

# General Manager's FY2009/10 Business Plan Semiannual Status Report

Dated Dec. 31, 2009

Covering July 1, 2009—Dec 31, 2009

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## MISSION

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.

The Metropolitan workforce makes up a world-class team in the water business. During the first half of the fiscal year, we had no greater example of these talents than the completion of the Inland Feeder project and its delivery of precious new supplies into Diamond Valley Reservoir, delivery of 1.1 million acre-feet of Colorado River water, and the significant contributions to the comprehensive package of legislative reforms for the Sacramento-San Joaquin Delta and statewide water management approved by the California Legislature. These feats could not have happened without a dedicated Metropolitan team effort.

*-General Manager Jeffrey Kightlinger*

## OVERVIEW

This report highlights the activities and achievements of the Office of the General Manager for the first half of Fiscal Year 2009/10. These activities and achievements are aligned with meeting the goals of the General Manager's Business Plan approved by the Board of Directors on July 14, 2009, in support of Metropolitan's mission and policies.

Along with working on core business activities, key areas of focus this fiscal year include the following six strategic priorities:

**Water Supply Reliability**—In the face of challenging hydrologic, regulatory, and environmental conditions that adversely affect water supply, Metropolitan continues to develop and implement proactive plans to provide a high degree of water supply reliability for its service area.

**Bay-Delta Solutions**—Metropolitan is committed to working within a framework of actions that include near- and long-term Delta measures, with the ultimate goal of building a sustainable Delta and reducing conflicts between water supply conveyance and the

environment.

**Financial Strengths and Capabilities**—Metropolitan's credit strength and ability to finance critical infrastructure and supply investments are based on strong cash-flow, sufficient reserves and recovering the cost of service through Metropolitan's revenue stream.

**Strategic Power and Carbon Reduction Planning**—Metropolitan is working toward a reduction in its carbon footprint and mitigation against risks associated with future carbon-related fees and regulations.

**High Performance Workplace**—Metropolitan is continuing to implement its comprehensive approach to ensure hiring, retaining and developing people who contribute to their fullest potential in a high performance workplace.

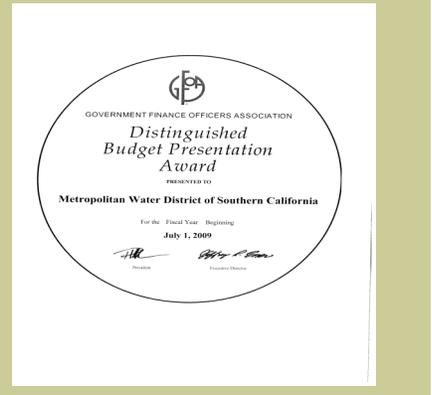
**Communications**—Through multiple communication efforts and avenues, Metropolitan ensures consistent, clear communications internally and externally about Metropolitan's operations, policies and programs.

**AWARDS AND RECOGNITION**



RECEIVED HIGHEST HONOR FROM ASSOCIATION OF METROPOLITAN WATER AGENCIES—Recognizing Metropolitan's resiliency in the face of difficult economic times, drought and environmental restrictions in the Sacramento-San Joaquin Delta, the Association of Metropolitan Water Agencies presented the Southland water import agency with its highest award.

Metropolitan is one of six agencies in the United States to earn AMWA's Platinum Award for Utility Excellence, acknowledging utilities that are in the forefront of sustainable management by addressing the full range of challenges and opportunities confronting drinking water systems today.



Metropolitan received the Government Finance Officers Association's DISTINGUISHED BUDGET PRESENTATION AWARD for the 2009/10 Budget.

The California Black Chamber of Commerce presented Metropolitan with the AWARD FOR OUTSTANDING DIVERSITY AND PROCUREMENT OUTREACH at its 14th Annual Ron Brown Business and Economic Summit.



Business Outreach Manager John Arena (right)

National Association of State Chief Information Officers recognized Metropolitan as a finalist in the category of IT Project and Portfolio Management. This category is for state initiatives which have developed a framework, governance processes, policies and systems for the efficient management of IT investments from concept, funding, implementation, operation to retirement.



The Asian Business Association of Orange County awards Metropolitan the SMALL BUSINESS ADVOCATE OF THE YEAR AWARD.



Business Outreach Staff Ken Ashford (left)

This award is presented annually to the public agency who demonstrates the advancements of contracting opportunities among small businesses and ABA-OC members.



The ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT® is awarded annually. This prestigious award is earned by those organizations that demonstrate excellence by obtaining a high score based on standardized criteria. The criteria are designed to measure innovation, professionalism, productivity, e-procurement, and leadership attributes of the procurement organization.

BUSINESS ADVOCATE OF THE YEAR AWARD from the Filipino-American Chamber of Commerce of Orange County.

## ACCOMPLISHMENTS

The General Manager’s Monthly Activity Reports provide the specific actions and progress taking place each month to accomplish the goals of the General Manager’s Business Plan. This Semiannual Status Report will highlight some of these accomplishments from the period July 1, 2009 to December 31, 2009.

### 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 Milestones

Water System Operations continued the successful implementation of the Five-Year Water Supply Plan with the following accomplishments:

- Lead the design, installation, and startup of Los Angeles Department of Water and Power’s Tujunga Well Field Project. Once the California Department of Health drinking water permit is issued (expected in February 2010), the well field will produce 12 to 18 TAF per year of groundwater.
- Developed a reimbursable agreement with Semitropic Water Storage District to complete the environmental documentation and obtain permits for a reverse osmosis treatment system for agricultural drainage water to enhance water supply.

- Continued project management, implementation and coordination tasks necessary to develop approximately 405 TAF of resources for 2009, and to implement them as needed to enhance water supply reliability (a more detailed breakdown is shown in the table below).



Tujunga Well Field Project

#### 2009 Five-Year Supply Resource Actions (in Acre-Feet)

Conservation (Accounted for in Demands)	235,000
LA DWP GW Demo (Accounted for in Demands)	0
Additional PVID Transfers (Crop Stressing / Fallowing)	30,000
Expand SNWA Agreement	12,000
Agreements with CVWD	35,000
Drought Water Bank / NOD Transfers	30,000
<b>TOTAL FIVE-YEAR ACTIONS TAKEN IN 2009</b>	<b>342,000</b>

#### Unused Five-Year Supply Resources

Intentionally Created Surplus	15,000
Expand SNWA Agreement	48,000
<b>Total Five-Year Actions Available</b>	<b>405,000</b>

#### Useful information:

AF = acre-foot, the volume of water to cover an acre of land, one-foot deep. Approximately 326,000 gallons of water, serves annual needs of two typical California families.

TAF = thousand acre-feet

## WATER SUPPLY RELIABILITY

### Update Integrated Resources Plan

- Provided extensive technical modeling and support for the Strategic Policy Review process, which was established by the Board as a precursor to the IRP Update. The Strategic Policy Review clarified Metropolitan's role in identifying and developing future water resources and provided direction for further development of a regional resource plan through the IRP Update targeted for completion in the second half of the fiscal year.
- Continued development of the Robust Decision Making Approach with Rand Corporation for use in the IRP Update Technical Phase.

### Climate Change Impacts

Staff attended a four-day workshop at the Aspen Global Change Institute to collaborate with federal and state agencies on climate change planning and science. The workshop was co-hosted by the National Oceanic and Atmospheric Administration and attended by all Water Utility Climate Alliance agencies, major U.S. climate modeling centers, and other nationwide water interests. Metropolitan staff participated in WUCA's work teams to prepare two white papers on Climate Science and Decision Support Methodologies and to create its 2010 work plan. WUCA also accepted two additional members Tampa Bay: Water and Central Arizona Project.

Through WUCA, staff provided a letter recommending support of adaptation funding within federal legislation (Kerry/Boxer).

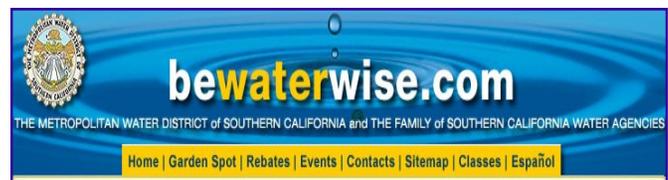
### Water Conservation

- Paid residential and commercial customers \$6 million of conservation program backlog and member agencies \$2.2 million for conservation projects from fiscal year 2008/09.
- Implemented revised regional conservation rebate programs with new application process and collateral materials.
- Worked with member agencies on the following areas:
  - Conducted four workshops to obtain input on long-term conservation program goals and strategies.
  - Presented information on regional rebate programs and status.
  - Issued addendum to member agency master agreements allowing use of Metropolitan vendors by the member agencies after Metropolitan incentive funds are exhausted.
- Issued master residential agreement enabling member agencies to self-fund local turf removal programs using Metropolitan vendor.
- Completed new program application guidelines and materials in consultation with member and retail agencies.
- Submitted State Energy Program grant proposals totaling \$10 million to expand municipal and commercial rebates.
- Submitted federal grant funding application for water use efficiency projects.
- Hosted a California Department of Water Resources workshop to assist agencies in implementing water efficient landscaping ordinances.
- Completed new agricultural conservation program application guidelines and materials in consultation with member and retail agencies that are in support of the action to phase out Metropolitan's Interruptible Agricultural Water Program.

### Water Conservation Outreach

Metropolitan sponsored a multi-prong conservation advertising campaign which ran from August to October 2009 on television and radio stations throughout Southern California. Advertisements were aired on 12 broadcast television stations (including KABC and KTLA in Los Angeles; and KNSD and KGTV in San Diego) and multiple cable stations, including Fox Sports West, A&E, TNT, HGTV and History Channel. Also, local television weathercasters from six stations taped vignettes that delivered the message about the importance of saving water. These aired in the fall. More than 90 top radio stations aired the advertisements in English, Spanish, Chinese (Mandarin and Cantonese), Vietnamese and Korean. The online

advertising and social marketing components of the conservation campaign was extremely successful, resulting in significantly increased visits to [bewaterwise.com](http://bewaterwise.com) during this period.



## WATER SUPPLY RELIABILITY

### Local Resources Programs

- Worked with member agencies to achieve board approval for LRP agreements for San Vicente Water Recycling Program, Oxnard Advanced Water Purification Facility Project, and City of Burbank Recycled Water System Expansion – Phase II.
- Commenced operation of the 340-acre-foot-per-year San Vicente Water Recycling Program and the 150-acre-foot Los Angeles Department of Water and Power Taylor Yard Park Water Recycling Project.

### Seawater Desalination

- Worked with San Diego County Water Authority staff to help develop the Seawater Desalination Program agreement for Carlsbad Seawater Desalination Project, which was approved by the Board.

- Provided comments to California Coastal Commission regarding Carlsbad Seawater Desalination Project's Energy Minimization and Greenhouse Gas Reduction Plan in support of the San Diego County Water Authority.
- Participated in a workshop sponsored by West Basin MWD to provide early input to the upcoming State Water Resources Control Board regulatory development process for seawater desalination.
- Organized three meetings with member agencies on regulatory issues including potential energy cost impacts from state greenhouse gas laws and current research trends.
- Briefed member agencies on regulatory activities of the State Water Resource Control Board,

Department of Fish and Game, Ocean Protection Council, and federal agencies.

- Participated in the competitive selection process for the Rosarito Beach Seawater Desalination Feasibility Study in partnership with the San Diego County Water Authority, Southern Nevada Water Agency, and Central Arizona Water Conservation District. A consultant was selected and the project is now underway.
- Participated in the New Water Supply Coalition effort to organize the introduction of S. 1371 (Nelson, D-FL) to create tax credit bonds to help finance seawater desalination and water recycling projects.

## BAY-DELTA SOLUTIONS

Ensure near- and long-term reliability of the Delta for fisheries and water supply to protect our State Water Project investments.

### Near-Term Solutions

Provide technical input to the U.S. Bureau of Reclamation draft environmental documents for the Two-Gates Project in October 2009. USBR has received public review and comments in November. The CALFED Science Program Independent review for the Two-Gates project was also completed in November.

### Long-Term Solutions

Continued to participate in the State Water Resources Control Board's process to review and update the Water Quality Control Plan for the Bay-Delta Estuary.

Continued to provide critical review and input to water contractor studies evaluating the potential effects of nutrients and ammonia on the food web in the Delta, and identify potential new studies addressing other stressors of concern.

### State Water Project & Central Valley Project

Metropolitan filed an expert witness declaration in the Delta Smelt Operating Criteria and Plan Biological Opinion (BiOp) litigation in November, addressing the lack of scientific support for BiOp Old and Middle River flow restrictions.

### Emergency Preparedness

Continued to work with the California Department of Water Resources and the U.S. Army Corps of Engineers to expedite Delta emergency response efforts, with a focus on strengthening levees along the Middle River Pathway.

### Bay-Delta Conservation Plan

Metropolitan participated in all aspects of the Bay-Delta Conservation Plan. Major work effort over this period included preparation of several chapters of the Habitat Conservation Plan (chapters 1, 4, 6, 7, and 8), conducting preliminary cost estimates for implementation of the conservation actions, and continued modeling of the proposed operations criteria. Significant progress was also made on the defining program elements for terrestrial species and associated natural communities. The steering committee is working to complete the administrative draft plan in early 2010.

## FINANCIAL STRENGTHS AND CAPABILITIES

Ensure Metropolitan has cost-effective access to capital markets and ability to finance ongoing future needs.

### Cost of Service

A comprehensive cost of service review process was conducted with the Board and Metropolitan's member agencies. The culmination of this review was a decision by the Board to make no changes to the cost of service methodology at this time. Key elements were identified to be considered as part of the Integrated Resources Plan Update and the upcoming Long Range Finance Plan. Progress in these processes could lead to rate structure changes in the future, particularly after the current member agency 10-year purchase order contracts are completed at the end of 2012.

### Rates and Charges

Staff conducted extensive outreach efforts to inform member agencies and the public of Metropolitan's water rate increases. These presentations included discussions of major water supply constraints and drought, the current water supply allocation plan, and the phase-out of Metropolitan's Interim Agricultural Water Program, and long-term cost drivers. All of these factors

were highlighted in order to help the public understand the need for Metropolitan's rate increases now and into the future.

### Bond Ratings

Maintained long-term bond ratings of "AAA" with Standard & Poor's, "Aa2" with Moody's, and "AA+" with Fitch reflecting continuing excellence in financial management and resulting in lowered cost to access capital funding.

Metropolitan successfully issued \$250 million of new money Build America Bonds in July 2009 to provide funding for the ongoing Capital Investment Plan. These bonds were issued at a true interest cost of 4.19 percent (net of the federal subsidy). The bonds have an average life of about 21 years, with a final maturity in 2039. In addition, Metropolitan received \$40 million of Proposition 50 grant funds to help offset the cost of the oxidation retrofit program. As a result, the next new money bond issue is scheduled for the fall of 2010.

## STRATEGIC POWER AND CARBON REDUCTION PLANNING

Work towards reducing Metropolitan's carbon footprint and mitigate against risks associated with future carbon-related fees and regulations.

### Strategic Power and Carbon Reduction Planning

- Development of a long-term SWP Strategic Energy Plan (SEP). The State Water Contractors have been working with the California Department of Water Resources on a State Water Project SEP that will map future strategies for managing SWP energy sales and purchases. The SWC discussed the August 2009 draft SEP with DWR regarding timing of actions under the plan and approaches to adapt the plan to near-term regulatory changes that are anticipated for the energy markets.
- DWR's participation in the Lodi Energy Center (LEC) natural gas-fired power plant. DWR has continued to work with other LEC project participants toward the final agreement for joint participation in the LEC. Progress was made in developing project operations and natural gas procurement protocols that support development of the final Project Participants Agreement. The California Energy Commission has issued the Final Staff Assessment—the functional equivalent of the Final Environmental Impact Report under CEQA—related to issuance of the project operations license. Project start-up is scheduled for 2012.
- Development of a SWP strategy for reducing greenhouse gas emissions. DWR documented its emissions reductions strategy—embraced by the State Water Contractors Board—in a memorandum to the California Air Resources Board (CARB) that explains the rationale for why DWR should not be regulated under the proposed Renewable Electricity Standard proposal being developed by CARB in response to the Governor's recent executive order. The SWC commented on CARB's proposal and met separately with CARB staff to explain that the regulation being developed by CARB for the electric utilities does not take into consideration the very different operational characteristics and mission of the SWP when compared to electric utilities and that DWR should instead be directly responsible for developing the most suitable approach of complying with the Governor's policies.

## STRATEGIC POWER AND CARBON REDUCTION PLANNING

### Reducing Carbon Footprint

Working toward reducing its carbon footprint, operating its facility in the most energy-efficient and cost-effective manner, and enhancing its ability to provide long-term power reliability; Metropolitan completed a number of board-approved deliverables. To highlight a few, Metropolitan completed the Energy Management Master Plan, which is a roadmap to identify future actions and to

serve as a master plan for achieving energy reliability and cost control. Metropolitan also completed the audit and certification of its 2008 carbon footprint with the California Climate Action Registry as a registered member, and submitted emissions data to the Air Resources Board, which is the state agency mandating emissions reporting annually. Staff also commenced final design activities for the Weymouth solar facility, while

also starting design activities for up to 8 megawatts for the expansion of the Skinner Solar Power Facility, and solar facilities at the Mills and Jensen treatment plants.



## HIGH PERFORMANCE WORKPLACE AND HUMAN RESOURCES EXCELLENCE

Ensure that Metropolitan is a high performance workplace that is well prepared for its future with excellent leadership practices, cost-effective processes and talented and engaged employees who deliver value.

The focus of Human Resources planning and strategic efforts has been on HR excellence with streamlined HR processes, building interest-based partnerships with bargaining units and improving support of management and employees to reduce and rapidly address employee concerns and grievances while strengthening the credibility and effectiveness of HR organizational leadership. To achieve this strategic intent, a deliverables roadmap covering the next 18 months has been established. Additionally, continued efforts to improve core HR services including Risk Management, Medical and Worker's Compensation. This was accomplished this year while reducing budgeted costs by 10 percent.

- Almost two-thirds of the workforce provided feedback on the Voices 2009 High Performance Workplace Survey. The findings were shared with all managers at the Management Forum in July and with all employees in e-mail and video communications from the General Manager. The results—which provided an assessment of how well Metropolitan's workplace supports a high performance culture—were over 50 percent favorable for 39 of the 45 topics covered. Overall, Metropolitan's score of 63 percent favorable compares favorably to many well known public- and private-sector



organization. Detailed results were also provided to each Group and Section and action planning to address key issues that were identified is being carried out throughout Metropolitan. The HR Advisory Council and the Executive Team will be following up to ensure improvements are visible, effective and are evident in improvement in future follow-up surveys.

- The newly chartered Organization and Personnel Committee has set a high priority for developing and deploying an Integrated Workforce Planning and Talent Management framework that addresses the challenges of a workforce where 47 percent of experienced staff could retire within the next five years. Building on some of the initiatives various Groups have put in place, Metropolitan is committed to ensuring a consistent

strategy throughout the organization that further speeds the timely recruitment of talent, expands career development, builds succession pipelines, motivates performance and increases our ability to place the right people with the right skills in the right position at the right time.

- This year, Metropolitan and all of its bargaining-units embraced the Interest-Based Bargaining process for negotiations. The process not only accelerated the negotiation process, but is widely credited with transforming a historically contentious process into a mutual, respectful negotiation that results in recommendations strongly supported by both labor and management. Even with a disagreement on the details of the final recommendations by Metropolitan's Board, labor and

## HIGH PERFORMANCE WORKPLACE AND HUMAN RESOURCES EXCELLENCE

Continued from page 7...

management have agreed to continue working together to develop an alternative recommendation acceptable to the Board. Those discussions will begin in January and February 2010.

- The Total Compensation Section was created July 1, 2009, with the merger of Benefits, Classification and Compensation and Human Resources Information Systems (HRIS). The goal of the Section is to leverage interdependencies and optimize efficiencies for bringing Metropolitan employees and retirees exceptional customer service for compensation and benefits issues. The Classification and Compensation Unit continues to perform job analysis and market assessments to finalize the AFSCME Class/Comp study. The Benefits Unit administered a host of health, retirement, leave and other benefit programs for employees and retirees. Recently, federal law changed the Family Medical Leave Act and COBRA regulations which required revisions of our internal policies and procedures. The 401(k) and 457 administration contracts were renegotiated to reduce fees for participants. The annual open enrollment period was completed with site visits and one-on-one consultations at all locations. HRIS maintains the data and tracking systems, employee records and performs Human Resource

data reporting. This area is also responsible for the Cargill Settlement implementation, which includes due diligence and extensive research to determine eligibility for claimant benefits. Technology solutions for various areas of Human Resources are being researched for potential implementation, improvement of processes, and increased access to data for management.

- Metropolitan's training programs this year have focused on making effective people management a key managerial competency. The Management Forum in July brought all managers together in one place to hear from executive management, discuss expectations of managers and introduce tools to enhance employee relations and performance discussions. A newly created Talent Management Unit combined Training, Organizational Development and Staffing to reduce staff size and to take a comprehensive view of Metropolitan's commitment to the selection, training and development of our employees. In addition, an expanded e-learning curriculum was made available to managers and employees to increase the availability of learning opportunities that enable easier access to training while reducing time away from work. Onsite Education Fairs by local universities and colleges offered staff educational opportunities and an expanded Internship Program was introduced to attract students to opportunities at Metropolitan.

### Enhanced Leadership and Workforce Training and Development

The Corporate Resources Group conducts semiannual Leadership Forums to share and exchange ideas and to provide managers with essential information and management tools to perform their work in an efficient and cost-effective manner. In November, the theme was "Making a Difference through Teamwork and Collaboration" with topics covering effective business relationships, partnering for success, building relationships with member agencies, and understanding the cost of service. The highlight of the program featured General Manager Jeff Kightlinger, who talked about the new challenges for Metropolitan and Metropolitan's role in meeting these challenges.



CRG Leadership Forum work team



### Workforce Planning and Succession

The Apprenticeship Program graduated 15 apprentices, added journey-level skills training, and negotiated the application of 36 college credits earned through the program classes from Santiago Canyon Community College toward a Public Administration degree at the University of La Verne. Program staff provided 3,688 hours of classroom and laboratory training to 39 apprentices, 480 hours of technical training to 10 journey-level employees and 1,480 hours of safety-related High Voltage switching and valving training (initial and annual refresher courses) to 72 employees.

Class of 2009 Apprenticeship Program Graduates with WSO Group Manager, Jim Green (center)

## LEGISLATIVE AND COMMUNITY RELATIONS

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

A comprehensive package of legislation was passed by the California Legislature and signed by the Governor in November. This legislation addresses the crisis in the Sacramento-San Joaquin Delta and will improve water management statewide and provide investment in water reliability throughout California. The Legislature's approval of this sweeping, bipartisan overhaul of the state's water system reflects an unparalleled effort to move California into a new era of water reliability and ecosystem recovery that will benefit the state's residents, economy and the environment for generations to come. Metropolitan was a key leader among state water districts and other stakeholders in identifying crucial compromise language in the legislative package.

Metropolitan sponsored and staff helped coordinate numerous Delta water supply outreach and education efforts and events throughout the fall including Community Leader Briefings, director and executive management briefings with elected officials and making presentations to various business and community organizations. Staff also implemented a media outreach program which included drafting numerous opinion-editorials for executive management and directors, coordinated media interviews with directors and executive management and distributed daily e-mail update alerts on legislative activity. Staff developed a



General Manager Kightlinger and Governor Schwarzenegger

dedicated Delta webpage for the public and posted all materials on a daily and sometimes twice-daily basis. These efforts resulted in helping securing support from Southern California business groups, chambers, local government and other organizations for passage of the comprehensive Delta package.

In addition to the Delta package, Governor Schwarzenegger signed four of the five Metropolitan-sponsored bills into law. Three of the four measures provide tools for maximizing available water supplies: AB 474 (Blumenfield, D-Van Nuys) which authorizes the use of voluntary tax assessments for financing water use efficiency improvements on residential and commercial property;

AB 1061 (Lieu, D-Torrance) which clarifies that common interest developments must adhere to the same locally adopted water conservation ordinances or restrictions as the surrounding community; and, SB 407 (Padilla, D-Sylmar) which will require the retrofit of inefficient indoor plumbing fixtures for residential and commercial properties by specified dates. Additionally, Metropolitan was one of four sponsors of AB 1366 by Assembly Member Mike Feuer (D-Los Angeles). This measure reflects a two-year effort to expand local control to address salinity inputs into community wastewater systems from residential self-regenerating water softeners.

### Community Relations

- Drafted Board Chair's keynote address at U.S. Green Building Council event.
- Drafted article on water resource sustainability for inaugural issue of Santa Monica Bay Restoration Journal.
- Provided comments to Little Hoover Commission on water supply reliability.
- Presented information to four local government events on water use efficiency.
- Presented information on water conservation to statewide conference on affordable housing.
- Updated bewaterwise.com Web site with pertinent program information.
- Worked with building development industry to incorporate water conservation technologies in new homes.
- Presented information on water-efficient landscapes to LA Basin Build It Green.

## WATER SUPPLY

Manage and execute water supply management strategies and programs to acquire water supply and demand management resources to meet development targets specified by the Integrated Resources Plan.

### Colorado River

- Metropolitan and Coachella Valley Water District agreed that CVWD will forego the delivery of 43,000 acre-feet of Colorado River water during calendar year 2009, leaving this supply available to Metropolitan. Of this amount, 35,000 acre-feet is due to the reduction of Exchange Water that Metropolitan is otherwise obligated to deliver under an agreement related to the QSA. The remaining 8,000 acre-feet resulting from the original Imperial Irrigation District/Metropolitan Conservation Program will require Metropolitan to pay \$66 per acre-foot to offset CVWD's operational costs.
- Metropolitan obtained approval from the Bureau of Reclamation to create up to 100,000 acre-feet of Extraordinary Intentionally Created Surplus during calendar year 2009 from the water saved under Palo Verde Irrigation District Following Program. Reclamation's approval will permit the storage of this additional 100,000 acre-feet of ICS water in Lake Mead for use in later years.
- Metropolitan reached agreement to divert up to 60,000 acre-feet of Nevada's unused Colorado River basic apportionment during 2009 under the Storage and Interstate Release Agreement among Metropolitan, Southern Nevada Water Authority, and the Bureau of Reclamation.
- Metropolitan issued the maximum following call for water conserved within PVID for the period August 1, 2010 through July 31, 2012. This will result in an estimated water savings of about 130,000 acre-feet per year at a cost of \$35.8 million.
- Metropolitan approved funding of the Yuma Desalter Pilot Project in September 2009, securing up to 23,200 acre-feet of new Colorado River Supplies. Along with Metropolitan, the Southern Nevada Water Authority and Central Arizona Water Conservation District also approved funding to secure the balance of the water conserved during the pilot operation.

### State Water Project

- Staff coordinated with the California Department of Water Resources, Coachella Valley Water District, and Desert Water Agency to carry over approximately 11,000 acre-feet of the latter two agencies 2009 Table A supply for use in 2010 pursuant to Article 12(e) of the respective State Water Project water service contracts.
- Staff coordinated with DWR to make replacement deliveries to Metropolitan's Castaic Lake Flexible Storage Account from 2007 through early 2009. A total of 152,000 acre-feet was withdrawn and will be replaced by Metropolitan's Table A supplies.
- Staff obtained concurrence from DWR to store non-Project water in San Luis Reservoir. Metropolitan now has the flexibility to store water from programs such as the San Joaquin Valley groundwater storage programs, the Mojave Water Agency program, the Yuba Dry Year Purchase Program, and Drought Water Bank to help add delivery flexibility into our service area and maximize Metropolitan's benefits.
- Metropolitan submitted an initial water order to DWR that incorporated a strategy to manage the expected low initial SWP allocation. The strategy includes utilization of Flexible Storage from January through April and delivery of carryover supplies from 2009.
- Metropolitan participated in the formation of the State and Federal Water Contractor Authority, which was developed to support and oversee Delta Conveyance & Habitat Improvement.
- Staff has been monitoring arsenic levels in the California Aqueduct and has been administering an agreement with Semitropic for the removal of arsenic in return water. Staff negotiated terms for an extension of the Semitropic Demonstration Arsenic Treatment Program and received authorization from the Board to enter into an agreement with expenditures up to \$1.75 million. The treatment program mitigates the arsenic impacts to the California Aqueduct allowing Metropolitan to recover more water from its storage account.

### Water Transfers and Exchanges

- Initiated discussions with potential Sacramento Valley water transferors and Delta Wetlands for water transfers in 2010.
- Metropolitan staff developed a preliminary policy for board consideration on the delivery of SWP supplies procured by a member agency, which was presented to and obtained input from the member agency managers in September, October, and December meetings. In addition, staff is negotiating principles of an agreement with Irvine Ranch Water District on the coordination of State Water Project supplies that they procure. The principles are consistent with the preliminary policy above and will be presented to the Board in February 2010. The program will enhance reliability by allowing Metropolitan access to a member agency storage program.

## WATER SUPPLY

### Regional Urban Water Management Plan

Staff had a kickoff workshop with the member agencies in October 2009 and recently completed legal determination of impact of new legislation on reporting requirements. Staff will continue to work and coordinate with member agencies to complete the 2010 RUWMP.

### Water Surplus and Drought Management (WSDM) Plan

- Continued monthly board reports on water supply and demand outlooks.
- Metropolitan staff managed the return from the Central Valley storage programs to improve Metropolitan's reliability in 2009.
- Prepared board report on WSDM policy and its implementation for the past 10 years.
- Developed a strategy to manage Metropolitan's 2010 supplies from the State Water Project that was incorporated into the Metropolitan's initial water order submitted to DWR. The strategy utilizes SWP supplies carried over from 2009. Metropolitan's flexible storage accounts and recoveries from Central Valley storage programs to conserve Table A supplies to ensure the SWP exclusive areas can be served throughout the year.

### Groundwater

- Continued participation with the Santa Ana Watershed Project Authority Emerging Constituents Workgroup to complete the Workgroup's "Phase II Report: A Proposed Work Plan to Characterize Select Emerging Constituents Concentrations in Surface Waters, Imported Waters and Recycled Waters Recharging Groundwaters of the Santa Ana River Watershed."
- Continued to monitor efforts to amend judgments in Central and West Coast groundwater basins to expressly provide for conjunctive use.
- Continued to implement ten groundwater conjunctive use programs. Conducted reconciliations for program calls for 2008-09 and prepared annual reports documenting performance, reconciliation, and any issues addressed. Administered 2009-10 calls for production from these water storage programs. Continued to work with member agencies and groundwater producers to define performance, assess costs and administer called water.
- Initiated discussions for identifying alternative sources of water (such as additional recycled water and stormwater) to replenish groundwater conjunctive use programs.
- Continued with Groundwater Workgroup process and in coordination with member agencies and groundwater basin managers, completed development of modules for refining integration of five key groundwater basins with Metropolitan's regional supply modeling. Scheduled follow-up meeting of the Groundwater Workgroup to review modeling outcomes and to refine and finalize Workgroup recommendations for the Integrated Resources Plan Update.
- Continued to review, analyze and provide recommendations regarding legislative, regulatory and grant proposals addressing groundwater resources.
- Monitored funding opportunities for groundwater resource development, and shared those with appropriate member agencies and groundwater basin managers.
- Continued to monitor development of regulations for protection of underground drinking water supplies as it relates to development of geologic sequestration of carbon dioxide.

## SYSTEM RELIABILITY

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

### Business Continuity

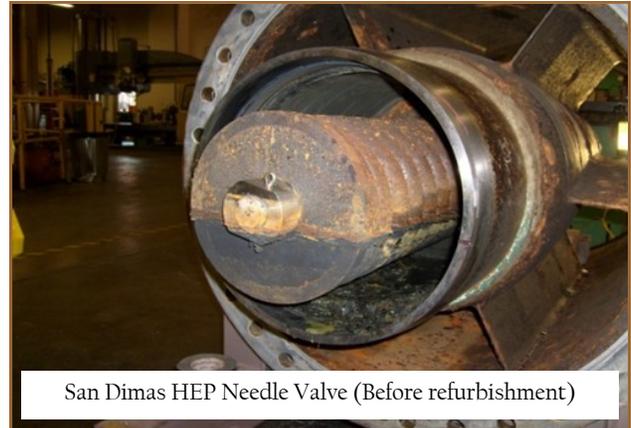
Initiated revision of the Risk Assessment process as part of the update of the Business Impact Analysis (BIA). The Risk Assessment will review business risks which may pose a threat to Metropolitan facilities and business processes. The updated BIA will use this information to prioritize efforts and resources, particularly in information technology, and focus on critical business processes which could be most affected by the risks identified.

## SYSTEM RELIABILITY

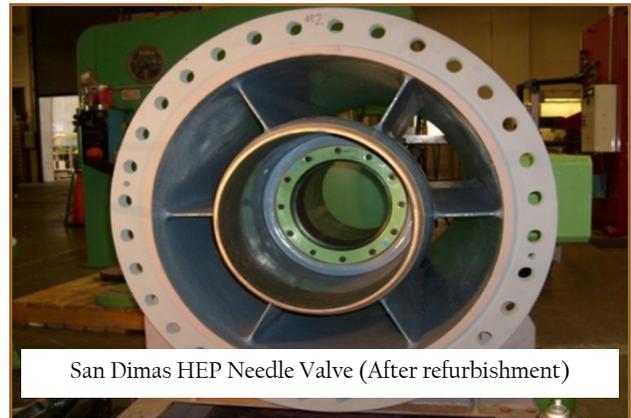
### San Dimas HEP Refurbishment

The San Dimas Hydroelectric Plant (HEP) was constructed in 1981 and has been in continuous service for over 27 years. The facility can produce up to 9.9 MW of electricity with its single turbine. Depending on pipeline flow rates, daily revenues range from \$3,000 to \$11,000. In early 2009, the facility was taken out of service. A survey of the facility revealed that many of the components were worn out and had reached the end of their service life.

In August 2009, the Board approved a complete rehabilitation of the San Dimas HEP. Metropolitan forces rebuilt the needle valves. A protective coating was also applied to various components within the facility to protect it from corrosion. The overall project is currently 95 percent complete and two months ahead of schedule. The plant is scheduled to be returned to service on January 18, 2010.



San Dimas HEP Needle Valve (Before refurbishment)



San Dimas HEP Needle Valve (After refurbishment)

### Power Resource Management, Hoover Power Contract Renewal

Agreement was reached between all existing Hoover power contractors on draft legislation that would retain 95 percent of existing contractual rights and create a five percent pool of energy and capacity to be offered to new parties. The legislation was introduced in both houses of Congress on December 16 with strong bipartisan support.

### CRA Shutdown

A 25-day shutdown of the Colorado River Aqueduct was conducted from October 4 - 28 to perform a variety of maintenance and inspection tasks. The following objectives were accomplished during the shutdown:

- Cleaned over 90 miles of CRA tunnels using a refurbished tunnel cleaning machine.
- Allowed Southern California Edison to modify their portion of the Hinds electrical substation to accommodate the interconnection of a new transmission line in 2010.
- Modified Hinds electrical substation facilities to provide for the installation of new circuit breakers and other equipment in 2010 that will improve reliability and increase operational flexibility.
- Replaced broken concrete canal sections in three locations.
- Sealed canal liner cracks using elastomeric injection process in two locations.
- Installed 4,000 linear feet of canal extensions at the mile marker 33 area to increase available freeboard at high flows.
- Repaired sodium hypochlorite storage tank leak at Copper Basin.
- Continued effectiveness of continuous chlorination at Copper Basin to reduce infestation of quagga larvae.
- Evaluated effects of desiccation on established mussel populations (e.g., pumping plant discharge pipes, sand traps).
- Replaced the under-frequency protection relay and housing panel at Intake Pumping Plant. This relay is used to shed load to help stabilize the power system.
- Repaired and installed replacement cathodic protection equipment in the Iron, Eagle and Hinds headgate structures to prevent infrastructure corrosion.
- Added a protective coating to the Copper Basin Outlet tunnel liner at the chlorine discharge point.
- Performed corrective and preventive maintenance on the pumping plant facilities which was only possible during zero flow conditions.

The shutdown was completed on time in coordination with the Eastern and Western Municipal Water Districts.

## SYSTEM RELIABILITY



Tunnel Cleaning Machine prior to tunnel entry (CRA Shutdown)

### Inland Feeder Acceptance Testing

Construction was completed and Water System Operations acquired operational control of the Inland Feeder in September 2009. A shutdown of the Inland Feeder was conducted to remove the remaining two bulkheads to allow the feeder to be put into full service. The Feeder was filled on September 25 - 27. After the initial fill, start-up testing was performed. Pressure control facility PC-1 was used to regulate pressure and flow as water was supplied from Devil Canyon into Diamond Valley Lake.

The start-up testing was performed over a three-day period from September 28 - 30. The testing was conducted in two phases. The first phase utilized the Secondary inlet at DVL. For this test, the flow was slowly increased to a maximum of 650 cubic feet per second. The second phase utilized the Inlet/Outlet Tower to deliver water into the reservoir. For this test, flows were slowly increased to a maximum flow at the Inlet/Outlet tower of 800 cfs.

Following successful testing, the Inland Feeder was put into full service and delivered 38,700 acre-feet from the State Water Project to DVL in October and November 2009.



Inland Feeder Bulkhead Removal

### Environmental, Health and Safety

EHS successfully negotiated with the Los Angeles County Department of Public Works for a blanket flood permit that covers the dewatering activities for the 2009/10 shutdown season. This includes the West Valley Feeder #2, Calabasas Feeder and Sepulveda Feeder shutdowns. This permit was a significant accomplishment because previously Metropolitan had to obtain individual permits for each discharge location. This blanket permit is a more efficient approach, reduces staff time and keeps shutdown projects on schedule.

EHS supported legislative strategy leading to the successful passage of SB 827 allowing South Coast Air Quality Management District to restart issuing permits for emergency power systems. Previously, a court ruling placed a moratorium on permits. SB 827 lifts the moratorium on permits effective January 2010 and allows SCAQMD to issue permits for the new stationary emergency generators for the Diemer and Weymouth treatment plants. This action prevents a possible expenditure of \$1.7 million to obtain pollution credits for the permits.

## WATER QUALITY

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

### Water Treatment

Testing of new ozone facilities began at the Skinner water treatment plant. A core team of operators and technicians participated in training and start-up of the many systems associated with ozone. In addition to testing new ozone facilities, Skinner plant staff began operating the facility without use of the 300 acre-foot finished water reservoir while the floating cover was being replaced.

Staff commented on Congressional legislation that would establish new security requirements and procedures at the nation's drinking water facilities. In October, the Energy and Commerce Committee of the U.S. House of Representatives passed the "Drinking Water System Security Act of 2009". This act, if passed into law, would regulate the security of large drinking water facilities and would examine the storage and use of hazardous chemicals such as a liquefied chlorine gas. A number of important changes recommended by Metropolitan staff were incorporated into the version passed in October including a required administrative review of any regulatory decision to require a utility to change the storage or use of hazardous chemicals.

Quagga Mussel Colony at Lake Havasu Intake

### Water Quality

The Quagga Mussel Control Program was initiated in response to the colonization of quagga mussels in the Lower Colorado River in early 2007. As part of the QMC Program, chlorination facilities were installed or started at the outlets of Copper Basin Reservoir, Lakes Mathews and Skinner in 2007 and 2008. Inspections for quagga mussel colonization conducted during the October 2009 CRA shutdown indicate that the combined use of chlorination at Copper Basin outlet and periodic drying of tunnels, canals and pumps during shutdowns kept mussel infestation in the CRA to low levels and isolated pockets of mussel colonies downstream of Copper Basin. Annual or semiannual underwater pressure washing of the Whitsett and Gene Wash Intake trash racks continues as the primary control approach for mussels at these locations.



### Source Water Protection

Rail shipment and disposal of the uranium mill tailings pile from the Moab, Utah site began in April 2009. The 16-million-ton pile lies approximately 750 feet from the Colorado River. Since April, the U.S. Department of Energy has shipped 600,000 tons of mill tailings to a disposal cell constructed near Crescent Junction, Utah, approximately 30 miles northwest of the Moab site. Using American Recovery and Reinvestment Act funding, DOE has increased shipments in order to meet its ARRA project commitment to ship an additional 2 million tons of mill tailings by September 2011 and accelerate overall cleanup of the site. DOE estimates completing movement of the tailings pile by 2025, with a goal of 2019 should additional funding be secured.

The U.S. Environmental Protection Agency issued a notice that a final regulatory determination for perchlorate will be made after considering comments provided during a 30-day comment period. Regulatory determination is the first step toward developing a national drinking water standard by the EPA. While California has its own drinking water standard for perchlorate of six parts per billion, a federal standard could expedite clean-up of Department of Defense facilities and

Superfund sites throughout the country where a state drinking water standard could not be enforced. Metropolitan offered comments to the EPA focusing on the need for perchlorate remediation to the Colorado River and to address cleanup of impacted drinking water supplies within its service area. Perchlorate levels at Metropolitan's Lake Havasu intake remain below 2 ppb as a result of the continued remediation efforts in Henderson, NV. In January 2009, Tronox (one of the remediation site owners) filed for Chapter 11 bankruptcy protection citing significant environmental liabilities taken from the previous site owner. Metropolitan continues to track this issue and engage in efforts to ensure cleanup efforts continue.

Staff submitted the final report on a two-year project funded by the National Water Research Institute, "Source, Fate and Transport of Endocrine Disruptors, Pharmaceuticals, and Personal Care Products in Drinking Water Sources in California." Results from this study provided valuable information on the occurrence of emerging constituents in Metropolitan's water supplies, as well as insights into their sources and potential mitigation strategies.

## CAPITAL INVESTMENT PLAN

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

Over 400 projects planned under the Capital Investment Plan with a total budget of \$412 million were underway in the first half of FY 2009/10, including the following major projects:

### Inland Feeder

With the Arrowhead Tunnels completed 14 months ahead of schedule and within the board-approved budget, service commenced in late September with deliveries up to 800 cubic feet per second due to recent increases in allotments to Metropolitan. The \$1.2 billion Inland Feeder Program consists of 44 miles of pipeline and tunnels that will enable Metropolitan to convey State Water Project supplies to Diamond Valley Lake.



Inland Feeder deliveries to Diamond Valley Lake

### Oxidation Retrofit Program

To meet state and federal drinking water regulations, Metropolitan established the ORP to add ozone as the primary water disinfection process to control tastes and odors and to reduce the level of disinfection by-products in the finished water at all five of Metropolitan's water treatment plants. With Jensen and Mills ORP already on-line, ozone construction activities at Skinner and Diemer are underway at various stages. Major activities included the completion of the ozone facility and commencement of start-up and testing activities at Skinner, and fabrication of ozone equipment and installation of three liquid oxygen tanks at Diemer. Additionally, staff proceeded with final design for the Weymouth ozone facilities upon board direction in September, obtained board approval for the award of construction contract for the ORP Switchgear at Weymouth, and began construction for relocation of the Inlet Conduit to make room for ORP at Weymouth.



Skinner Ozone Facility

Perris Valley Pipeline South Reach Pipe Installation



### Perris Valley Pipeline

This 96-inch diameter pipeline will be approximately 6.5 miles in length, extending east and south from the Mills plant to provide service to Eastern Municipal Water District and Western Municipal Water District. With the North Reach completed in June 2009, recent activities include the completion of the second of four tunnel crossings and ongoing pipe installation for the South Reach.

## CAPITAL INVESTMENT PLAN

### Diemer Water Treatment Plant Improvements Program

To maintain reliability and to improve operating efficiency of the Diemer plant, recent activities included ongoing construction of electrical improvements for Phase I and final design of the Finished Water Reservoir and East Washwater Tank Seismic Upgrades. Also, staff completed electrical improvements under Phase II, including development of design criteria and equipment, and modeling of the power distribution and grounding systems. In October, staff obtained board approval for award of the construction contract for the Diemer North Access Road, which will provide a secondary operational route to the Diemer plant, enhance plant security, provide fire break capabilities for the plant, and enhance public safety within Chino Hills State Park.



Diemer Electrical Improvement Project



Weymouth Polymer Tank Farm

### Weymouth Water Treatment Plant Improvements Program

To maintain reliability and to improve operating efficiency of the Weymouth plant through specific improvement projects, recent activities included completion of the new polymer tank farm and board-awarded construction contract for the Electrical Power System. Construction activities also began for the Inlet Gates and Rapid Mix Facilities.

## 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.

### Sustainability in all aspects of Real Property

Staff ensures transactions are negotiated and managed in a sustainable manner that preserves the natural environment, enhances economic vitality in communities along right-of-ways, and protects Metropolitan's public infrastructure and property. Since July, the Property Management Team completed over 70 transactions in this manner, including:

- entry permits issued to the California Department of Fish and Game to allow study of habitat and wildlife within the Lake Mathews Multiple Species Reserve;
- support of the Western Days Rodeo in San Dimas, through issuance of an entry permit for temporary use of property near the F.E. Weymouth Treatment Plant; and
- numerous permits, easements, and leases to various parties that facilitated maintenance and improvements to all types of transportation and utilities—both public and private—including gas, electric, railroads, telecommunications and roadways.

**REAL PROPERTY MANAGEMENT**



DVL Boat Ramp Extension

In November, construction was completed on budget and more than five weeks ahead of its original completion date. The purpose of this project was to extend the Diamond Valley Lake boat ramp to its ultimate build-out level, which is just above the lake bottom in the vicinity of the boat ramp. Private boat launches at DVL were indefinitely suspended in October 2008, when dropping lake levels reached the end of the existing boat ramp. The Board awarded a construction contract in August 2009 to increase the boat ramp length and allow boating activities on the lake to resume. Launch and parking fees were raised to provide a five-year recovery of improvement costs.

The Diamond Valley Lake boat ramp reopened to the public on December 20.

Other recreational activities included:

- the Chairman’s Annual Bike Ride was hosted at DVL on April 25 with more than 150 riders participating;
- eight softball and three soccer fields on Metropolitan-owned land were opened September 14 by leaseholder and operator Valley-Wide Recreation and Park District as part of the Diamond Valley Lake Community Park; and
- a development plan that includes options for improved use of the former DVL Visitors Center has been finalized by staff and will be presented to the Board in early 2010.

<b>DIAMOND VALLEY LAKE</b>	
<b>JULY – DECEMBER 2009</b>	
TOTAL VISITORS	18,530
FISHING PERMITS	15,704
BOAT LAUNCHES (December only)	1,017*
<i>* Due to construction improvements of the boat ramp, private launchings were suspended between mid-October 2008 and December 20, 2009.</i>	

Martin Mars on Diamond Valley Lake

In support of local wildfire fighting efforts, Metropolitan worked with the U.S. Forest Service to arrange for the world’s largest “flying boat,” the Martin Mars, to make several safe water scoops from DVL.



Property for future water infrastructure

Numerous property-related activities accomplished over the summer and fall will help ensure future reliable delivery of water to Southern California. They include:

- completed appraisals for alternative alignments, as well as 20 quitclaim deeds related to construction easements for the San Diego Pipeline Number 6; and
- appraisals were completed for acquisition of properties along the Perris Valley Pipeline alignment.

## REAL PROPERTY MANAGEMENT

### Other Real Property Goals

Metropolitan's commitment to create and operate sustainable facilities received special recognition during the later part of 2009, including:

- Energy Star certification for the Metropolitan Headquarters Building, awarded by the United States Environmental Protection Agency and Department of Energy in recognition of Metropolitan's effective practices and use of energy efficient products in strategic facilities management and operations; and
- "Silver LEED Certification" for the Headquarters Building under the Leadership in Energy and Environmental Design standards, which measure performance in maximizing operational efficiency while minimizing environmental impacts. There are only 11 buildings with LEED Silver Certification in the City of Los Angeles.



## 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.

### Financial Reporting

Recorded and reported all financial activities of Metropolitan in a timely and transparent manner to the Board and member agencies and received favorable results on all internal and external audit reports. Monthly reports were given to the Business and Finance Committee regarding projected expenditures vs. budget, along with key variance explanations. Internal controls have been developed to ensure expenditures are kept within budget guidelines.

### Audit Results

External Auditor provided an overview of annual audits at the September Audit Committee meeting. There were no issues or exceptions on any financial statements. The External Auditor completed the audit and provided an unqualified ("clean") opinion on Metropolitan's 2008/09 financial statements.

### 2010/11 Budget

Staff prepared the proposed 2010/11 budget for presentation in January 2010 to Metropolitan's Board and member agency managers. The proposed budget documents are being designed to include an expanded 10-year forecast of expenditures and projected rates and charges. These forecasts will incorporate projected costs associated with a Bay-Delta conveyance solution and ecosystem restoration to help member agencies and the general public understand long-term cost trends and potential future water rate impacts.

### Program Budgeting

Many major O&M programs have been defined, allowing the current organization to track expenditures in specific program areas (eg., Bay-Delta Initiatives, Conservation Program, Emergency Management, etc.). This cost tracking will help Metropolitan make the transition to program-based budgeting in the future.

The Board approved the 19th Supplemental Resolution providing the ability to issue variable rate bonds backed by Metropolitan's own liquidity, rather than a standby bond purchase agreement. This additional financing vehicle will help provide flexibility and lower cost variable rate financing in the future. In addition, Metropolitan refunded over \$100 million of variable rate debt with fixed rate bonds to reduce exposure to rising liquidity costs.

Continued to invest all funds within board-approved guidelines, with total returns exceeding benchmark over the first six months of the year.

As part of the Build America Bonds issuance, Metropolitan and its underwriters conducted an internet presentation with institutional investors, reflecting Metropolitan's credit strengths and challenges and educating investors about California's water supply challenges and how Metropolitan is addressing those challenges.

## BUSINESS OUTREACH

Maintain an effective Business Outreach Program for regional, small businesses and veterans to ensure broad participation and competitive costs.

The Business Outreach Program promoted business and economic development in Southern California; increased outreach and support for Member Agencies, the Southern California business community and disabled veteran business community; increased awareness of Metropolitan's Sustainable Business Development Initiatives; encouraged businesses to participate in Metropolitan's water conservation programs; partnered with internal and external groups to integrate shared systems; and developed new technologies to streamline processes.

### Connect 2 MET

Metropolitan partnered with member agencies and co-hosted "Connect 2 MET" events, which focused on ensuring that businesses in member agency areas had access to Metropolitan contracting opportunities, gain knowledge of conservation measures, and learn about new innovations and emerging technologies. To meet Metropolitan's goal of increasing and assisting entrepreneurial efforts in the region, staff partnered with local and state public agencies to host business-related programs and events. Since its inception in 2001, Business Outreach has been tracking Metropolitan's reinvestment in the business community and accrued data shows that between 25 and 40 percent of Metropolitan's contracting dollars have been awarded to small and disabled veteran businesses representing a reinvestment of \$700 million into the local economy.

### Metropolitan Co-Hosts 4<sup>th</sup> Annual California Construction Expo

On August 13, Metropolitan, Los Angeles Community College District, Los Angeles Unified School District, Los Angeles World Airport, Port of Long Beach and the Association of General Contractors, hosted the Fourth Annual California Construction Exposition. Metropolitan hosted the VIP networking reception prior to the expo with Chairman Brick representing Metropolitan at the ceremonial ribbon cutting and Chief Administrative Officer Gilbert Ivey speaking at the luncheon about Metropolitan's sustainability efforts and future construction opportunities.

The Expo provided an opportunity for small and large businesses to learn about construction contracting opportunities offered by numerous government agencies throughout the region. This was the fourth year that Metropolitan has co-hosted the Expo. Metropolitan staff (Business Outreach, External Affairs, Human Resources, Business Services, and Engineering Services) collaborated to make CalCon a success. Staff were panelists at workshops, manned several exhibits, and were on hand to answer questions. Over 2,500 people attended the one-day Expo.

### Online Contract Compliance and Accountability Program (CCAP) on NETConnect

Developed and successfully launched by staff, the new system has integrated NETConnect's Online Bidding, Vendor Registration, Small Business Certification, Construction, Professional Services, and Insurance Systems to create an intuitive integrated system that links data from all modules to populate CCAP. The major transition challenge was to develop a program that converted faxed reports and excel spreadsheets to an online contract reporting system that integrated reports submitted by Prime Contractors, Project Managers, Metropolitan's Business Outreach, Construction, Professional Services, and Engineering groups, and the Business Outreach Contract Compliance Officer. Internal users and prime contractors have already started using the system and Business Outreach and Planet Bids are currently using Webinars to train all internal users and prime contractors on how to use the reporting system to produce reports for both internal and external use. After testing Metropolitan's CCAP, the San Diego Airports decided to adopt the program for their Contract Compliance.

The Contract Compliance System has already benefited Metropolitan by creating internal partnerships between Business Outreach, Construction, Engineering, Purchasing, and Professional Services, cutting costs, streamlining processes, and implementing time-saving measures.



Metropolitan Booth at the CalCon Expo

### BUSINESS PROCESSES

Implement business process improvements to increase organization efficiencies and manage the organization to achieve budget objectives.

#### Water Billing System

The project to rewrite the billing system is complete and the new system is being used to invoice customers. Member agency and subagency staff are being trained to use the system. To date, 12 member agencies and 7 subagencies have been trained with three additional member agencies scheduled for training this month.

#### Process Improvement Support

Information Technology business case analyses continued to be performed, as required, to identify projects that could deliver demonstrable savings or are necessary to meet regulatory requirements.

#### Water Cyber Security Workshop

As part of a continued effort to monitor and participate in national efforts aimed at enhancing security capabilities for water utilities, Metropolitan hosted a Water/Wastewater Cyber Security Workshop sponsored by the Department of Homeland Security. The workshop was designed to improve the knowledge, skills and abilities of water/waste water utility employees who are responsible for control systems (SCADA) security. Department of Homeland Security's Control Systems Security Program representatives from Idaho National Labs provided the workshop training and discussed security best practices for use by Water Sector asset owners and operators. The workshop was attended by approximately 65 individuals from more than 30 utilities, law enforcement, national labs and the California Department of Public Health.



#### Fuel Management System

Staff completed installation of a Fuel Management System that will allow Metropolitan to more effectively and efficiently manage fuel inventory. Metropolitan currently tracks fuel usage and fuel inventory information manually. The new system automatically captures fueling data and stores information from the vehicle (e.g., mileage) and the fuel pump (e.g., fuel dispensed), resulting in enhanced productivity while minimizing errors associated with manual data entry.



#### IT Strategic Plan Update

Staff has completed an update to the ITSP which provides a road map to guide the investment and deployment of information technology at Metropolitan. The goal of the plan is to leverage IT investments to increase long-term reliability, while improving Metropolitan's overall efficiency and effectiveness. As part of the update, staff has completed its draft report and plans an oral presentation to the Board's Engineering and Operations Committee in February 2010.

## BUSINESS PROCESSES

### Continued the Information Security Remediation Initiative

Staff continued efforts to enhance and upgrade Metropolitan's IT security infrastructure as part of Phase II of the Information Security Remediation initiative. Prior to the fiscal year, staff has completed six initiatives and during the current year, staff completed the design phase for implementation of a new security related tool (Microsoft's System Center). This system will facilitate software distribution to Metropolitan's key production servers and users' workstations to ensure that they have the latest critical security software patches to protect against cyber threats. In addition, staff began preliminary design on security account provisioning to automate and assist security staff with managing access to key applications (e.g., Oracle Financials, PeopleSoft, Human Resources, time keeping) for Metropolitan employees.



### Headquarters Technology Upgrade

Staff has substantially completed the upgrade and replacement of 10-year-old IT-related communications equipment in the main board room and committee rooms at Metropolitan's Headquarters. Fine tuning/adjustments of acoustics and final acceptance is planned for early 2010.



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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

**Organizational Chart**

