



- Board of Directors
Executive Committee

7/12/2011 Board Meeting

6E

Subject

Approve General Manager's Business Plan for fiscal year 2011/12

Description

Metropolitan's General Manager annually submits a business plan to the Board of Directors for approval. The attached business plan, which is based on the fiscal year 2011/12 approved budget, delineates Metropolitan's strategic priorities and core business objectives to be pursued during the year. It is designed to be a fluid work plan whose goal is to carry out Metropolitan's mission of providing 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.

As fiscal year 2010/11 ends with improved water supply conditions throughout the region, there are many accomplishments to note from the past year. Metropolitan maintained reliable deliveries of high-quality water to its member agencies and cost-effectively managed the Capital Investment Plan (CIP). The Integrated Resources Plan was updated in October 2010, and will serve as Metropolitan's strategic plan for water reliability through the year 2035. Efforts continued on Bay-Delta initiatives with significant progress achieved on the Bay-Delta Conservation Plan effects analysis, habitat restoration, and Delta emergency preparedness. Managing for the future in an era of increasing uncertainty is Metropolitan's greatest challenge. Climate change, new environmental regulations, and economic uncertainty are some of the issues that require Metropolitan to employ an adaptive approach in all aspects of its business. The upcoming year will require Metropolitan's ongoing commitment to support Bay-Delta initiatives. Staff will be challenged to find more innovative ways to further manage costs to mitigate future rate hikes, while effectively partnering with member agencies and other parties to develop regional and mutually beneficial solutions for essential water projects and programs. Metropolitan is committed to serve as a steady but assertive leader in its overall operations, to be a dedicated partner with its member agencies, and to serve as directed by the Board, for not only Metropolitan's future, but for the future of the region.

To that end, three **Strategic Priorities** for fiscal year 2011/12 are identified below:

Strategic Priority #1 - Manage Budget and Finances

As water sales and revenue continue to trend below recent historical norms, Metropolitan will focus on achieving cost reductions and efficiencies in all areas of its business while adding additional revenues. Primary focus will be placed on Metropolitan's labor and capital program costs to ensure that these areas are efficiently managed. The strategic financial goals are to manage costs within the adopted budget, identify potential cost containment and reduction initiatives, continue to perform all core functions, maintain Metropolitan's high credit ratings, and minimize water rate increases. Additionally, staff will engage the member agency managers in a process to complete the Long Range Finance Plan during this period. The transition to a biennial rolling budget cycle will aid in this effort by assessing potential cost and revenue impacts over a longer term, while refining the provisionally approved budget to accommodate more immediate changes in budget assumptions. Staff will continue to actively manage Metropolitan's short-term investment portfolio to meet ongoing liquidity and

investment challenges, and ensure cost-effective access to capital markets by updating capital financing plans and working with rating agencies and investors to communicate Metropolitan's financial needs and capabilities.

Strategic Priority #2 - Rebuild Water Storage Accounts

In 2006, Metropolitan experienced the highest year-end storage reserves in its history. Following 2006, drought and regulatory restrictions reduced the supplies available from the State Water Project, leading to significant reduction of these storage reserves. By the end of 2009, dry-year storage had been reduced by 1.2 million acre-feet as full deliveries were maintained to the member agencies. Implementation of the Water Supply Allocation Plan in 2009 allowed Metropolitan to slow the draw on reserves. In 2010, Metropolitan was able to begin rebuilding its storage reserves, with significant increases in surface storage reservoirs such as Diamond Valley Lake and Lake Mead.

Hydrologic conditions in 2011 have led to the highest State Water Project allocation since 2006. These abundant supplies will allow Metropolitan to continue to increase regional storage reserves, thus reducing the potential for shortage actions in the near future. As storage space in Diamond Valley Lake is filled, the task of delivering water into other storage facilities will become more challenging. Staff will work to optimize the use of storage agreements in the region, the Central Valley, and on the Colorado River system. The goal of these actions is to capture available supplies in order to end 2011 with a new record for the highest level of dry-year storage in Metropolitan's history.

This strategic priority will help reduce the likelihood that Metropolitan will need to declare a Water Supply Allocation in coming years. Staff will work with current storage partners to schedule deliveries to storage in an effort to maximize the capture of available supplies. Additional storage opportunities will also be investigated to help increase the potential capture of supplies. To the extent possible, agreements will be renegotiated to minimize financial exposure to fees for storage in fiscal year 2011/12. Staff will also work with the Department of Water Resources to schedule deliveries early in calendar year 2012 in order to effectively use the storage capacity in San Luis Reservoir while reducing the risk of losing these supplies in 2012 due to spill.

Strategic Priority #3 - Continue Progress on Bay-Delta Conservation Plan (BDCP)

Metropolitan staff will continue to provide leadership in this process to restore the reliability of the State Water Project, with the goal of completing the public draft Environmental Impact Report/Environmental Impact Statement within the upcoming fiscal year. Major objectives to be achieved during fiscal year 2011/12 include: completion of the BDCP effects analysis; refinement of alternatives in the environmental document for the BDCP; completion of the draft project finance plan; and release of a public draft BDCP and associated draft Environmental Impact Report/Environmental Impact Statement.

Core Business

Along with the three **Strategic Priorities** for fiscal year 2011/12, Metropolitan will continue to focus on core business activities, which include: managing and/or maintaining Bay-Delta solutions; water supply; system reliability; water quality; Capital Investment Plan projects; business processes and information technology; human resources excellence; legislative, communications and community relations; real property; and finances. These core business objectives are managed by lead organizations at Metropolitan. As summarized in [Attachment 1](#), each lead organization is accountable for its core business objectives and performance measures. Each organization's commitments are entrenched in Metropolitan's mission and core values, including integrity, stewardship, diversity, open communication, leadership, and teamwork. These core values help guide Metropolitan in its performance of work. These goals are successfully achieved with lead and support organizations throughout Metropolitan working together toward a common mission. For each lead organization, highlighted areas of focus for fiscal year 2011/12 are provided below:

Lead Organization: Office of the General Manager – Bay-Delta***Core Business: Bay-Delta Solutions***

In fiscal year 2011/12, staff will continue to aggressively pursue near-term and long-term Bay-Delta solutions that will ensure a greater degree of water supply reliability for Metropolitan's State Water Project supplies.

Metropolitan will partner with key parties and complete the Bay-Delta Conservation Plan; the draft project finance plan; and draft Environmental Impact Report/Environmental Impact Statement for the Delta Habitat Conservation and Conveyance Program. Staff will continue to work with resource and regulatory agencies to enhance Delta science, including development of life-cycle fishery models, and forecasting of turbidity and Delta smelt behavior. Additionally, staff will continue to work with the California Department of Water Resources, the U.S. Army Corps of Engineers, and local reclamation districts to ensure Delta emergency response measures are completed, including expedited actions to strengthen levees along the Middle River fresh water pathway.

Lead Organization: Water System Operations Group***Core Businesses: System Reliability and Water Quality***

Metropolitan will maintain the capability to deliver and treat all sources of water available to Metropolitan. Because supplies are expected to exceed demands this year, staff will schedule and deliver State Water Project and Colorado River supplies to increase storage accounts in the most cost-effective manner possible. Deliveries to member agencies will be coordinated to maximize both full-service and interruptible water orders. Staff will also acquire and manage the energy required to operate the Colorado River Aqueduct (CRA).

Metropolitan will maintain the infrastructure to ensure operational reliability for reasonably expected demand scenarios. This year, approximately 30 shutdowns are planned, including major shutdowns for the CRA and the Diemer treatment plant, for rehabilitating older infrastructure and incorporating new treatment processes.

Emergency management capabilities will continue to be improved by upgrading the two-way radio system and rolling out a major emergency response drill. Metropolitan will also invest in its workforce by graduating a class of more than 30 mechanical and electrical apprentices, and completing individualized training plans for all employees.

Importing water to the region requires large amounts of electricity. Following the Board's Energy Management policies adopted in August 2010 and an increase in the allowed amount of commitments for future energy deliveries approved by the Board in March 2011, staff will continue to manage CRA power costs, reduce exposure to energy price volatility, and work with the Department of Water Resources (DWR) and the State Water Contractors (SWC) to minimize power costs on the State Water Project (SWP). This will be accomplished by actions including the acquisition of energy to be delivered to the CRA in the future at a pre-determined price and by supporting legislation that will guarantee Metropolitan's retention of a significant amount of Hoover energy and capacity after the current Hoover contract expires in 2017. Staff will also manage non-CRA energy costs and increase power sales revenue by obtaining the most favorable electric service rate available at Metropolitan's facilities and achieving the maximum renewable value for the energy sold from Metropolitan's small hydroelectric plants as existing contracts are renewed or replaced. Finally, staff will, through involvement with DWR and chairmanship of the SWC Energy Committee, review and recommend actions to minimize the power costs of the SWP, including activities associated with the relicensing of the SWP generators and the potential acquisition of long-term energy resources, including renewable generation.

In the core business area of water quality, staff will continue to develop and execute comprehensive programs that protect source water quality, optimize water treatment processes, and prepare for future regulations to ensure compliance. This effort will be achieved by vigilant source water monitoring, tracking clean-up of pollution in the watersheds, and advocating for protection of source waters. New treatment and control methods will also be brought on-line to control the formation of disinfection by-products and to mitigate the ongoing quagga mussel infestation. Staff will also work closely with drinking water regulators to ensure best-available information is used in the standard-setting process for contaminants such as perchlorate, hexavalent chromium, and nitrosamines.

Lead Organization: Water Resource Management Group***Core Business: Water Supply***

In fiscal year 2011/12, staff will continue to develop policies and programs designed to ensure supply reliability for the region. Strategically, staff will focus on the management of storage programs and contracts to ensure the capture of available supplies during the year for use in later dry periods. Staff will also follow through on Board direction to recommend adjustments to the Water Supply Allocation Plan to account for issues of growth and local supply development, new conservation policy principles and a Long-term Conservation Plan to identify strategies for the region to accomplish regional 20 percent by 2020 goals, and a new replenishment program to improve conjunctive management of imported supplies and groundwater resources while ensuring regional benefits.

Metropolitan's planning efforts will focus on understanding how recent demand trends and climate variability may impact infrastructure and supply needs in the coming years. Analysis will also include the potential impacts of local supply development, like seawater desalination, on Metropolitan's infrastructure. Finally, staff will continue to manage approximately 400 agreements for programs ranging from imported water supplies on the Colorado River and State Water Project to conservation agreements and local supply development contracts within the region. Learning from recent history on these programs, staff will review the Local Resource Program to investigate whether there are alternative approaches to encourage local supply development to improve regional reliability while reducing potential long-term rate impacts.

Lead Organization: Engineering Services Group***Core Business: Capital Investment Plan (CIP)***

All of Metropolitan's capital projects are managed and executed under the Capital Investment Plan. In past years, the CIP has been characterized by major supply programs such as the Inland Feeder and Diamond Valley Lake, or by treatment process improvements like the Oxidation Retrofit Program. With ozone facilities up and running at the Jensen, Mills, and Skinner plants, and construction approximately 80 percent complete at Diemer, the Weymouth plant represents the final stage of the Oxidation Retrofit Program, which will allow Metropolitan to comply with water quality regulations under all source water blends. While the largest planned capital expenditures next year will be for continued ozone work at Diemer, and for initiation of construction of ozonation facilities at Weymouth, reliability of Metropolitan's infrastructure has increasingly become a focal point for the CIP. As a result of significant reductions in demand projections, several supply-related projects have been deferred or modified over the next several years, allowing Metropolitan to invest the necessary funds in the replacement, refurbishment, and upgrade of its aging infrastructure, while reducing overall capital expenditures. In fiscal year 2011/12, staff will manage over 300 capital projects, the majority of which focus on infrastructure reliability.

Infrastructure rehabilitation projects (known as "R & R" projects for refurbishment and replacement) are essential to maintaining the reliability and integrity of Metropolitan's conveyance and distribution system. These projects will address aging infrastructure, operational needs, and compliance with increasingly stringent regulatory requirements. In fiscal year 2011/12, infrastructure rehabilitation projects will include seismic retrofits; electrical and power system upgrades; replacement of mechanical equipment such as pumps, valves, treatment process equipment, SCADA instrumentation and equipment, and communication infrastructure; rehabilitation of hydroelectric power plants; replacement of floating covers on treated water reservoirs; pipeline repairs; and replacement of cathodic protection systems.

Several infrastructure reliability initiatives are being developed, including a long-term Prestressed Concrete Cylinder Pipe (PCCP) assessment and replacement program, which will enhance pipeline reliability, reduce risk of pipeline failures, and reduce disruption of water deliveries to member agencies in the near- and long-term. Three other significant rehabilitation programs will focus on the CRA electrical system, electrical upgrades at the Jensen, Mills, and Diemer plants, and seismic upgrades of critical facilities along the CRA and at the Diemer and Weymouth plants. These efforts are driven primarily by the age of these facilities and by updated building codes and seismic information.

All projects are prioritized based on potential impacts on system reliability, safety, and regulatory compliance. Additionally, staff will continue its emphasis on cost-effective management of CIP projects, and will utilize value engineering and benchmarking results to improve project delivery and to minimize costs. Staff will also increase the integration of green design and construction practices into Metropolitan's construction projects, and seek support for the development of water industry guidelines in this area.

Lead Organization: Business Technology Group

Core Business: Business Processes and Information Technology (IT)

Continuous improvement will remain the focus for Metropolitan with the Business Technology Group leading efforts to balance cost constraints and the highest levels of value for services and products. Metropolitan will continuously assess how it does business, identify best industry practices, and streamline key business processes. A key element of streamlined business processes will be to strategically leverage technology investments. To that end, Metropolitan will continue to achieve key milestones under the Updated IT Strategic Plan, which serves as a road map guiding investment and deployment of information technology in the light of business requirements, the need for prudent financial management, and emergence of new technologies. Metropolitan will also complete implementation of a new electronic discovery system to streamline management, cataloging, storage, and retrieval of electronically-stored information that is essential for litigation and Public Records Act requests. Metropolitan will continue its evaluation of Cloud technology versus on-premises IT solutions to lower IT computing and maintenance costs along with streamlining IT project deployment. Other business process improvements will include providing self-service online portals for procurement of materials, contracting services, and technical documentation of future water treatment and distribution system operating guidelines.

Additionally, Metropolitan will continue to incorporate sustainability into all levels of its day-to-day business processes. For instance, key initiatives will be continued or expanded, including the use of green products, maintaining a 50 percent reduction in office paper consumption under the Paperwise Program, ongoing employee education through the regularly published sustainability e-newsletter and annual Spring Green Expo, and finally ensuring Metropolitan continues to meet the SCAQMD's targets for Rideshare compliance.

For Metropolitan's Business Outreach Program for regional, small businesses, and veterans, staff will continue to encourage broad participation, ensure competitive costs, and promote Southern California business and economic development. These objectives will be achieved in part by ensuring that the Board's goal of 18 percent of contracting dollars with certified small businesses is met or exceeded. In addition, staff will facilitate and stimulate economic growth through the development and implementation of strategic partnerships with the private sector, community, local, and national organizations.

Lead Organization: Human Resources Group

Core Business: Human Resources (HR) Excellence

Metropolitan's HR processes, policies, and practices must provide excellent results across many stakeholder groups. This means understanding the different and sometimes competing needs of stakeholders including prospective and current employees, a growing pool of retirees, as well as management and regulatory agencies. This year's focus will be two-fold under the leadership of the Human Resources Group: (1) Continue to ensure that management and human resources practices align with a high performance workplace culture that delivers outstanding value and cost-effective solutions to our stakeholders; and (2) Make specific improvements to HR systems, processes, and policies to support our stakeholders in a flexible, responsive, and cost-effective manner.

Key deliverables will include conducting an all-manager Management Forum II focused on strategic management alignment and effective people management; deployment of the Voices 2012 Survey to update Metropolitan's assessment of high performance workplace practices; implementation of a new and streamlined performance management process to set high standards for expected performance by managers and employees; expanded use of new web-based capabilities to improve identification and placement of internal and external talent, and to broaden and strengthen diversity outreach; and identification of development pipelines and broadened workforce planning, talent management, and career development. All of these efforts will ensure talent readiness to support Metropolitan's future work requirements.

Additional deliverables will include: introduction of streamlined methods to ensure flexible and cost-effective job evaluations; optimization of Human Resources Information Systems and expanded use of e-learning training opportunities to reduce employee time away from the job; improved alignment and integration of total compensation practices; expanded efforts to foster consistent application of HR policies and practices; continued emphasis on proactive and swift management of employee relations to address poor performance and positive labor relations; systematic review of Metropolitan's risk management practices; and review of internal HR cost structures.

Lead Organization: External Affairs Group

Core Business: Legislative, Communications and Community Relations

At the Board's direction, Metropolitan will continue to develop federal and state legislative strategies consistent with board-adopted policies. This will include continued implementation of the board-adopted legislative strategy. Metropolitan will also continue to build relationships with federal, state, and local elected officials as well as business and community leaders.

Through multiple communication efforts and avenues, Metropolitan will provide clear and consistent communications, both internally and externally, about Metropolitan's operations, policies and programs. These efforts will include support of Board members' communication and relationships with elected officials and various stakeholders; working with member agencies in coordination and delivery of water policy messages; continued implementation of public education and outreach; and management of public information programs. Key deliverables will include: passage of Metropolitan-supported legislative efforts; an effective education and outreach program that increases public awareness of water issues; and work that continues to build support for Metropolitan concerns in the business community and with other stakeholders.

Lead Organization: Real Property Development and Management Group

Core Business: Real Property Management

An emphasis will be placed on revenue enhancement through real property activities that increase the use of Metropolitan's vast land holdings. Primarily through leasing, the Real Property Development and Management Group will seek opportunities for revenue generation from solar and wind energy development. In addition, other sources of revenue such as telecommunications, film production location permitting, clean sustainable technology and research as well as recreation development in the Diamond Valley Lake area will be pursued and enhanced. All revenue endeavors will adhere to Metropolitan's standard that any use of real property will not interfere or impede water system operations.

Lead Organization: Chief Financial Officer

Core Business: Financial Management

Along with Strategic Priority No. 1 on Managing Budget and Finances, staff will continue to follow the two-year budget development model so that the budget and rate-setting processes are better aligned to ensure favorable rate and cost certainty. Staff will strive to continue to record and report financial activity in a timely and transparent manner to the Board and to member agencies by maintaining excellence and transparency of financial accounting and reporting, facilitating annual audit of financial statements with no significant issues or audit exceptions, and by managing financial reporting in a manner that is timely and encourages positive feedback from the Board and member agencies. Additionally, staff will continue to maintain successful internal financial controls as evidenced by favorable audit findings and facilitated by regular internal assessments to help ensure the highest level of financial integrity.

Business Plan Status

For fiscal year 2011/12, staff will provide a monthly status report on the business plan objectives for each lead organization with the submittal of the General Manager's Monthly Activities Report to the Board.

Policy

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

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

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

Board Options

Option #1

Adopt the CEQA determination and approve the General Manager's Business Plan for fiscal year 2011/12.

Option #2

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

Staff Recommendation

Option #1



Jeffrey Kightlinger
General Manager

6/21/2011
Date

Attachment 1 – General Manager's Business Plan Fiscal Year 2011/12

Ref# eo12611285



General Manager's Business Plan Fiscal Year 2011/12



MWD
*Metropolitan Water District
of Southern California*

Attachment 1



Metropolitan's Strategic Priorities and Core Business

Strategic Priority #1

Manage Budget
and Finances

Strategic Priority #2

Rebuild Water
Storage Accounts

Strategic Priority #3

Continue Progress on
Bay-Delta Conservation Plan

Lead Organization	Core Business	Page
Office of the General Manager – Bay-Delta	Bay-Delta Solutions	3
Water System Operations	System Reliability and Water Quality	4
Water Resource Management	Water Supply	6
Engineering Services	Capital Investment Plan	7
Business Technology	Business Processes and Information Technology	8
Human Resources	Human Resources Excellence	9
External Affairs	Legislative, Communications and Community Relations	10
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Chief Financial Officer	Financial Management	12



Office of the General Manager - Bay Delta

The Bay-Delta organization strategically spearheads efforts necessary to secure reliable water supply and protect water quality from the Sacramento-San Joaquin Delta.

Core Business – Bay-Delta Solutions

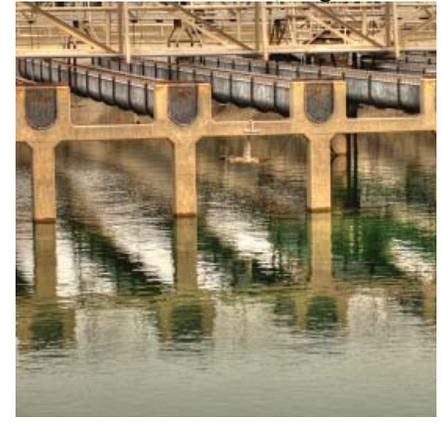
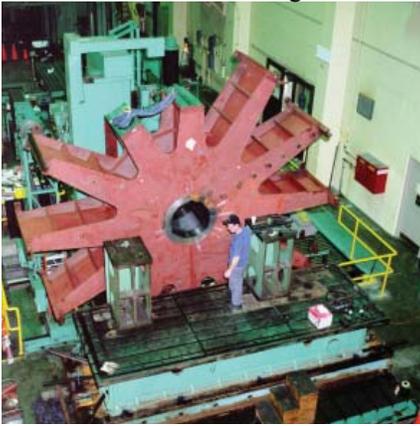
Develop near-term and long-term solution that enhances the Delta ecosystem, improves water supply reliability, and protects water quality.

Major Objectives:

- Develop near-term measures, compatible with a long-term Delta solution, to improve water supply reliability and water quality, and facilitate protection and enhancement of Delta ecosystems and associated species.
- Develop long-term Delta improvements through the Bay-Delta Conservation Plan, including measures that implement conveyance and species conservation improvements.
- Ensure that Delta emergency response measures are implemented, including actions to develop a fresh water pathway after a major emergency event in the Delta.

Performance Measure(s):

- Progress in the completion of the Bay-Delta Conservation Plan.
- Completion of a draft project finance plan.
- Actions toward achieving emergency response and other short-term Delta solutions.



Water System Operations Group

Water System Operations Group reliably treats and delivers high-quality water to Metropolitan's member agencies.

Core Business – System Reliability

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

Major Objectives:

- Operate system reliably.
- Optimize maintenance.
- Support water resource programs.
- Effectively manage power system requirements and optimize generation.
- Improve security and emergency response.
- Develop workforce.

Performance Measure(s):

Water Operations

- Unexpected Outages Disrupting Normal Services
 - ▶ Target = 0
- Meet all Scheduled Water Deliveries
 - ▶ Target = 100%
- Prioritize Maintenance
 - Targets:
 - ▶ Miss < 10% of all preventive maintenance work orders (PMs)
 - ▶ Miss < 1% of regulatory PMs

Power Operations

- Secure power to satisfy CRA pumping requirements
 - ▶ Target = 100% of energy needs
- Meet Electrical Reliability Standards
 - ▶ Target = 100%

Workforce Development

- Prepare for Emergencies
 - ▶ Target = Each field unit conducts two table-top exercises; and the Group conducts one functional exercise
- Train Employees
 - ▶ Target = 90% completion of employee training plans



Water System Operations Group - Continued

Water System Operations Group reliably treats and delivers high-quality water to Metropolitan's member agencies.

Core Business – Water Quality

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

Major Objectives:

- Protect source water quality.
- Optimize water treatment and distribution.
- Provide technical support to member agencies.
- Prepare for future regulations.
- Fully comply with water quality, safety, and environmental regulations.

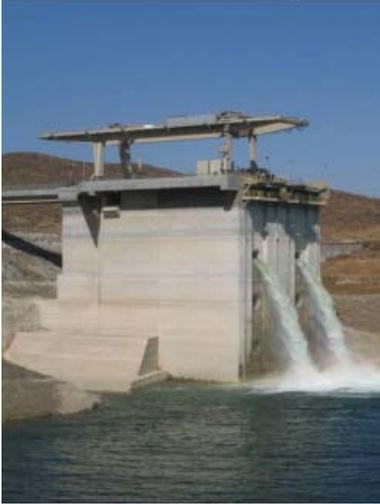
Performance Measure(s):

Water Quality

- Comply with Primary Drinking Water Standards
 - ▶ Target = 100% of health-based standards
- Control Salinity
 - ▶ Target = 500 mg/L (average)
- Resolve Consumer Complaints
 - ▶ Target = No aesthetic complaints from consumers
- Actively engage in water quality regulatory process
 - ▶ Target = Review and comment on all applicable water quality regulations and public health determinations
 - ▶ Target = Proactively engage regulators and provide appropriate information on treatment, detection and costs such that new standards include the best available scientific information
- Engage on source water protection issues
 - ▶ Target = Complete 2010 updates to watershed sanitary surveys
 - ▶ Target = Follow up on all 2005 sanitary survey recommendations

Environmental, Health, & Safety

- Comply with Environmental Permits
 - ▶ Target = 100%
- Ensure worker safety
 - ▶ Target = Injury/illness rate < 8.5 incidents/year/100 employees



Water Resource Management Group

Water Resource Management (WRM) Group plans, secures, and manages water resources that Metropolitan supplies to its member agencies.

Core Business - Water Supply

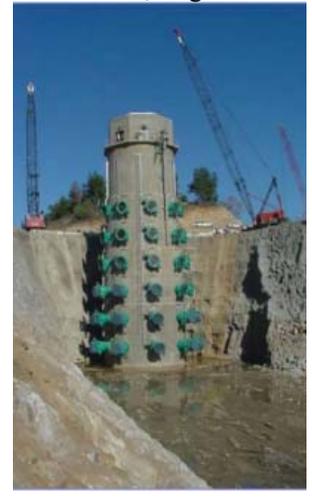
Manage and execute water supply management strategies and programs to acquire water supply and demand management resources to meet development targets specified by the Integrated Resources Plan.

Major Objectives:

- Optimize the effective use of storage capacity for future needs.
- Develop a process to evaluate potential partnerships for water resource project development.
- Complete Local Resources Development Strategy, review Local Resources Program, and obtain Board approval.
- Ensure cost-effective and reliable State Water Contract Supply.
- Participate, and lead where appropriate, in statewide and regional planning efforts.

Performance Measure(s):

- Dry-year Storage Levels above 2.2 million acre-feet by end of 2011
- 100% of SWP and Supply Program invoices processed on time
- Manage Supply Program expenditures within 2011/12 budget
- Board adoption of new programs in FY 2011/12:
 - ▶ Replenishment Program
 - ▶ Update of the Water Surplus and Drought Management Plan
 - ▶ Local Resource Program
 - ▶ Long-Term Conservation Plan
 - ▶ Adjustments to the Water Supply Allocation Plan



Engineering Services Group

Engineering Services Group (ESG) provides project management, design, construction management, environmental planning, infrastructure protection, and water-facility planning services in support of Metropolitan's mission. ESG also manages Metropolitan's Capital Investment Plan (CIP).

Core Business – Capital Investment Plan

Manage board-authorized projects in the Capital Investment Plan (CIP) to enhance the quality and reliability of the region's water supply and infrastructure.

Major Objectives:

- Manage high priority projects which replace or rehabilitate equipment and facilities, to enhance reliability of Metropolitan's conveyance and distribution system, and to protect water quality.
- Manage high priority projects which replace or rehabilitate equipment and facilities, to enhance reliability, comply with regulations, and improve plant operating efficiency of Metropolitan's water treatment plants.
- Manage CIP projects in a cost-effective manner to achieve fiscal year objectives.

Performance Measure(s):

- Final Design Cost as a percentage of Construction Cost
Targets:
 - ▶ 9% - 12% for Construction Costs > \$3,000,000
 - ▶ 9% - 15% for Construction Costs ≤ \$3,000,000
- Construction Inspection Costs as a percentage of Construction Cost
Targets:
 - ▶ 9% - 12% for Construction Costs > \$3,000,000
 - ▶ 9% - 15% for Construction Costs ≤ \$3,000,000
- Complete capital construction projects on time
 - ▶ Target = >95% of construction contracts completed within approved durations



Business Technology Group

Business Technology Group (BTG) provides a broad range of technical and support services in the areas of information technology (i.e. hardware/software, business applications, geographic information systems, telecommunications/networks, IT security); business services (i.e. procurement, contracting, warehousing, inventory management); facilities management (i.e. Headquarters, Diamond Valley Lake Visitors and Education Center); and Business Outreach which ensures businesses open access to the opportunities Metropolitan makes available within its service area. In addition, BTG provides overall management of Metropolitan's Grant Management Program.

Core Business - Business Processes and Information Technology

Drive continuous business process improvements to advance effectiveness and efficiency while striving for innovation, flexibility, and integration with technology.

Major Objectives:

- Ensure operational reliability and security of Metropolitan's IT systems by delivering cost-effective IT products and services.
- Continue to implement business improvements and promote self-service automation to increase organizational efficiency.
- Continue to implement sustainable business practices to reduce Metropolitan's use of natural and renewable resources.
- Efficiently maintain and operate Metropolitan's Headquarters Building at Union Station, the DVL Visitors Center, and the DVL Education Center.
- Maintain an effective Business Outreach Program for regional, small businesses and veterans to ensure broad participation and competitive costs.
- Develop and implement comprehensive Grant Funding and Management Program.
- Continue Business Technology's organizational and employee development.

Performance Measure(s):

- Department O&M costs \leq board-approved budgets
- Completion of ITSP projects on budget and within schedule.
- Achieve savings targets for sustainability programs such as Rideshare and Paperwise.
- Achieve board-adopted goals of 18% or better of contracting dollars to small business.



Human Resources Group

The Human Resources Group ensures Metropolitan is a high performance workplace with excellent leadership and management practices that engage employees; foster alignment with Metropolitan's business goals; provide the right talent and skills for the future; and establishes a workplace where employees implement cost-effective processes and programs to deliver outstanding value and customer support.

Core Business - Human Resources Excellence

Foster Human Resources Excellence with processes that attract, hire and develop the right people with the right skills at the right time, swiftly and proactively address employee issues and poor performance, enable cost-effective workforce management, and provide the workforce with career development and training opportunities, as well as the tools to continually improve workforce skills, competencies, productivity and customer support.

Major Objectives:

- Deploy Strategic HR Plan to foster management excellence, financial responsibility and a high performance culture.
- Acquire the right talent, manage total compensation, foster continual learning, development, and talent management/succession to prepare for the future.
- Provide proactive, swift and consistent employee relations and positive labor relations.
- Identify, assess and manage risk.
- Control Workers' Compensation costs.
- Improve Human Resources Information Systems (HRIS).

Performance Measure(s):

- HR Customer Satisfaction
- Establish and meet expectations set by the Organization, Personnel and Technology Committee
- Complete MOU Negotiations
- Improved ratings on High Performance Workplace Survey



External Affairs Group

External Affairs Group is charged with working with state and federal legislators to enhance and protect the operational interests of Metropolitan and its member agencies; communicating the adopted policies of the Board and providing clear and direct communication of Metropolitan's operations, policies, and programs to the public and other stakeholders; and providing responsive and appropriate services to member agencies and other target audiences.

Core Business – Legislative, Communications and Community Relations

Develop federal and state legislative strategies consistent with board-adopted policies and ensure consistent, clear communications (internally and externally) about Metropolitan's operations, policies and programs through multi-media communication efforts.

Major Objectives:

- Continue to develop and implement local, state, and federal water policy and legislative strategies consistent with board-adopted policies.
- Support Board member communications and working relationships with elected officials, other government leaders, and business and community leaders.
- Coordinate and communicate day-to-day efforts to maintain and improve: operations and maintenance; source water quality protection and water treatment; infrastructure replacement, refurbishment and development; emergency management; and media communications and community outreach.
- Communicate and work with member agencies to assist in coordination and delivery of water policy issues and actions to ensure key priorities identified by Metropolitan and its member agencies are addressed.
- Continue to develop and manage public information programs to convey Metropolitan's role in water supply, resource planning, water quality protection, conservation, and other water policy issues.

Performance Measure(s):

- Implement legislative strategy
- Education and issue awareness and customer satisfaction
- Member agency service satisfaction index
- Public and media awareness about Metropolitan, its mission, priorities and programs.



Real Property Development & Management Group

Real Property Development and Management Group is responsible for managing Metropolitan's real property assets with a focus on revenue enhancement to extract value from real property assets, while ensuring that Metropolitan's core operations are protected.

Core Business – Real Property Management

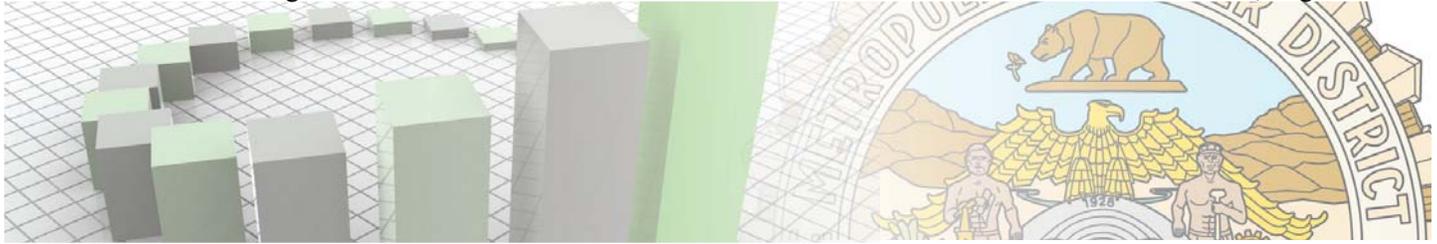
Maintain and improve all of Metropolitan's real property assets and facilitate in a condition needed to support future water demands, operational challenges, and other business and service needs.

Major Objectives:

- Develop policies, strategies, and actions that enable sustainability in all aspects of real property including development, revenue optimization, appraisal, acquisition and annexation while concurrently improving the planning, management, and quality of internal real property activities and services.
- Refine and implement strategies to identify and acquire right-of-ways and adjacent properties that are necessary to implement future water infrastructure projects and other real property goals.
- Manage natural resources and related facilities at Diamond Valley Lake and Lake Skinner through best management and sustainable practices to effectively protect water quality.
- Implement land use plans, including property entitlements, for the Diamond Valley Lake area utilizing sustainability principles, as directed by the Board of Directors.
- Transition the Diamond Valley Lake Visitors Center in partnership with private, public, academic, and not-for-profit organizations.

Performance Measure(s):

- Total revenue generated from all real property activities including but not limited to leases, licenses, permits, easements, and fees.
- Amount of lease revenue generated at, above or below fair market value.



Chief Financial Officer

The Chief Financial Officer is responsible for providing innovative, proactive and strategic financial direction. Responsibilities include maintaining Metropolitan's strong financial position and high credit ratings, helping to achieve equitable water rates and charges that generate sufficient revenues, assisting in the efficient management of Metropolitan's financial resources, and ensuring that adequate financial controls are in place to accurately record financial transactions, communicate financial results, and protect Metropolitan assets.

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

Major Objectives:

- Record and report the financial activities of Metropolitan in a timely and transparent manner to the board, executive management, member agencies, and the financial community.
- Manage and effectively administer rates and charges to recover costs consistent with board policy.
- Ensure adequate financial controls are utilized.
- Manage investor relations to ensure clear communications, accuracy of information, and integrity.
- Update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities and ensure cost-effective access to capital markets.
- Prudently manage the investment of Metropolitan's funds in accordance with policy guidelines and liquidity considerations.

Performance Measure(s):

- Debt Service Coverage ≥ 2.0
- Fixed Charge Ratio ≥ 1.2
- Significant external audit findings = 0
- Bond ratings $\geq AA, AA2$
- Reserve balances are within board policy objectives