impacts related to pipe hauling activities for the Arrowhead Tunnels. Provided updates on the Perris Valley Pipeline to various community and business groups.

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

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

Activities:

- Met with numerous federal legislators and members of the administration to discuss various issues of concern to Metropolitan including the Department of Energy's uranium mine cleanup project in Moab, Utah; issues related to the operation and regulation of water facilities within the Lower Colorado River Basin; support for Clean Renewable Water Supply Bond Act (H.R. 3452 - Becerra); Quagga Control efforts in the Colorado River Lower Basin; the Bay-Delta Habitat Conservation Plan; support for tax credit bond financing for new local water supply infrastructure. The General Manager provided Members of Congress with a list of local water supply projects, pending Title XVI funding, that would be ready to move forward with construction in the near term. This was in response to a request from U.S. Representative Grace Napolitano, Chairwoman of the House Natural Resources Subcommittee on Water and Power. The Congresswoman's request of Metropolitan was made in connection with House Speaker Nancy Pelosi's proposed legislation that would authorize \$126 million in new Title XVI funding as part of a comprehensive Economic Stimulus Package.
- Sponsored AB 2938 (De Leon) - In-Delta Diversions and SB 1391 (Padilla) - Recycled Water. Staff organized a letter-signing campaign to urge the Governor's approval of SB 1XX (Perata) and SB 1391 (Padilla) which engaged Member Agencies, other water entities and local business groups and association. Actively supported legislation related to fishery conditions in the Delta, water conservation legislation aimed at reducing per capita water use, actively monitored and engaged on a variety of fronts to protect and facilitate Metropolitan's interest in near- and long-term funding opportunities.
- Staff met with the Member Agency Legislative Coordinators and Member Agency General Managers to discuss state and federal

legislative proposals for 2009. Metropolitan's Legislative Strategy for 2009 was approved by the Board in December. Briefed numerous key local elected officials and city staff on federal, state and local water issues. Topics included Metropolitan's issuing of a Water Alert as well as Metropolitan's various rebate and conservation plans and issues related to the impact and restriction on pumping due to the listing of several endangered and threatened species in the Delta. Also briefed numerous organizations including the Building Industry Association's Orange County and Greater Los Angeles and Ventura Chapters, South Bay business leaders, California Home Building Association, various chamber and business groups throughout Southern California.

- Conducted a Community Leaders Luncheon co-sponsored by the Inland Empire Economic Partnership. There was approximately 100 elected, business and community leaders in attendance.
- Conducted the annual "Water is Life" Student Art Exhibit and Recognition Ceremony at Metropolitan's Headquarters. Over 120 were in attendance, including most of the 36 student artists, their teachers, some principals, family members, other guests and sponsoring member and retail agency staff. The new 2009 Student Art "Water is Life" calendar was debuted at the event.
- Solar Cup 2009 activities began with the selection of boat teams, boat building and technical workshops. 35 teams and 18 member agencies are participating.
- Staff began the 2008/09 DVL Education Field Trip Program and assisted the Western Center for Archaeology and Paleontology in conducting a series of classes called "Science Saturdays."

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

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

Activities:

- California Friendly Landscape Training Program classes have been held for more than 3,500 homeowners and professional landscapers.
- YouTube: Metropolitan is conducting a pilot outreach program on YouTube, a video-sharing Web site that receives 68 million unique visitors a month. Metropolitan has posted its Solar Cup video and water conservation commercials on the Web site, and will monitor activity while investigating use of paid placement and advertising. Staff is working with Fraser Communications to develop message and content to ensure an enhanced presence on YouTube and similar sites. Metropolitan's channel can be found at <http://www.youtube.com/metropolitanwater/>
- E-newsletter: Metropolitan launched its new electronic newsletter. The publication will cover important water issues, member agency news, board meetings, and special notices.
- The Board approved Community Partnering Program Sponsorships Awards for fiscal year 2008/09. The ten awarded recommended projects focus on children and/or adult education about water efficient native plant landscaping, water resource stewardship, and water quality/watershed protection.
- Coordinated public and media outreach for Metropolitan's programs related to conservation education/advertising, Metropolitan's various rebate programs, water supply, Delta issues, State Water Project allocation and drought related matters, facility operational issues and Metropolitan's Integrated Resources Plan stakeholder forums. Online conservation advertising ran on a variety of Web sites, including MyFoxLA.com, KNBC.com and NBCSanDiego.com, making 2.1 million impressions and linking visitors to bewaterwise.com for information on conservation rebates and tips.

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

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

Activities:

- Provided input to CA Department of Public Health's proposed revisions to allowable recycled water uses under CA Code of Regulations – Title 22.
- Provided Board update on efforts to adopt local water conservation ordinances.
- Developed legislative proposals for water use efficiency, including retrofit on resale and common interest development and landscaping.
- Presented water conservation program information to the Bureau of Reclamation as part of the Part 417 review process.
- Collaborated with Natural Resources Defense Council on case studies of successful conservation programs.
- Provided input to USBR to develop scope of work for Water and Energy Efficiency Partnership Program.
- Worked with Environmental Defense Fund on water and energy efficiency strategies.
- Received new applications for the California Friendly® Model Home Program from Pardee Homes and HG Fenton to develop more than 250 housing units in San Diego County.
- Met with Southern California Edison and Sempra Utilities to explore opportunities to collaborate on new construction incentive programs.
- Completed final phase of construction with Shea Homes for California Friendly® pilot program with Eastern Municipal Water District.
- Provided comments to CUWA report on water conservation.
- Presented conservation incentive program information at Irrigation Association Show and Inland Empire Economic Partnership meeting.
- Met with Boeing Corporation to encourage participation in the regional commercial rebate program.
- Presented information on water conservation programs to Fullerton City Council, Emerging Technology Conference for Water and Energy Efficiency, and LAUSD Water Industry Forum to implement efficiency measures.
- Presented information on water conservation programs at WaterSmart Innovations Conference in Las Vegas.
- Met with Catellus property management to provide information on water saving opportunities at Union Station.
- Hosted member agency discussion on proposed revisions to conservation Best Management Practices and received Board direction to support.
- Business Outreach staff participated in the AB 32 caucus that was organized to evaluate the Climate Change scoping plan currently being formulated by the California Air Resource Board for implementation in January 2009 and the impacts it may have on small business operations. The recommendations of the caucuses will be submitted to Governor Schwarzenegger for consideration.

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

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

Metropolitan continues to operate and maintain its conveyance, treatment and distribution facilities and meet operational demands of its member agencies. Activities in support of this effort included the following:

- Updated Management Response Plan and provided 6,461 hours of training to employees. Participated in the state's November 2008 statewide emergency management exercise, a simulated magnitude 7.8 earthquake on the southern portion of the San Andreas Fault.



Emergency Operations Center and Water System Operations Incident Command Centers Activated

- Conveyed 100 percent of available Colorado River Aqueduct supplies through December - and sold 252,080 MWh of excess CRA energy for nearly \$13 million.
- Completed inspection and repair of the 230KV transformer at Gene in preparation for eight pump flow on the Colorado River Aqueduct.
- Staff activated the Jensen and Diemer Incident Command centers

and the Emergency Operations center in response to the Sayres (Sylmar) and Freeway (Corona and Brea) fires. The Sayre Fire burned brush along Jensen's plant perimeter and at Magazine Canyon. The Freeway Complex Fire burned westward from Corona past the Diemer plant. Both plants provided treated water and met all standards throughout these challenging events.



Fire at Diemer Treatment Plant

- SWP Table A for July – December 2008 was 289,752 AF. Pump-ins for Semi, Arvin and Kern-Delta were 76,656 AF. North of Delta transfers were 59,190 AF. Metropolitan also received exchange water from San Bernardino Valley Municipal Water District, Mojave Water Agency and Port Hueneme for a total of 4,924 AF.

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

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

- Conducted five shutdowns including, pre-stressed concrete pipe inspection, mortar repairs and other maintenance work completed during the Second Lower Feeder shutdown held in November; an unscheduled two-day shutdown held in August of the Orange County Feeder to repair an air release/vacuum valve connection that broke due to an earthquake that occurred on July 29; a three-day shutdown in December on the Box Springs Feeder that allowed the Department of Water Resources to install a roll-out bulkhead section on the Santa Ana Valley Pipeline.
- Conducted several meetings with Hoover power contractors to discuss positions and potential actions regarding a new Hoover power contract that would be effective October 2017. Metropolitan has taken the lead in developing a unified California position in the Hoover negotiations. Negotiations are expected to continue over the next several years.
- Sale of power output from Metropolitan's eight small hydroelectric power plants under three new Phase II-IV contracts began on November 1, 2008. The new contracts are with Southern California Edison for four plants, Southern California Public Power Authority for four plants and Los Angeles Department of Water Power for one plant. Power production under the contracts has been less than historical averages as a result of reduced SWP water deliveries.
- Conducting prescribed operational tests in connection with the startup of chlorine containment facilities at Mills and Jensen water treatment plants. Upon completion of acceptance testing, chlorine gas at Metropolitan's water treatment facilities will be stored in contained buildings, which will improve safety, security, and reduce the risk of an accidental release.
- Implemented WSO policies and procedures as part of the Performance Excellence initiative to improve operations and maintenance activities; the three new policies were developed and approved covering maintenance of emergency power systems, coordination of maintenance activities and rapid root cause analysis.
- Captured 33 Metropolitan Subject Matter Experts in over 50 hours of on-demand videos utilizing Knowledge Keeper technology in connection with Performance Excellence efforts to capture, transfer and preserve worker knowledge.
- Met with San Bernardino Valley MWD and Inland Empire Utilities Agency to develop an appropriate method to allocate imported water deliveries from San Bernardino and Metropolitan into the service area of Fontana Water Company.
- Submitted 2009 State Water Project Water Order to DWR. In addition to satisfying contractual obligations, provided DWR additional details including additional water order scenarios in anticipation of a low initial water allocation. This approach facilitated DWR's review and analysis and supported Metropolitan's water supply strategies for the coming year.
- Continued coordination between Water Resource Management and Water System Operations while monitoring hydrologic conditions and pending regulatory restrictions that may impact water supplies requiring revisions to the above-mentioned water order.
- Continued work with conjunctive use partners to call return deliveries from the in-region groundwater conjunctive use programs.

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

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

Metropolitan continues its commitment to maintain 100 percent compliance with primary drinking water quality, health, safety, and environmental regulations. Some of the key activities included in this effort are as follows:

- Continued monitoring of the treatment plant effluent to evaluate the fate of Pharmaceuticals and Personal Care Products through the treatment process.
- Worked with the Orange County Water District on a project funded by the National Water Research Institute to evaluate the fate and transport of Pharmaceuticals and Personal Care Products in drinking water sources.
- Conducted treatment studies to evaluate cost-effective treatment options of the control of the disinfection by-products bromate and N-Nitrosodimethylamine.
- Continued to implement and optimize new treatment modifications at the blend plants (e.g., solids processing, delayed chlorination, acid feed, and storage facilities) to minimize trihalomethane formation.
- Continued efforts to encourage clean-up of the uranium mill tailings in Moab, Utah. Department of Energy contractors are set to begin excavation at the Crescent Junction disposal site in preparation for movement of the Moab uranium mill tailings pile in May 2009.
- Continued to work with Colorado River Aqueduct stakeholders to develop processes and tools to improve communication and support of the remediation process and clean up of chromium 6 at Pacific Gas and Electric's Topock gas compressor station in Topock, Arizona, and implemented additional chromium 6 monitoring on the Colorado River.
- Continue to execute the Quagga Mussel Control Program, including development of long term disinfection facilities, isolation barriers, additional surveillance, and lake management studies.
- Coordinated three Member Agency Water Quality Managers meetings.



Conducting Water Quality Analysis

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

CAPITAL INVESTMENT PLAN—Implement Board-approved Capital Investment Plan to ensure the quality and reliability of the region's water supply and infrastructure.

Continued to manage the implementation of over 400 capital projects in various stages of study, design, and construction through December 2008 with key CIP milestones achieved for the following projects:

Inland Feeder – Completed hole-through of Arrowhead West Tunnel in August 2008 and continued fabrication of all remaining final pipe liner for the tunnel.

Perris Valley Pipeline – Continued substantial construction of the North Reach, while also starting construction of the South Reach.

Diemer Oxidation Retrofit Program – With completion of the Diemer Slope Stabilization contract, awarded construction contract and began construction for the Diemer ozone facilities.

Skinner ORP – Continued construction activities for the new ozone facility.

Weymouth ORP – Continued final design of the new plant inlet conduit in preparation for ozone.

San Diego Pipeline No. 6 – Completed the draft alternative alignment feasibility study.

Cross-Connection Prevention Program – Continued relocation of approximately 75 air releases and vacuum valves from underground vaults.

For the **INFRASTRUCTURE RELIABILITY** portion of the CIP, \$74 million is slated for rehabilitation and replacement (R&R) projects and \$69 million for infrastructure upgrade projects to ensure reliability and improve operating efficiency. Some of the key milestones met during this period included the following projects:

R&R Projects (Design Phase) – Continued final design for the Weymouth site power system replacement and upgrades and final design of Skinner Modules 5, 6, and WWRP No. 2 solids collection equipment replacement; and completed preliminary design for the Colorado River Aqueduct dam sluiceways and outlet gates rehabilitation.

R&R Projects (Construction Phase) – Began construction of the Lake Skinner East Bypass Screening Structures replacement.

Weymouth Water Treatment Plant – Awarded construction contract and began construction of the Chemical Tank Farm improvements.

Jensen Water Treatment Plant – Awarded construction contract and began construction of two new solids thickeners.

Quagga Mussel Control Program – Completed construction of the Lake Mathews Interim Chlorination System.

Sepulveda Feeder Repairs Project – Completed urgent repairs of three segments of pre-stressed concrete cylinder pipe.

Mills Treatment Plant Capacity Upgrade – Substantially completed final design of the Chemical Systems Upgrade and Modules 1 and 2 rehabilitation projects, and continued construction of two new ozone contactors to upgrade the plant's ozonation capacity to 326 million-gallons per day as planned.



Lake Skinner East Bypass Screening Structure

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

CAPITAL INVESTMENT PLAN—Implement Board-approved Capital Investment Plan to ensure the quality and reliability of the region's water supply and infrastructure.

Continued deployment of the Information Technology Strategic Plan. Leverage information technology investments to increase long-term reliability, while improving Metropolitan's overall efficiency and effectiveness. Key project milestones through December 2008 includes:

Fuel Management System – Began installation of the new fuel management system to reduce costs by eliminating the manual data entry of fuel usage and inventory information. A pilot of the new system was successfully completed at the Weymouth plant and deployment of the new system has commenced, with six of the 12 sites having been completed.

HR Phase II Employee Relations and Learning Management – Implemented the Employee Relations module that eliminates manual monitoring of grievances and reduces potential for error, ensures deadlines are met and provides reporting capability. Completed development of the Learning Management module that will be used to maintain all training records for staff.

Phase II of Programmable Logic Controller – Completed the replacement of 20 PLCs at all five treatment plants. The PLCs which are older than 10 years are designed to enhance the reliability of a variety of water system-related processes.

Automatic Meter Reading Upgrade Project – During the period, staff started the main deployment of the AMR units. Approximately 279 of a 480 total units have been installed. The AMR meters support Metropolitan's billing and monitoring of water delivery through service connections to member agencies and the current AMR system is based on outdated technology that is no longer supported by the telecommunications industry and must be replaced to continue functioning properly.

Headquarters Technology Upgrade – Selected Cibola Systems Corporation to begin final design, installation of replacements, and improvements to audio, video and IT related equipment in the main board and committee rooms.

Phase II of the Information Security Remediation initiative – Continued implementing measures to enhance and upgrade Metropolitan's IT security infrastructure. Specifically, four of eight initiatives have been completed: (1) strengthening the security of the SCADA system by better segregating it from the Metropolitan's business network, (2) deploying secure wireless networks at field sites and headquarters facility, (3) implementing a new security monitoring capability for Metropolitan's network, and (4) deploying vulnerability assessment software to use in checking for cyber security weaknesses.

Water Billing System Upgrade – Completed the design phase and initiated testing on the upgrade of Metropolitan's water billing system that will be used to invoice member agencies for water sales transactions. It will also provide self-service Web access to member agencies for billing inquiries, transactions and information requests.

Integrated Budget Management System – Completed implementation of IBMS that will ensure complete and consistent budget development, analysis, and reporting throughout Metropolitan. The system is currently being used to develop the FY 2009/10 Annual budget and Capital Investment Plan.

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

BUSINESS PROCESS—Implement business process improvements to increase organizational efficiencies and manage the organization to achieve budget objectives.

Continued to enhance relationships with construction trade and professional associations by supporting events such as the third annual California Construction Expo held on August 21 at the Los Angeles Convention Center. Metropolitan, the Los Angeles Unified School District, the Association of General Contractors, Port of Los Angeles and Los Angeles World Airports jointly sponsored the event. The event was designed to help contractors, designers, construction professionals and others in the construction industry learn about public contracting opportunities in Southern California.

Maintained an effective Business Outreach Program for regional, small businesses and veterans to ensure broad participation and competitive costs. Activities in support of this effort conducted during this period were:

- Promoted Economic Development in Southern California and increased outreach and support for the Southern California Business Community and Disabled Veteran Business Community.
- Exceeded Metropolitan's overall goal of 18 percent by achieving 25 percent of contract dollars going to small business enterprises resulting in \$75 million going directly into the Southern California economy.
- Implemented a four-week Certificate Training Program for Project Management for Construction with 38 participants completing the four week course. The objective of the training program is to enhance the management skills of large and small businesses and subcontractors for public works projects.
- Introduced Metropolitan to 14,000 members of the Disabled Veteran Business Community and 3,000 business owners at the National Veteran Small Business Conference and Expo.
- Partnered with the San Diego County Water Authority, the State of California Department of General Services, and the Small Business and Disabled Veteran Business Enterprise Collaboration Conference to sponsor the Tenth Annual Paths to Partnership Conference and introduced 1,000 business owners to Metropolitan and Metropolitan's NETConnect E-Procurement System.

- Sponsored State of California Disabled Veteran Business Enterprise Veteran's Day Program and honored Metropolitan Veterans Oscar Yanez, David Cole, and Juliet Jackson.
- Introduced Metropolitan's NETConnect E-Procurement, Small Business Certification, and Contract Compliance System to 90 representatives from California State Universities, City Governments, and other Government Agencies at Planet Bids Annual User's Conference. Staff encouraged all attendees to work together to help the business community and become strategic partners with Metropolitan to integrate, streamline, and simplify shared systems.
- Metropolitan and the Southern California Minority Business Development Council jointly presented the third annual business development mixer. More than 250 business owners attended the event.

Continued to enhance engineering performance and achieve business efficiencies by completing the following:

- Continued to implement the remaining Best-in-Class benchmarking recommendations in the area of engineer's cost estimating, alternative project delivery methods, and construction change order management.
- Conducted the eleventh Benchmarking Workshop on July 16, 2008 at East Bay Municipal Utility District in Oakland, CA to exchange best management practices and discuss key performance indicators.
- Developed draft proposal of new engineering metrics for design and inspection based on project size and complexity for review by management.
- Reviewed approximately 6 of 13 projects for FY 2008/09 for the Value Engineering Program. Staff is currently estimating a potential projected cost savings of \$18 million at the end of the fiscal year.

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

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

LEASES, LICENSES & ENTRY PERMITS

Despite the economic downturn, Metropolitan's property management team remains busy with myriad transactional processes in dealing with outside parties requesting to utilize Metropolitan's property ranging from one-time entry permits for other utilities to perform shared facilities maintenance to biological and ecological studies, leases, and other uses such as film and television productions. These transactions are managed by the real estate representatives and entail numerous complex legal and processing steps to protect Metropolitan's assets and property rights. Since July 2008, the team has worked on a total of 134 leases, licenses and entry permits. The processing time for transactions vary—from several weeks for a complex lease that involves several external parties and internal work groups and steps, to a few days for a simple entry permit. The average transaction processing time is about 60 days to completion.

- Process improvements initiated last year are working. The Property Management Team's weekly review of all "pending" transactions has significantly cut the amount of staff time for a second level of review by numerous personnel from other groups. Because of this review at the line level, the Property Review Council meetings involving several staff from other work groups has been cut from once a month to only two since July.
- A Request for Qualifications was issued last summer to provide various supporting real property services on an on-call or as needed basis. In December 2008, the Board approved an agreement with ATS Communications to develop a Telecommunications Master Plan and manage all telecommunications leases.
- Placed a stronger emphasis on property encroachments system wide has been initiated, with an interim agreement negotiated with homeowners to remedy a long-standing encroachment on a portion of the Foothill Feeder right-of-way. The agreement sets forth a schedule and the requirements for the private property

owners to remove items placed on Metropolitan property over several years adjacent to a mobile home park.

REAL PROPERTY ACTIVITY RELATED TO FUTURE WATER INFRASTRUCTURE

The Right-of-Way Planning and Acquisition Team has been busy taking the necessary actions to analyze areas that may be necessary for future water conveyance facilities. In the last few months, the team:

Completed cost studies for the East Tunnel of the San Diego Pipeline Number 6 and for the West Tunnel alignment for the same pipeline on the South Reach.

Completed four annexations and collected fees of \$658,500.

DIAMOND VALLEY LAKE PROPERTY

In July 2008, the Board directed staff to move forward with the entitlement process for the DVL property (north property and east recreation area). Statements of qualifications for the DVL property entitlement process were received in October 2008.

DVL VISITOR CENTER

Also in July 2008, the Board directed staff to seek potential partner(s) and use(s) for the facility. Several proposals are being evaluated.

As of October 2008, almost 33,000 people visited the DVL Visitor Center in the first year of operations. Community interest in the facility remains high.

General Manager's Business Plan Semiannual Status Report FY2008/09

CORE BUSINESS

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

RECREATION

Storage levels in Diamond Valley Lake dropped throughout much of 2008 to meet demands. By October 2008, the water level dropped to below the end of the existing boat ramp. As a result, private boat launches were suspended indefinitely. At its October 2008 meeting, the Board directed staff to seek external monies to fund a boat ramp extension. In the meantime, the lake remains open to the public through boat rentals, shoreline fishing, and hiking/biking on the Lakeview Trail. Fishing at DVL is very good and continues to attract avid fisherman. Boat rentals in December were up 80 percent compared to the previous December and are expected to double in January 2009 over January 2008.



Diamond Valley Lake—Boat Ramp



Diamond Valley Lake

General Manager's Business Plan Semiannual Status Report FY2008/09

UNANTICIPATED SIGNIFICANT EVENT

Metropolitan successfully met all water needs during the November 2008 wildfires that impacted various facilities, including the slopes at the Diemer plant, perimeter fence and slopes at the Jensen plant, and communication lines for the Lower Feeder Santiago Control Tower.

KEY UPCOMING ACTIVITIES /EVENTS

- Conduct the next Benchmarking Workshop on March 12, 2009 in San Diego with San Diego County Water Authority as the host agency to continue an exchange of best management practices and discussions on key performance indicators.
- Commence water delivery to Service Connection EM-23 as a part of the Perris Valley Pipeline North Reach project in February 2009.
- Re-establish Quarterly Technical Managers' Member Agency Meetings to share and exchange technical-related issues among agencies.
- Comprehensive review and analysis of FY 2009/10 budget with Metropolitan's Board and member agency managers. This process will culminate with Board consideration of the 2009/10 budget 2010 rates and charges at the April Board and committee meetings. As part of this process the Board will also consider an updated financial reserve policy and Long Range Finance Plan.



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About Metropolitan

The Metropolitan Water District of Southern California is a consortium of 26 cities and water districts that provides drinking water to nearly 19 million people in parts of Los Angeles, Orange, San Diego, Riverside, San Bernardino, and Ventura Counties.

Statement of Values

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

- Integrity
- Stewardship
- Open Communication
- Diversity
- Leadership
- Teamwork