



Chief Financial Officer

Strategic Priority: Manage Budget & 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. Staff will also 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.

Performance Measure(s)

- Expenditures vs. budget ≤ 100%
- Maintain or enhance Metropolitan’s current bond rating of “AA” or better.

Objective #1:
<i>Monitor and mitigate external impacts on rates and charges to minimize their variability and recover costs consistent with board policy.</i>
Action(s):
1. Conduct outreach with member agencies and retail agencies to communicate the need for changes to Metropolitan’s rates and Water Supply Surcharge for the 2013 rate cycle.
2. Manage and effectively administer rates and charges to recover costs consistent with board objectives.
3. Work with member agencies and the Board to review Metropolitan’s fixed revenue sources.
4. Work with member agencies to complete the update to the Long Range Finance Plan.

Objective #2:
<i>Effectively manage costs and communicate the results of Metropolitan’s budget to meet board policies and objectives.</i>
Action(s):
1. Monitor Metropolitan’s combined annual operating and capital budgets to ensure compliance with board policies and objectives.
2. Produce timely variance reports and analyses on a quarterly basis.
3. Enhance monitoring of the annual operating budget by incorporating appropriate and regular management reviews and variance explanations to the team level.



Objective #2 - continued:

Effectively manage costs and communicate the results of Metropolitan's budget to meet board policies and objectives.

Action(s):

4. Enhance the Integrated Budget Management System to improve process efficiency and incorporate easier more graphically-based reporting tools.
5. Refine the 2012/13 budget for Board consideration in April 2012, completing transition of Metropolitan to a biennial budget cycle.
6. Develop a budget consistent with GFOA guidelines and receive the Award of Excellence for budgeting.

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.

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

Objective #1:

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.

Action(s):

1. Manage financial reporting and distribute reports in a timely manner and receive positive feedback from the Board and member agencies.
2. Maintain excellence and transparency of financial accounting and reporting.
3. Facilitate annual audit of financial statements with no significant issues or audit exceptions.
4. Receive the GFOA's Certificate of Achievement for Excellence in Financial Reporting.



Objective #2:

Manage and effectively administer rates and charges to recover costs consistent with board policy.

Action(s):

1. Ensure that revenues and reserves are sufficient to recover costs through long-term forecasting, analysis, and financial management.
2. Complete the annual cost-of-service analysis for rates and charges for calendar year 2013.
3. Determine the financial impacts of OPEB funding obligations and formulate appropriate financing alternatives for board consideration.

Objective #3:

Ensure adequate financial controls are utilized.

Action(s):

1. Review and update documentation and assessment of internal controls over financial reporting and convey to the Board the effectiveness of such control system.
2. Receive favorable audit findings.

Objective #4:

Manage investor relations to ensure clear communications, accuracy of information, and integrity.

Action(s):

1. Complete all transactions accurately, efficiently and within investor community expectations.
2. Consider developing a website (linked to Metropolitan's website) for use by bond investors to improve and enhance the marketing of Metropolitan's bonds.



Objective #5:

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.

Action(s):

1. Maintain long-term bond ratings of "AA" or better.
2. Maintain capital finance plans and issue new debt consistent with CIP, IRP supply investments, and other financing requirements.
3. Work with rating agencies and investors to communicate financial needs and capabilities and ensure cost-effective access to capital markets.
4. Review capital funding alternatives and evaluate market opportunities to refinance and restructure existing debt.
5. Improve and enhance management of the debt financing and swap programs.
6. Monitor financial metrics to ensure adherence to financial goals and policies.
7. Meet the liquidity requirements of expiring standby bond purchase agreements during FY 2011/12.
8. Meet financing requirements of each scheduled mandatory tender for Metropolitan's SIFMA Index Note program.

Objective #6:

Prudently manage the investment of Metropolitan's funds in accordance with policy guidelines and liquidity considerations.

Action(s):

1. After considering preservation of capital, cash flow needs and liquidity, manage the short-term portfolio so that it provides a return equal to or in excess of the benchmark.
2. Manage the short-term investment portfolio to provide enhanced liquidity in support of the self-liquidity program for variable rate debt.
3. Continue to review and improve management of the investment portfolio to meet the board's net interest exposure policy requirements.



Objective #7:

Provide comments to the Governmental Accounting Standards Board (GASB) on proposed changes to accounting rules to help mitigate potential impacts on bonding capacity or financial ratios.

Action(s):

1. Review and analyze all GASB exposure drafts to determine if proposed standards are expected to have a significant impact on Metropolitan's bonding capacity or financial ratios.
2. Provide comments to GASB for its consideration as part of its deliberation process. Comments should include those aspects on which Metropolitan agrees as well as disagrees.