

Dated:
November 30, 2011

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



GENERAL MANAGER'S MONTHLY ACTIVITY REPORT FOR NOVEMBER 2011

THIS REPORT IDENTIFIES THE ACTIONS/ACTIVITIES TAKING PLACE DURING THE MONTH THAT SUPPORT THE OBJECTIVES OF THE GENERAL MANAGER'S FISCAL YEAR 2011/12 BUSINESS PLAN.

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The Fall Service Awards luncheon took place on November 2. The event recognizes employees with service years of 20, 25, 30, 35 and 40. The Fall event was attended by 107 employees achieving these milestones. Of the 107, two employees had 35 years and one employee with 40 years of service to Metropolitan.

BAY-DELTA INITIATIVES

Complete the public draft Bay Delta Conservation Plan and the associated draft Environmental Impact Report/Environmental Impact Statement

The U.S. Department of the Interior and the California Natural Resources Agency provided an opportunity for members of the public to comment on the "First Amendment to the Memorandum of Agreement Regarding Collaboration on the Planning, Preliminary Design and Environmental Compliance For the Delta Habitat Conservation and Conveyance Program in Connection with the Development of the Bay Delta Conservation Plan." The comment period closed on November 16. Metropolitan collaborated with 15 other Southern California agencies (including member agencies) and submitted a joint comment letter expressing support for the Memorandum and Bay Delta Conservation Plan process.

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

Metropolitan is coordinating with other water contractors to develop a longfin smelt population lifecycle model. Longfin smelt live primarily in the northern portions of San Francisco Bay, but some fraction of the population moves into the Delta during parts of the year. Longfin abundance has dropped dramatically over the past ten years and the species has been listed under the California Endangered Species Act. Dr. Patricia Glibert recently published a new scientific journal paper (reported last month) that attributed the decline in longfin abundance as well as abundance of other native species to food limitations ultimately caused by imbalances in nitrogen to phosphorus ratios in the estuary.

Develop long-term Delta improvements through the Bay Delta Conservation Plan, including measures that implement conveyance and species conservation improvements

In November, the California Natural Resources Agency notified interested parties that they would be refining the public meeting process for BDCP, which will include a public meeting each month, and asked that each interest group appoint representatives to participate in the meetings. The November 16 public

meeting included an update on the BDCP planning process and a roundtable discussion focusing on how demand management for water from the Delta interacts with BDCP. Metropolitan coordinated with other State Water Project contractors to participate in the meeting.

During this past month, the California Department of Water Resources and the Delta Habitat Conservation and Conveyance Program consultant's staff completed the initial field geotechnical work at 18 locations located at the south end of the proposed conveyance facilities near Clifton Court Forebay. These borings are the last remaining on public lands for this phase. To move ahead with additional geotechnical investigations on private lands, DWR has taken the first step in the eminent domain process by notifying affected property owners of the process and obtaining Resolutions of Necessity from the California Water Commission.

Ensure that Delta emergency response measures are implemented, including actions to develop a fresh water pathway after a major emergency event in the Delta

The California Department of Water Resources is expected to issue an Administrative Draft of the Delta Flood Emergency Preparedness, Response and Recovery Program (EPRRP) for DWR executive review in the first quarter of 2012, for multi-agency review in the second quarter, and as a final document in the fourth quarter. Staff is coordinating with DWR to ensure the Middle River emergency freshwater pathway is included in the program. In addition to the EPRRP being managed by DWR's Flood Safe Program, the DWR Flood Operations Program is evaluating broader water supply hazards and risks to SWP facilities in coordination with the SWP contractors.

WATER SUPPLY CONDITIONS as of November 30, 2011

Initial 2012 SWP Allocation:

1,146,900 AF

60% of Table A

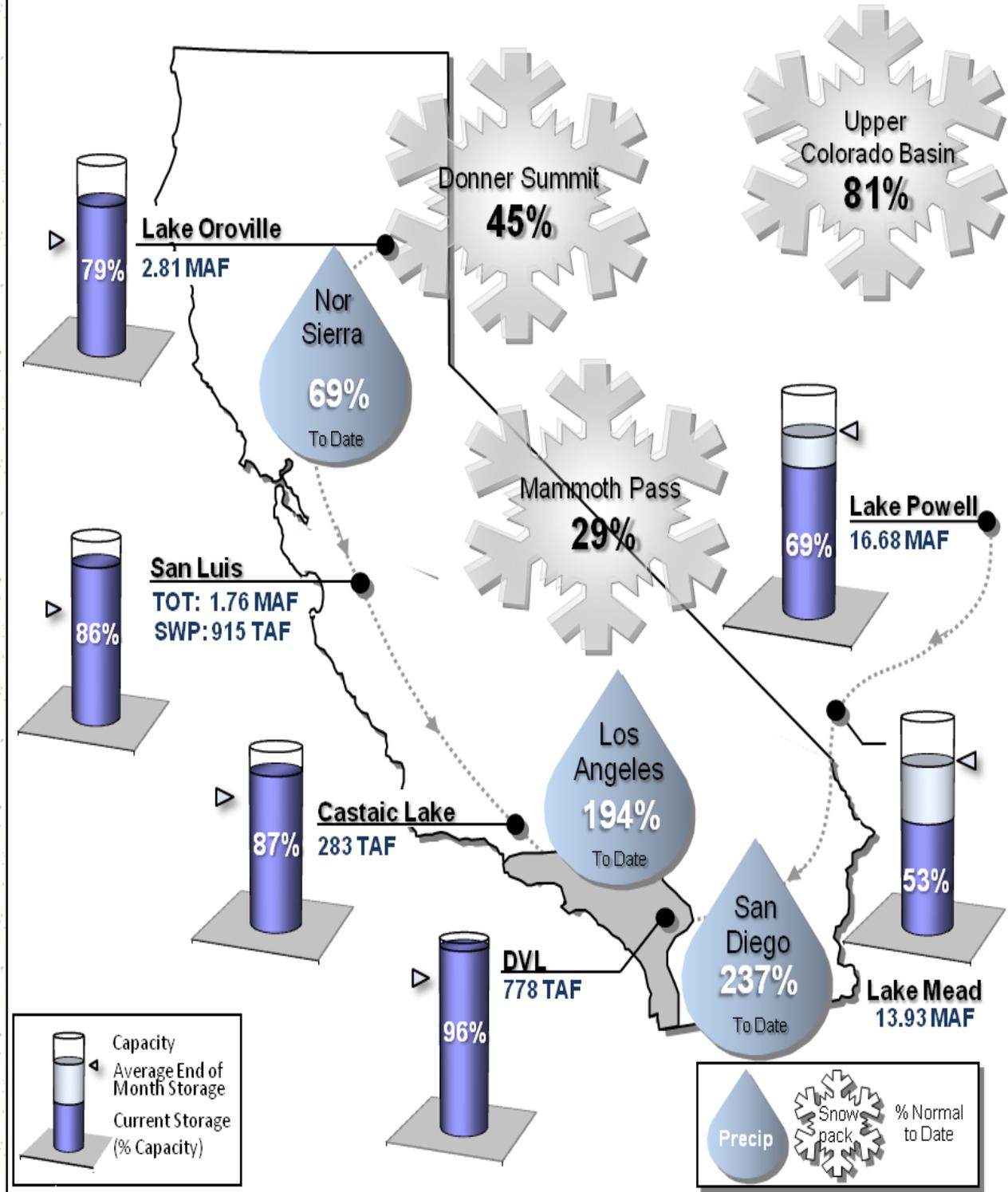
(Does not include CVWD & DWA Table A)

Available 2011 Colorado River Supply:

870,000 AF

70% of full CRA

(Does not include ICS)



WATER RESOURCE MANAGEMENT—Water Supply

Complete Local Resources Development Strategy, review Local Resources Program, and obtain Board approval

Local Resource Development Strategy Task Force—Staff held two meetings of the Local Resource Development Strategy Task Force. The Task Force discussed input from the Board at its November meeting, including potential revisions to Metropolitan’s recycled water policy principles and non-financial approaches. The Task Force identified a preferred financial approach based on pros and cons, evaluation criteria focused on achieving the Integrated Resources Plan targets, net financial impacts to Metropolitan, and legal issues.

Implement the Local Resources Program and Conservation Program effectively

Local Resource Program—Staff attended the dedication ceremony for Upper San Gabriel Municipal Water District’s Rosemead Extension Recycled Water Project. The project will produce 3,260 acre-feet per year of recycled water for landscape irrigation to local businesses, Southern California Edison, University of the West, and local school districts. The project is the second phase of the existing Direct Reuse Phase II A Project which has received approximately \$423,400 in Local Resources Program incentives to date under a 25 year agreement.

Collaborate with member agencies to coordinate planning efforts, develop policy recommendations, and promote consistent public communications in water resource management issues

Replenishment Review Process—Metropolitan staff and the member agencies participated in two workgroup meetings as a part of the ongoing Replenishment Review process. In the first meeting, the workgroup reviewed the revised policy principles that were adopted by the Board in November and Upper San Gabriel Valley Municipal Water District brought forward a proposal for consideration by the workgroup. In the second meeting, the workgroup discussed the specific details of the replenishment program proposal. Based on these discussions, staff will bring an information item to the Board in December, followed by recommendations for a revised program in January 2012.

Long Term Conservation Plan—Staff met with member agencies and retail agencies to review conservation programs and discuss the strategic focus for FY2012/13. The workgroup reviewed progress in existing programs, member agency proposals for new programs and research studies on new water efficient technologies and approaches. Staff plans to provide the Board with recommendations later this fiscal year.

Participate, and lead where appropriate, in statewide and regional planning efforts

Metropolitan Contributes to White Paper—Staff contributed to the Public Investment White Paper produced by the California Urban Water Agencies. This paper establishes a collective Urban Water Agency view on aspects of public financing of statewide water projects, including an examination of potential Public Goods Charges.

Water Utility Climate Alliance Attendance—Metropolitan staff attended the annual General Manager’s Meeting of the Water Utility Climate Alliance and developed goals and a 2012 work plan for collaborative efforts in planning for potential climate change impacts on water resources.

Ensure cost-effective and reliable State Water Contract supply

Allocation for 2012 Deliveries—The California Department of Water Resources issued an initial allocation for 2012 deliveries providing State Water Project contractors 60 percent of Table A volumes. DWR considered several factors in determining the allocation: 2012 contractor demands, existing storage in State Water Project conservation reservoirs, and operational constraints resulting from the recent Biological Opinions for Delta smelt and salmonids and the longfin smelt incidental take permit. DWR may revise allocations depending on developing hydrologic and water supply conditions.

WATER RESOURCE MANAGEMENT—Water Supply

Maintain Colorado River water supply and operational benefits regardless of Quantification Settlement Agreement implementation

Colorado River Basin Water Supply and Demand Study—Metropolitan staff provided comments to the Bureau of Reclamation on its draft report, *Development & Evaluation of Opportunities: Solicitation of Ideas*. The purpose of this report is to provide relevant information to those interested in submitting input regarding options and strategies to help resolve future Basin water supply and demand imbalances. Project participants and stakeholders are encouraged to submit ideas related to options and strategies that resolve such imbalances. Input is due to Reclamation by February 1, 2012.

Binational Process—Staff participated in discussions with representatives of the Bureau of Reclamation and the Colorado River Basin states related to reaching an agreement on binational water management elements. These elements are: reduced deliveries to Mexico during shortages; surplus water availability for Mexico; conditions under which Mexico could delay delivery of water, leaving such water in Lake Mead for receipt in later years; and the opportunity for development of binational projects, which would allow for the conversion of water in Lake Mead to Intentionally Created Surplus, potentially available to Metropolitan.

WATER SYSTEM OPERATIONS—System Reliability

System Operations delivered approximately 94,000 acre-feet of water to meet member agency demands in November, which is an average of about 3,100 AF per day, representing a decrease of about 1,100 AF per day compared to October 2011 average daily deliveries. Treated water deliveries for November totaled 58,500 AF or 1,950 AF per day, representing a decrease of about 700 AF per day compared to October 2011. Additionally, 2,400 AF was delivered to Desert Water Agency and Coachella Valley Water District in exchange for their State Water Project Table A supplies.

The Colorado River Aqueduct operated at a one-pump flow for the last half of the month of November, following the successful completion of the month-long CRA shutdown to perform maintenance. State Water Project deliveries were 114,000 AF in November, including 29,000 AF delivered via the Inland Feeder. SWP deliveries for November were higher than last month due to increased blends at the blended treatment plants and increased flows on the Inland Feeder. Increased delivery of SWP water is a high priority, given the favorable supply conditions from the SWP this year.

System Operations continued to maximize power generation whenever possible. In November, Metropolitan's hydroelectric plants generated an

average of 32 megawatts for a total of 23,300 megawatt-hours, which is lower than October generation due to lower water deliveries. Power production from Diamond Valley Lake for the month of November was about 2,000 MWh.

Optimize maintenance

Colorado River Aqueduct—The 30-day shutdown of the CRA, which began on October 18, was completed on November 17. This shutdown allowed Metropolitan staff to complete maintenance and repair work on the aqueduct, pumping plants and the electrical system as previously reported. Staff also evaluated reasons for capacity losses in the canal and tunnels. Crews cleared debris from the open canal section and cleaned the final remaining eight miles (of the total 92 miles) of the tunnels using the tunnel cleaning machine.

Additionally, metal and block curbing were installed in and around the Eagle Mountain sand trap area to increase the freeboard (*see photo next page*). The additional freeboard maintains the canal capacity by keeping water from cresting over the top of the canal liner during 8-pump flow. During the past three CRA shutdowns, staff installed a combination of galvanized steel panels and block walls to address the overflow problem. Both

WATER SYSTEM OPERATIONS—System Reliability

Continued from page 5

types of curbing are considered interim measures. Staff will conduct further assessments to determine the optimal method and if additional locations require curbing.

Distribution System—As part of the ongoing Prestressed Concrete Pipe Inspection Program, the Sepulveda Feeder was shut down on November 14 for a scheduled eight days to allow Metropolitan’s contractor to inspect the prestressed portion of the pipeline. The shutdown was completed ahead of schedule on November 18. Based on preliminary results of the inspection, this section of pipe required no repairs or mortar patching.

Staff completed the planned refurbishment (including the disassembly of the gate arms to remove corrosion and seal replacement) and testing of all wicket gates at Corona hydroelectric power plant. The wicket gate is a key component in hydroelectric turbines that controls the flow of water. The refurbishment of the hydroelectric power plant wicket gates is planned on a 10-15 year cycle.

Staff repaired leaky substructures at the Santiago pressure control station caused by eroded concrete joints and grout along the vault covers.

In support of Metropolitan's efforts to improve emergency response on pipe repairs, staff machined 750 grout plugs to be matched with 750 grout couplings for storage at the La Verne warehouse. The design for the grout plugs and couplings were developed with Engineering Services Group and are welded on steel pipe sections. When replacement steel pipe sections are installed inside the damaged pipes, grout is injected through the couplings to restrict the movement of the pipe. The pre-manufacture of the grout plugs and couplings will expedite pipe repairs. Computer-controlled manufacturing methods allowed the La Verne shops to produce the high volume of production of parts effectively. *(see adjacent photo)*

Water Treatment Plants—Three gate guides from the Jensen water treatment plant finished water reservoir inlet gates were removed for repair during a scheduled shutdown. The gates were increasingly difficult to operate due to significant corrosion, which caused the gate guides to bow and the gates would become stuck.



Eagle Mountain Sand Trap: Installation of 1,000 feet of concrete masonry units



La Verne Machine Shop: Machining operation of 14 grout plugs using a computer controlled boring mill.

Repair of the guides will be conducted at the La Verne shops *(see photo below-finished inlet gate).*



WATER SYSTEM OPERATIONS—System Reliability

Support water resource programs

Metropolitan supports the California Department of Water Resources through reimbursable agreements to maximize reliability. Staff is assisting DWR on work needed to restore eroded surfaces of a thrust block for the Gianelli pumping plant. The thrust block restrains excessive vertical movement caused by the pumping or turbinning action. *(see adjacent photo)*

Improve security and emergency response

Emergency Management and Weymouth water treatment plant staff conducted a functional exercise simulating an overturned tanker truck loaded with fluorosilicic acid and a subsequent leak. Included in the exercise was the use of an overhead projector which documented all reporting activity into the Incident Command Center. This visual component exhibits all real-time damage and on-going repair activities, allowing managers to communicate status, make timely decisions, and continue to treat and deliver water.

Emergency Management staff attended the Water and Dam Emergency Response meeting in Orange County and learned that the Federal Emergency Management Agency will be increasing the number of Emergency Action Plans for dams as part of the National Dam Safety Program.

Effectively manage power system requirements and optimize generation

In November, Metropolitan reversed December forward energy contracts with the original suppliers. The contracts totaled 20,800 megawatt hours of energy at a value of \$624,000. The contracts were sold due to lower energy requirements from reduced Colorado River Aqueduct pumping in 2011 and 2012.

Develop workforce

This month, three new technical courses have been made available online. Courses were added to employees’ training plan and launched independently and conveniently by the student. The courses are able to link to procedure manuals, regulatory documents, photos and video clips. Each course includes comprehensive testing, and scores are automatically recorded in the Training database at the end of the session.



Gianelli Pumping Plant: The thrust block prior to taking precise measurements of its as-found condition at the La Verne Shops. Such measurements will allow verification of the required repairs.



Forklift—retrofit. Story on page 8.

WATER SYSTEM OPERATIONS—Water Quality

Protect source water quality

The taste-and-odor event that persisted in the East Branch of the California Aqueduct since July effectively ended. Thirteen repeated copper sulfate treatments conducted by the California Department of Water Resources finally helped control the algae blooms producing the earthy-musty compound 2-methylisoborneol (MIB). Reduced levels of MIB entering into Silverwood Lake were observed and, more importantly, MIB levels leaving the lake dropped below the threshold of detection by most consumers. Though the taste-and-odor episode is now resolved, Metropolitan received one member agency taste-and-odor related complaint earlier in the month.

Optimize water treatment and distribution

Flow-weighted running annual averages for total dissolved solids for October 2010 through September 2011 were 434, 404, and 412 mg/L for the Diemer, Weymouth, and Skinner water treatment plants, respectively.

The target blends at the Diemer and Weymouth water treatment plants increased from 25 to 65 percent State Project Water through November. The Skinner water treatment plant blend target was 70 percent State Project Water in November. Staff increased blends of State Water Project supplies at the Diemer and Weymouth water treatment plants from 25 to 65 percent as taste-and-odor compounds leaving Silverwood Lake decreased. Metropolitan's water treatment plants with ozone online were unaffected by the taste-and-odor episode in the East Branch of the State Water Project. Though both Mills and Skinner water treatment plants received water with elevated levels of MIB, the combination of ozone and hydrogen peroxide destroyed the MIB and prevented widespread consumer complaints in their service areas.

Provide technical support to member agencies

Under a reimbursable agreement with the West Basin Municipal Water District, staff is rehabilitating a used conical plug valve to control flow at the WB-26 service connection. To rehabilitate the conical valve, the La Verne Shops will dismantle, inspect, repair coatings, procure new seals and lubricants, and reassemble the valve. It will be installed during a planned shutdown in March 2012. *(see conical valve in adjacent photo)*



Fully comply with water quality, safety, and environmental regulations

On November 8, Metropolitan received a letter from the Los Angeles Regional Water Quality Control Board agreeing to terminate the waste water discharge permit at the Rio Hondo power plant. A project to install new mechanical seals on the turbine was completed and cooling water discharge was eliminated to the storm drain. Terminating this waste water permit reduced compliance costs and liabilities associated with the prior discharge.

Oil Spill Prevention, Control, and Countermeasure (SPCC) plans are being developed to comply with recently amended regulations. The SPCC plans establish guidance and procedures to prevent accidental oil discharges. SPCC plans are required for 19 Metropolitan facilities that use or store large volumes of petroleum products.

California Air Resources Board will implement new regulations (Title 13 California Code of Regulations) regarding off-road emission in 2014. These regulations will require Metropolitan to retrofit or replace older engines. For example, a 26-year-old 22-ton capacity forklift used to move large valves, pipe sections and other heavy materials was overhauled with a clean burning Tier III engine. This successful retrofit saved approximately a net \$150,000 compared to purchasing a new forklift. *(see photo page 7)*

ENGINEERING SERVICES—Capital Investment Plan

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

Oxidation Retrofit Program (ORP)

This program was established to add ozonation at all five of Metropolitan’s water treatment plants to provide disinfection, control tastes and odors, and reduce the level of disinfection by-products in the finished water. This program will enable Metropolitan to meet state and federal drinking water regulations. Three of the five treatment plants (Jensen, Mills, and Skinner) have operational ozonation systems, while two plants (Diemer and Weymouth) remain to be completed. Recent activities for these two plants include the following:

Diemer ORP

- Main ORP Contract—Construction of ozonation facilities is 90 percent complete and is scheduled for completion in early 2012. An upcoming major shutdown is scheduled for late 2011 to connect the new ozone contactor structure to the plant’s inlet piping.

Weymouth ORP

- ORP Switchgear Building—This building will house the breakers and other electrical equipment to serve power from the new 66 kV SCE incoming electrical service to the new ozonation facilities. Construction is 86 percent complete and is scheduled to be complete by mid-2012.
- Ozone Generation Building and Ozone Contactors—Final design is 94 percent complete and is scheduled to be complete by December 2011. This project is scheduled to be advertised for bids in January 2012.



Diemer—Ozone Project

Water Treatment Plant Improvements Programs

These programs were initiated to maintain reliability and to improve operating efficiency of Metropolitan’s water treatment plants through specific improvement projects. Recent activities include the following:

Weymouth Plant

- Electrical Upgrades—This project will upgrade the Weymouth plant’s aging electrical system and enable connection to the new 66 kV incoming SCE electrical service. Construction is 86 percent complete and is scheduled to be complete by mid-2012.

Diemer Plant

- Emergency Broadcast System Upgrade—This project will expand and upgrade the plant’s emergency broadcast system to address existing system deficiencies and meet the additional demand of new facilities. Construction is 70 percent complete and scheduled to be complete by January 2012.
- Filter Media Replacement—This project will replace anthracite and sand filter media to prevent the release of manganese in treated water after the plant switches to ozone. The contractor discovered disturbance in the top layer of supporting gravel, and will remove and replenish the gravel to the extent needed. Construction is 5 percent complete and is scheduled to be complete by August 2012.
- Finished Water Reservoir South Slope and East Washwater Tank Seismic Upgrades—This seismic retrofit project will install caissons to stabilize the south slope during an earthquake, construct shear walls to support the foundation of the East Washwater Tank, and thicken the floor slabs to strengthen the Finished Water Reservoir. Final design is 95 percent complete and is scheduled to be complete in mid-2012.
- Filter Outlet Conduit Seismic Upgrades—A study is underway to develop mitigation alternatives to stabilize the Diemer plant’s northeast slope to protect the Filter Outlet Conduit against damage during an earthquake. Preliminary design is 85 percent complete and is scheduled to be complete by April 2012.

ENGINEERING SERVICES—Capital Investment Plan

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

Conveyance and Distribution System Rehabilitation Program

This program was initiated to maintain reliable deliveries through specific repair and rehabilitation projects on Metropolitan's pipelines, reservoirs, and control structures. Recent activities include the following:

- Eagle Rock Tower and Puddingstone Spillway Gates Rehabilitation—This project will replace the single radial gate at Puddingstone with two slide gates and rehabilitate five corroded slide gates at Eagle Rock Tower. A construction contract was awarded by the Board in November 2011, and construction is scheduled to be complete by December 2012.

Prestressed Concrete Cylinder Pipe (PCCP) Rehabilitation & Replacement Program

This program was established to provide reliability for Metropolitan's water distribution system and reduce risk of costly emergency repairs of PCCP lines. Recent activities include the following:

- Allen-McColloch Pipeline Repairs—This project will repair the AMP at eight locations with carbon fiber. A construction contract was awarded by the Board in November 2011, and a Notice to Proceed will be issued in December 2011 to meet a planned 11-day shutdown starting in January 8, 2012. Construction is scheduled to be complete by April 2012.
- Foothill & Sepulveda Feeder Repairs—This project will repair the Foothill Feeder at two locations and the Sepulveda Feeder at three locations with carbon fiber. A construction contract was awarded by the Board in November 2011, and a Notice to Proceed will be issued in December 2011 to meet a planned 20-day shutdown starting in February 2012. Construction is scheduled to be complete by June 2012.
- PCCP Structural Inspection and Testing—This project will inspect all 163 miles of Metropolitan's PCCP lines in the next five years. Inspection of the Sepulveda Feeder and the Lake Perris Bypass was completed in November 2011.

Colorado River Aqueduct Reliability Programs

These programs were established to maintain reliability of the Colorado River Aqueduct. Recent activities include the following:

- CRA Access Structures Improvements—This project will replace deteriorated steel and concrete covers on 133 CRA. A construction contract was awarded by the Board in November 2011, and construction is scheduled to be complete by April 2013.
- Hinds Pumping Plant Delivery Pipe Expansion Joint Repairs—This project will rehabilitate nine mechanical expansion joints in the six-foot diameter delivery pipelines. Construction is 5 percent complete and is scheduled to be complete by May 2012. *(see photo below)*
- Colorado River Aqueduct Internal Seal Installation—This project will repair cracks in three CRA siphons by installing 65 internal seals. A construction contract was awarded by the Board in November 2011, and construction is scheduled to be complete by June 2012.



BUSINESS TECHNOLOGY—Business Processes and Information Technology

Ensure operational reliability and security of Metropolitan’s Information Technology systems by delivering cost-effective information technology products and services

Environmental Health and Safety Management Information System—In October, the Board authorized staff to proceed with this Information System project. During this period, the consultant agreement was completed, procurement initiated and final preparations are underway to begin the design phase. The project kick-off meeting is scheduled for December, coinciding with the start of the consultant contract.

Electronic Discovery Project—IT staff continued with migration efforts to move (ingest) emails/.pst files from Metropolitan’s email system into a new storage area. The moving of existing personal folders and email is scheduled to continue through the early part of 2012 (January/February timeframe). Once the first phase of this project is completed (moving all email to central storage devices), this will enable efficient and effective management, search, and retrieval of electronic records.



Cyber Security—In November, the Information Technology Section substantially completed the competitive selection process to hire a cyber security firm to perform an independent assessment of Metropolitan’s Supervisory Control and Data Acquisition (SCADA) security environment. The SCADA system, comprised of instrumentation, hardware and software, is used by Water System Operations to monitor and control important water system-related processes. The SCADA cyber security assessment is scheduled to complete in the third quarter of this fiscal year.

Oracle Financial Upgrade—Staff is in the process of upgrading this version of Oracle. During this period, staff began the functional test phase involving key users from the Chief Financial Officer’s Office. The testing is proceeding according to plan and will continue over the next several months based on a comprehensive test plan. The software version upgrade will ensure reliability and provide extended vendor support.

Continue to implement sustainable business practices to reduce Metropolitan’s use of natural and renewable resources

Our Legacy E-Newsletter—Issue No. 60 of Our Legacy, *Bring Nature Home – The Final Episode*, was published in November.

Rideshare Program—The vanpool waitlist was reduced from 56 to 23; staff expects to reduce the list by another 50 percent by January for an overall reduction of 80 percent.

Continue to implement business improvements and promote self-service to increase organizational efficiency

Global Positioning System—Information Technology’s Geographic Information System Team working with our GIS vendor is building a “web-viewer” to display Global Positioning System equipped assets on GIS maps for Water System Operations. To date, a prototype has been developed integrating GPS locations with Metropolitan’s Enterprise GIS mapping data including facilities and properties. The prototype is currently in the testing phase and is scheduled to be complete in February 2012.

Continue Business Technology’s organizational and employee development

Workforce Succession Planning—A Future Skills Assessment (what skills will we need) and Skill Gap Analysis (where do we have gaps that need to be filled) have been completed. Managers are currently working on strategies to fill the skill gaps that have been identified. Staff is preparing presentations on the Workforce Succession Planning Initiative to provide to the Board and group managers in January.

BUSINESS TECHNOLOGY—Business Processes and Information Technology

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

Support of State of California, Member Agencies, City of Los Angeles, the Southern California Business and Veteran Business Community with the following activities:

- On November 4, Metropolitan employee and Army Veteran Juliet Jackson was honored at a Veteran’s Day program hosted by the State of California’s Disabled Veteran Business Enterprise Alliance. The event honored men and women recently returned from deployment, disabled veterans and guests who have served and/or supported America’s Warriors. The Alliance is composed of 900 certified DVBEs and is a strong resource partner in Metropolitan’s outreach to Disabled Veterans. *(photo on page 18)*
- On November 1, Business Outreach hosted Sundt Construction’s Educational Open House for DVBE Contractors. Business Outreach partnered with Sundt Construction, the California DVBE Alliance, the State of California Department of General Services, and the City of Los Angeles to educate and support Disabled Veteran Contractors.
- On November 9, Business Outreach Manager John Arena represented Metropolitan on a panel of judges at the *12th Annual State Agency Recognition Awards (SARA)* hosted by the Department of General Services. The SARA Awards honor state departments for outstanding achievement in advocating for and contracting with Small Business and Disabled Veteran Business Enterprises. The panel evaluated criteria and selected winners for using best practices and creativity.
- Participated in the *Connecting Point Expo and Conference* sponsored by the California Small Business Association and the California DVBE Alliance. The purpose of the expo was to introduce small and DVBE businesses to procurement officials.
- On November 29, representatives from Business Outreach, Engineering, Water Resource Management and Audit spoke with representatives from the Shenzhen Municipal Government in China participating in a four-week program on *Innovation in Managing Water Resources*. Metropolitan was asked to participate in the

program by the University of Southern California, School of Policy, Planning and Development; and the Rand Corporation.

Vendor Development, Training and Certification

Business Outreach was able to introduce over 3,200 businesses to Metropolitan’s business opportunities, training programs, and our E-Procurement, Vendor Registration, Small Business Certification, Contract Compliance and Accountability programs on NETConnect.

- Metropolitan supported the Southern California Business Community by participating in “*2011 Next Steps for Small Business Conference*.” The conference was hosted by the Santa Barbara County Small Business Development Center and the Governor’s Office of Economic Development. Metropolitan exhibited at the conference and participated in a panel discussion on *How to Do Business with Government Agencies*.
- The eighth workshop in Business Outreach Program’s monthly *Managing Your Innovation* series of workshops and networking events was held at Metropolitan on November 18. The topic was *Building Innovation Through Partnerships*.
- On November 16, Metropolitan supported the Hispanic Business Community by sponsoring the *National Latina Business Women Association Business Training Program*. The NLBWA includes members from the Los Angeles, Orange County, and Inland Empire organizations. Staff trained the participants of 38 start-up companies on *How to do Business with the Government*.

Business Outreach also continued vendor development, education, training, and support of the Southern California Business Community by participating in the following October 2011 award programs, conferences, expos and events:

- Black Business Association 8th Annual Procurement Exchange Summit
- Small Business Development Center Long Beach Small Business Event
- Regional Black Chamber of Commerce Small Business Expo
- American Indian Chamber of Commerce Awards

HUMAN RESOURCES—Human Resources Excellence

Identify, assess, and manage risk

- The Risk Management Unit completed 53 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits and spills.
- Risk Management completed 49 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events and film permits.

Control Workers’ Compensation costs

- Conducted initial investigations on 17 injury incidents.
- Submitted 3 new claims to Metropolitan’s workers’ compensation claim administrator.
- Settlements were finalized in 3 claims and 5 claim files were closed.
- Conducted Medvan at Soto Street facility, prepared MedVan schedule for 2012.
- Arranged 18 medical evaluations (DMV medical surveillance, hearing conservation, etc).
- Addressed 3 accommodation issues.
- Coordinated random drug/alcohol testing at 4 facilities.

Acquire talent

- One new regular full-time employee and 3 annuitants were brought on board, in addition to filling 5 positions through internal promotions and transfers.
- Staff participated in a job fair for Veterans at Camp Pendleton.
- 38 approved staffing requisitions are in various stages of the recruitment process.
- Data analysis regarding veteran status of the workforce was completed and two veterans reports required to be submitted as a federal contractor were filed.

Manage total compensation

- HR Benefits hosted the Fall 2011 Service Awards Luncheon in which 107 employees were honored for their years of service with milestones achieved of 20 up to 45 years.
- HR Benefits also conducted the Annual Open Enrollment for calendar year 2012. Staff provided one-on-one consultations to 581 employees during 14 site visits.
- HR Benefits also conducted seven presentations with questions and answers for active employees, retirees and their spouses at Gene, Lake Skinner, La Verne, and Headquarters facilities. The presentations focused on the coverage difference between PERSCare and PERChoice PPO, the basics of an HMO plan, and the cash incentive medical credit for those employees who moved from PERSCare PPO to any other medical plan.

Provide proactive, swift, and consistent employee relations and positive labor relations.

- During the month of October, Employee Relations was actively involved in finalizing Memorandum of Understanding language following Board adoption of the Association of Federal, State, County, and Municipal Employees; Management and Professionals Association; and Supervisors Association MOUs. Employee Relations also began briefing managers on the new MOU provisions, a process that will continue throughout November.
- Employee Relations also took part in ongoing discussions with AFSCME on the Classification/Compensation Study.

Foster learning and development

- Delivered all-day Career Development training on Preparing for Job Interviews, and coordinated and delivered New Manager Orientation Day 3 and Day 4, as well as Sessions 1, 2 and 3 of the four-part Persuasive Writing Training Series. One session of the Conflict Resolution class was also delivered.
- Also promoted and coordinated a Leadership IQ webinar on *Dealing Successfully with Executives*.
- Coordinated and facilitated an Education Fair with representatives from four universities and the Employee Assistance Program participating at all desert facilities. Human Resources staff partnered with the Ethics Office on this event.

EXTERNAL AFFAIRS—Legislative, Communications and Community Relations

Continue to develop and implement local, state, and federal water policy and legislative strategies consistent with board-adopted policies

State Legislation

Interim Recess Informational Hearings—Senator Michael Rubio (D-Fresno) invited farmers, local business owners, residents and others in his district to a town hall meeting on November 2 to learn more about the Bay Delta Conservation Plan process, its objectives and potential jobs created from a range of new Delta conveyance improvements. Experts at the forum included Jerry Meral, Deputy Secretary, California Natural Resources Agency; and Mark Cowin, Director, California Department of Water Resources. Dr. David Sunding, Professor, U.C. Berkeley College of Natural Resources, was also at the meeting and discussed the report, “Employment Impacts for Proposed Bay Delta Water Conveyance Tunnel Options,” which was recently released by the Brattle Group. Dr. Sunding is one of the authors of the report.

Federal Legislation

On November 15-18, Director Griset and staff attended the National Water Resources Association’s Conference in Tucson, Arizona. Assistant General Manager Roger Patterson was a speaker at the conference and discussed Metropolitan’s water resource planning efforts, including the BDCP and the recently updated Integrated Resources Plan.

Support board member communications and working relationships with elected officials, other government leaders, and business and community leaders

On November 17, Directors Ackerman, Ballin, Brick, Chavez, De Jesus, Little, Morris, K. Murray, Wright and Wunderlich joined General Manager Kightlinger, Interim General Counsel Scully, and other Metropolitan staff for the Southern California Water Committee Annual Board Meeting and dinner which featured recently retired U.S. District Court Judge Oliver Wanger as the keynote speaker. In addition, SCWC honored Representative Grace Napolitano (D-CA) with the Harriett Wieder Water Leadership Award for 2011 at the event.

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

Efforts and activities included:

- Coordinated and conducted outreach for the Sepulveda Feeder shutdown with 18 worksites in Inglewood and Torrance and the upcoming South Coast Feeder shutdown with 30 worksites in Downey, Bellflower, Lakewood and Long Beach.
- Set up interview with Assistant General Manager/CFO Gary Breaux and North County Times reporter for a story about the San Diego Taxpayers Educational Foundation’s study regarding Metropolitan’s finances, pension and retiree health liabilities.
- Arranged interview with Assistant General Manager Patterson and San Francisco Chronicle reporter for a story about conveyance options and capacity as part of the developing Bay Delta Conservation Plan.
- Helped provide and place letter-to-the-editor from General Manager Kightlinger to North County Times in response to the newspaper’s editorial regarding water rate issues.
- Assisted in making arrangements for Local News Service, a provider of pool video for local television stations, to cover state Assembly information hearing regarding Delta water issues held in the board room at the Metropolitan Water District of Southern California. Also distributed a news advisory to Southern California media about the hearing.

Continue to develop and manage public education and outreach programs focusing on extraordinary conservation efforts

Metropolitan staff participated in the 2011 Building Industry Show Green Standards Pavilion during the two-day trade conference held at the Long Beach Convention Center. Metropolitan staff made presentations on the latest statewide code changes relating to indoor and outdoor water use which went into effect on January 1, 2011.

EXTERNAL AFFAIRS—Legislative, Communications and Community Relations

Strengthen Metropolitan’s community outreach efforts

Efforts and activities included:

- Staff conducted nine field trips for nearly 300 students in grades 4-5 from the Hemet, Lake Elsinore, Murrieta and Temecula Valley Unified School Districts. Staff worked with approximately 100 students on collaborative field trips with the Western Science Center.
- Staff conducted two Solar Cup program boat-building workshops with more than 500 students representing 42 high school teams. Both workshops were hosted at Three Valleys MWD. Staff also conducted a half-day workshop for new Solar Cup teachers at Metropolitan’s headquarters. Solar Cup is scheduled for May 18 - 20, 2012 at Lake Skinner.

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

- General Manager Kightlinger was the keynote speaker at the Inland Empire Water Leaders Breakfast, hosted by and held at the Inland Empire Utilities Agency. Several local elected and community leaders were in attendance. The general manager provided an overview of regional and state water issues.
- Metropolitan staff joined Western MWD directors and staff at the Riverside and San Bernardino Counties Economic Forecast Conference held at the Riverside Convention Center. More than 500 people attended the conference representing elected officials, business leaders, community leaders and other stakeholders
- Metropolitan sponsored and staff participated in the Building Industry Association of Southern California’s annual event in Long Beach. The event drew nearly 300 representatives from the local homebuilding industry.

CHIEF FINANCIAL OFFICER GROUP

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

Financial activities are recorded in a timely and transparent manner. The annual external audit of the June 30, 2011 Basic Financial Statements was completed in October 2011. Monthly financial statements for June, July, August, September, and October were issued in November 2011. In addition, the Securities Industry and Financial Markets Association notes require the release of stub statements as of and for the three months ended September 30, 2011. These statements were posted on Metropolitan’s website in November 2011.

Ensure adequate financial controls are utilized

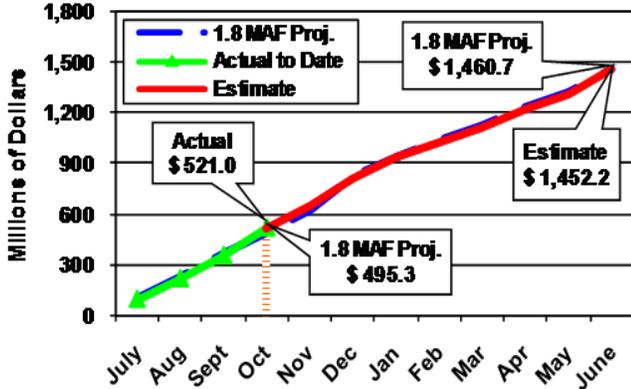
Adequate controls are utilized. A Report on Internal Controls over Financial Reporting was issued in October 2011.

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

Staff continues to effectively balance estimated revenues for 2011/12 that are about \$14 million lower than the 1.8 million acre-feet projection mainly due to lower water sales. Continued scrutiny of Metropolitan’s Capital Investment Plan has resulted in a reduction of \$46 million in the estimated expenditures. With sales expected to be under the 1.8 MAF projection by year end, staff now expects reserve fund balances to be \$49 million above the minimum reserve level required by Board policy.

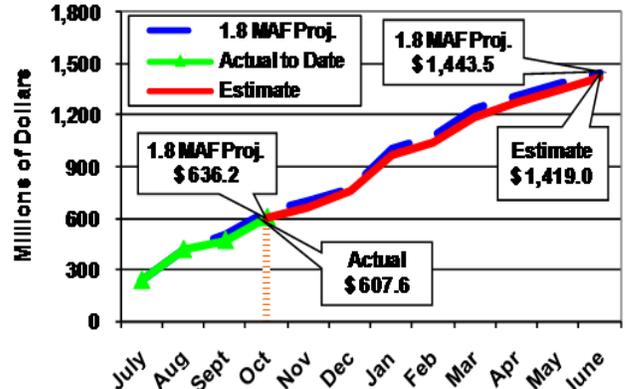
FINANCE as of October 31, 2011

Receipts are expected to be \$8 million under the 1.8 MAF Proj. by year end, mainly due to lower water sales, partially offset by the Coachella Valley Water District exchange sale.



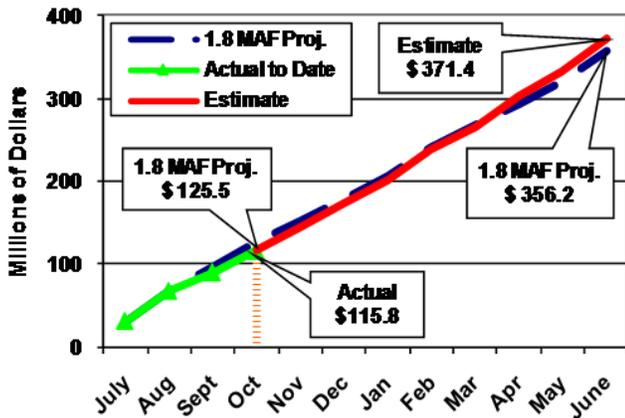
Excludes Bond Construction and Other Trust Funds Activity

Expenditures are expected to be \$25 million under the 1.8 MAF Proj. by year end, mainly due to lower SWP and CRA power costs, partially offset by higher O&M and water supply program costs.

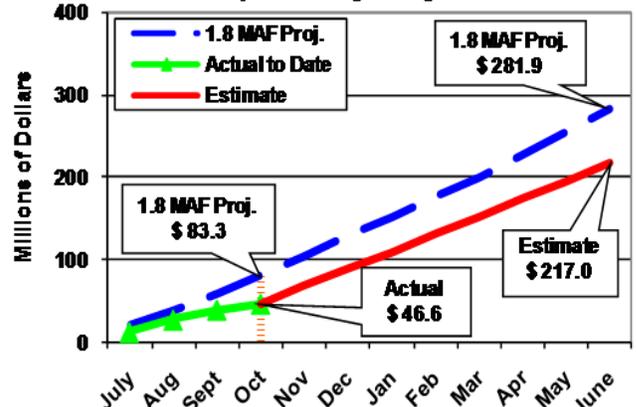


Excludes Bond Construction and Other Trust Funds Activity

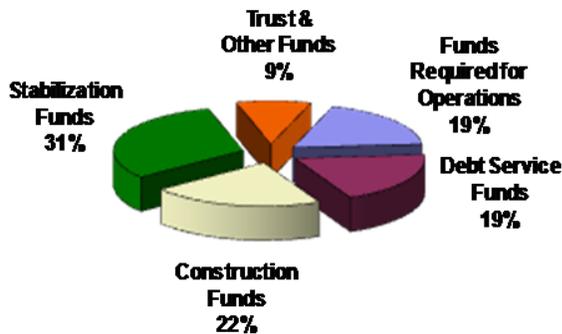
O&M expenditures are expected to be \$15 million over the 1.8 MAF Proj. by year end, mainly due to the new MOU agreements and higher chemical costs.



Construction costs are expected to be \$65 million under the 1.8 MAF Proj. by year end, mainly due to staging the construction of the Weymouth ORP, and rescheduling other work to optimize design changes.



Cash and Investments \$1,024.4 million



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.14 x
Revenue Debt Service Coverage	> 2.00 x	1.59 x
Revenue Bond Debt / Equity Ratio	< 100.0%	73.8%

Credit Ratings

	Target	Actual
- Moody's Investors Service	Aa2	Aa1
- Fitch Ratings	AA	AA+
- Standard & Poor's	AA	AAA

REAL PROPERTY DEVELOPMENT AND MANAGEMENT GROUP
Real Property Management

Transition the Diamond Valley Lake Visitor Center in partnership with private, public, academic, and not-for-profit organizations

The exclusive negotiating agreement with Diamond Development, LLC, for the development of an educational campus at DVL was executed in late November.

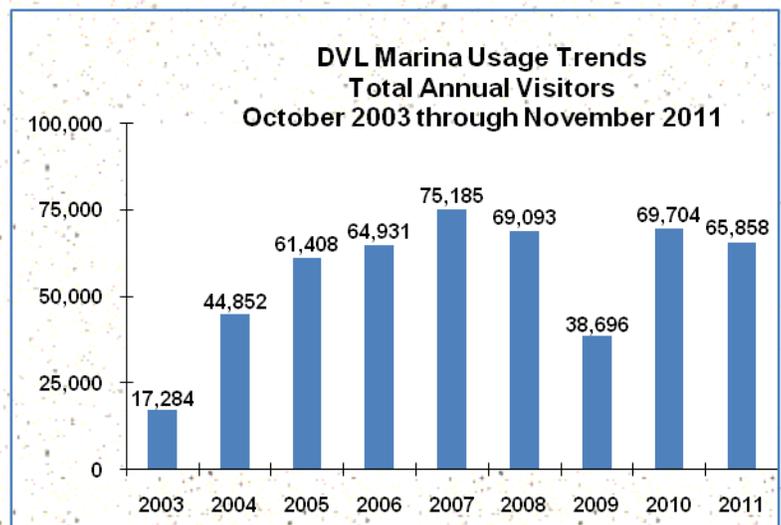
On November 30, staff from various working groups of Metropolitan met with representatives from California State Polytechnic University, Pomona to continue discussions regarding creating training programs associated with the development of the DVL educational campus.

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

- A Request for Proposal for renewable energy sites ranging from 50 to 2,000 acres was issued on November 14, 2011. Proposals are due on December 21.
- Staff continued discussions with AT&T and Verizon on a telecommunications master lease agreement. The Master Lease with AT&T is expected to be executed in December 2011.
- An existing telecommunications lease with Cingular Wireless was amended to extend the term and increase the rent. This lease is located near the Sepulveda Canyon Control Facility in Los Angeles.
- A license amendment was issued to Kiewit Infrastructure West Company to allow for placement of a transformer pad and ancillary improvements onto a portion of Metropolitan’s Sepulveda Feeder right of way near the Sepulveda Canyon Control Structure. These improvements will provide electrical service in the area, inasmuch as the existing equipment was relocated due to the construction project associated with the widening of Interstate 405 Freeway.
- The City of Los Angeles was issued an entry permit to allow for temporary construction activities and access for vehicles and equipment during construction of the Balboa Frontage Road alignment project near the Joseph Jensen Water Treatment Plant.

Manage natural resources and related facilities at Diamond Valley Lake and Lake Skinner through best management and sustainable practices to effectively protect water quality

Approximately 507,000 anglers have visited Diamond Valley Lake and 122,000 private boats have launched since the 2003 public opening; 37,000 of those launches follow an extension and reopening of the boat ramp in December 2009.





Metropolitan employees Nicole Meggerson de Martinez, Juliette Jackson (honored Veteran), Peggy Vogt, Lydia McGee, and Carmen Bermudez-Bracy with Marines and Iraq Veterans Ashley Arwood and Beth Ealy at the California DVBE Alliance Event honoring Veterans. (story on page 12)

Current Distribution & Storage

	11/30/2011 Storage (AF)	Percent of Capacity
Lake Mathews	140,678	77%
Lake Skinner	35,500	81%
DVL	778,098	96%

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

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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.

General Manager: Jeffrey Kightlinger
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