



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA



Biennial Budget

Investing in Reliability

Fiscal Years

2014/15 and 2015/16

Metropolitan's Member Agencies



www.anaheim.net/utilities



www.beverlyhills.org



www.burbankca.gov



www.calleguas.com



www.centralbasin.org



www.comptoncity.org



www.emwd.org



www.fmwd.com



www.ci.fullerton.ca.us



www.ci.glendale.ca.us



www.ieua.org



www.lvmwd.com



www.lbwater.org



www.ladwp.com



www.mwdoc.com



www.ci.pasadena.ca.us



www.sdcwa.org



www.ci.san-fernando.ca.us



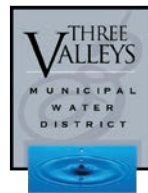
www.ci.san-marino.ca.us



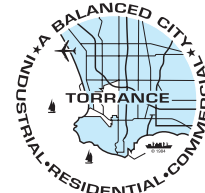
www.ci.santa-ana.ca.us



www.smgov.net



www.threevalleys.com



www.torranceca.gov



www.usgvmwd.org



www.westbasin.org



www.wmwd.com

Cover:

Metropolitan-designed-and-fabricated tunnel cleaning machine, used during the 2013 Colorado River Aqueduct Shutdown season.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Metropolitan Water District of Southern California
California

Special Performance Measures Recognition

For the Fiscal Year Beginning

July 1, 2012

Christopher P. Morill
President

Jeffrey L. Esser
Executive Director

MWD AT A GLANCE

ORGANIZATION

Authority: The Metropolitan Water District Act (California Statutes 1927)

Incorporated: Dec. 6, 1928

First Board Meeting: Dec. 29, 1928

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

Imported Water Sources: Colorado River and California State Water Project

Service Area: About 5,200 square miles in Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura counties

Population Served: Approximately 19 million

Member Agencies: 26

Founding Cities (December 1928): Anaheim, Beverly Hills, Burbank, Colton*, Glendale, Los Angeles, Pasadena, San Bernardino*, San Marino, Santa Ana and Santa Monica
* Withdrew in 1931

Subsequent Member Agency Cities: Cities of Fullerton (joined 1931), Long Beach (1931), Torrance (1931), Compton (1931), and San Fernando (1971)

Municipal Water Districts: West Basin MWD (1948), Inland Empire Utilities Agency (1950), Three Valleys MWD (1950), Eastern MWD (1951), MWD of Orange County (1951), Foothill MWD (1953), Central Basin MWD (1954), Western MWD (1954), Calleguas MWD (1960), Las Virgenes MWD (1960), and Upper San Gabriel Valley MWD (1963)

County Water Authority: San Diego (1946)

GOVERNANCE

Board of Directors: 37. Each member agency is entitled to at least one director; additional directors are based on the agency's assessed valuation. Board meetings are generally held on the second Tuesday of each month. Check www.mwdh2o.com for meeting times and agendas.

FACILITIES

Colorado River Aqueduct: 242 miles from Lake Havasu to Lake Mathews, Riverside

Construction: Began 1933, completed 1939; CRA and regional distribution system operational 1941

Capacity: 1.3 million acre-feet[†] annually

Pumping Plants (east to west): Whitsett Intake (lift 291 ft.); Gene (303 ft.); Iron Mountain (144 ft.); Eagle Mountain (438 ft.); Julian Hinds (441 ft.); Total lift 1,617 feet

Siphons: 144, totaling 29 miles

Tunnels: 29, totaling 92 miles

Canals: 63 miles

Conduit and Pipeline: 58 miles

Design Capacity: 1,605 cubic feet per second

Water Treatment Plants: Joseph Jensen, Granada Hills (capacity 750 million gallons per day); Robert A. Skinner, Winchester (630 mgd); F.E. Weymouth, La Verne (520 mgd); Robert B. Diemer, Yorba Linda (520 mgd); and Henry J. Mills, Riverside (220 mgd)

Reservoirs: Diamond Valley Lake, Hemet, capacity 810,000 AF; Lake Mathews, Riverside, 182,000 AF; Lake Skinner, Winchester, 44,000 AF; Copper Basin, Gene, 24,200 AF; Gene Wash, Gene, 6,300 AF; Live Oak, La Verne, 2,500 AF; Garvey, Monterey Park, 1,600 AF; Palos Verdes, Rolling Hills, 1,100 AF; and Orange County, Brea, 212 AF

Total Reservoir Storage Capacity: 1,072,000 AF

Distribution System: 830 miles of pipelines and tunnels; about 400 connections to member agencies

Hydroelectric Plants: 16; nameplate capacity 131 megawatts

State Water Project: Metropolitan has rights to use SWP facilities under the State Water Contract

SUPPLY, DELIVERIES AND SALES

Average Daily Delivery: 4,900 AF (5-year avg. as of Dec. 31, 2013)

Record Daily Delivery: 9,872 AF on June 28, 1994

Record Annual Sales: 2.5 million AF in 1990

Unit Price (full service): Effective Jan. 1, 2014, rates are \$890 per AF for treated water, and \$593 per AF for untreated water. Effective Jan. 1, 2015, rates are \$923 per AF (treated) and \$582 per AF (untreated), and effective Jan. 1, 2016, rates are \$942 per AF (treated) and \$594 per AF (untreated)

Budgeted Sales Assumption: 1.75 MAF for FY 2014/15 and 2015/16

FINANCE AND ADMINISTRATION

Water Revenue Bond Ratings: Standard & Poor's AAA; Moody's Aa1; Fitch AA+

Budget: July 1, 2014 – June 30, 2015: \$1.648 billion

July 1, 2015 – June 30, 2016: \$1.666 billion

Capital Projects: \$245.4 million (FY 2014/15)

\$267.9 million (FY 2015/16)

Employees: 1,830 budgeted regular employees FY 2014/15 (full-time equivalent positions); 1,829 employees (FTEs) FY 2015/16

Fund Sources: Water rates and charges, 78%; fund withdrawals, 14%; taxes, 5%; hydroelectric sales and miscellaneous income, 2%; interest income, 1% (biennial budget 2014/15, 2015/16)

Uses of Funds: State Water project payments, 27%; operations & maintenance, 22%; debt service, 17%; construction, 13%; fund deposits, 13%; demand management programs, 3%; supply programs, 3%; and Colorado River power, 2% (biennial budget 2014/15, 2015/16)

[†] Acre-foot = 325,851.4 gallons

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Understanding the Layout of the 2014/15 and 2015/16 Budget

DEPARTMENTAL/GROUP BUDGET

The Departmental Section provides detailed information about the Operations and Maintenance (O&M) budget of each group and department and consists of the following:

Mission, Roles, and Responsibilities:

Describes, at a high level, the scope of the organization’s functions, provides a summary organizational chart, and a high level O&M, capital, and personnel budget summary.

Budget Issues and Constraints: Identifies key challenges and potential constraints the group faces in meeting the budget objectives as identified by the General Manager.

Accomplishments: Explains the major accomplishments of the organization for the current year as a measure of its performance. The extent to which the organization accomplished current year objectives is more a qualitative rather than a quantitative measure.

Objectives: Summarizes the objectives each organization proposes to accomplish in the upcoming fiscal years.

Performance Measures: Identifies the key measures the organization uses to monitor progress toward achievement of significant priorities supporting the business plan.

Expense Category	Description
<i>Salaries and Benefits</i>	Labor costs and fringe benefits for Metropolitan’s regular, district temporary, and agency temporary employees.
<i>Professional Services</i>	All costs associated with work performed by outside contractors and consultants.
<i>Property Acquisition</i>	Costs associated with right-of-way and land purchases, including easements, appraisals, and escrow fees.
<i>Construction</i>	Cost of construction contracts.
<i>Operating Equipment</i>	Costs associated with the purchase of capitalized portable equipment, including automobiles, trucks, servers, and other applicable portable equipment.
<i>Other</i>	Cost of purchasing chemicals, materials and supplies, reprographics, travel, telephone, and other necessary items for effective operation of Metropolitan. A breakdown has been provided to itemize those expense categories that are five percent or more of the “other” category.

O&M Financial Summary: Provides a summary of the organization’s O&M budgets. For FY 2014/15 and FY 2015/16, O&M expenditures are identified by organization and by salaries and benefits, professional services, and “other” expenditures and incorporate the group objectives.

Capital Financial Summary: Provides an overview of the resources each group will be

dedicating to work on capital projects that are in the Capital Investment Plan described later in this book. The Salaries and Benefits line in this section does not include administrative overhead.

Reasons for Changes: Explains significant variances between various budget years.

Understanding the Layout of the 2014/15 and 2015/16 Budget

Operating Equipment: Lists capitalized portable equipment costing more than \$5,000 requested by the group for the upcoming and following budget years summarized by section.

Staffing Summary: Presents a personnel summary by organization for the prior fiscal year, current year, and the following budget years. The intent is to show, at a glance, the personnel trend at Metropolitan as a whole as well as at the organization level. This is followed by a comparative breakdown of each organization's labor budget by categories of

labor including regular payroll, overtime, district temporary, agency temporary, and fringe benefits for those years.

Capital Investment Plan (CIP): Provides information on all capital programs that are scheduled to begin or will be underway during the biennial budget period. The scope, accomplishments, objectives, and financial projections are described for each program in the CIP. This information is contained in a separate section of this budget book.

General Manager's Transmittal Letter

July 2014

This document presents Metropolitan's FY 2014/15 and 2015/16 biennial budget and associated ten-year forecast. The Board, Finance and Insurance (F&I) Committee, and member agencies have reviewed and evaluated Metropolitan's biennial budget and the rates necessary to support the proposed expenditures. The ten-year forecast of expenditures and revenues also present the implications of near-term actions on long-term revenue requirements.

The budgeted expenditures and revenues were provided to the Board on January 30, 2014, and presented on February 10, 2014. Board workshops were held on February 10, 2014 at the F&I Committee meeting, on February 25, 2014, March 10, 2014, and April 7, 2014 at the F&I Committee, and these included extended budget and revenue discussions.

Based on the Board discussions over several months, the biennial budget meets the fixed charge coverage target, provides increased funding from revenues for the Capital Investment Plan (CIP), and promotes long-term fiscal sustainability goals as reflected in the ten-year forecast.

The biennial budget is based on average conditions. While the state is currently experiencing drought conditions and the SWP allocation for calendar year 2014 is currently five percent, Metropolitan is prepared to meet these challenges. Metropolitan delivers a reliable water supply to the region throughout a variety of hydrologic conditions. Metropolitan has a diverse water supply portfolio and has made long-term investments in storage programs, conservation, local resource development, and drought response to help meet customer demands if the next several years are dry. Historically, Metropolitan's water sales have varied widely during dry periods. Therefore, it is reasonable for Metropolitan to base the proposed biennial budget and revenue requirement on a conservative sales estimate of 1.75 million acre-feet (MAF), State Water Project (SWP) deliveries of 955 thousand acre-feet (TAF), and Colorado River deliveries of 880 TAF for each of FY 2014/15 and FY 2015/16. Metropolitan anticipates moving stored water through the SWP, and there is a potential for water purchases, transfers or exchanges using the SWP facilities. Variations in revenues and costs due to hydrology will be managed by use of financial reserves established for this purpose, including the use of Water Management Fund.

The biennial budget assumes the Board maintains the ad valorem tax rate at its current level when the rate is set in August 2014. The current ad valorem tax rate is estimated to generate \$182 million over the next two fiscal years, providing \$115 million to pay for general obligation and State Water Contract (SWC) Burns-Porter bond debt service and \$67 million to offset other SWC costs. In addition, maintaining the ad valorem tax rate helps to maintain a balance between fixed and variable revenues and mitigate the need for future water rate increases. If the ad valorem tax rate restriction is not suspended when the Board sets the tax rate in August 2014, the revenue shortfall for the proposed biennial budget will be made up from the Replacement & Refurbishment (R&R) Fund, and projected rate increases in FY 2016/17 and 2017/18 will be 2 percent higher.

Finally, the biennial budget provides for allocation of an estimated \$350 million in water rate stabilization reserves over the reserve target on June 30, 2014 to reduce future obligations, keep

General Manager's Transmittal Letter

future rate increases reasonable and provide funds for water management activities in response to the current drought conditions. The biennial budget proposes:

- \$100 million deposited to the R&R Fund. This \$100 million along with the increased funding from revenues for the CIP included in the budget will delay new money bond issues until FY 2017/18 and will reduce the required debt service during the biennial budget period and over the ten-year financial plan. Also, the allowable balance in the R&R Fund at the end of the fiscal year will be increased from \$95 million to \$160 million. This will allow increased flexibility to carry over unexpended Pay-As-You-Go (PAYGo) funds from one year to the next.
- \$100 million deposited to the Other Post-Employment Benefits (OPEB) Trust. As shown in the presentation to the F&I Committee on March 10, 2014, from Bartel Associates, LLC, Metropolitan's actuary, this funding reduces the liability for benefits accruing to Metropolitan from prior years. Metropolitan's annual required contribution (ARC) is reduced by \$7.2 million in FY 2015/16 and all future years.
- Any remaining amounts over target, currently estimated at \$150 million, will be placed in a Water Management Fund to cover costs associated with replenishing storage, purchasing transfers, and providing drought response programs. The estimated costs of replenishing storage based on current operational plans would more than exhaust the \$150 million.

This budget continues funding the Board's key priorities including:

- Funding for the CIP of \$513 million for the biennial period of FY 2014/15 and FY 2015/16, of which \$466 million will be funded from revenues. This level of revenue-funded capital is appropriate given the significant portion of the capital program that is focused on replacement and refurbishment of capital facilities, and lessens the pressure on water rates from debt service in future years. This higher level of revenue-funded capital combined with withdrawals from the R&R Fund will cover 100 percent of the projected capital spending for the next three fiscal years.
- Continued funding of \$132 million for the biennial period of FY 2014/15 and FY 2015/16 for storage programs in the region, the Central Valley, and the Colorado River system to cover the costs of storing or withdrawing supplies. This initiative helps reduce the likelihood that Metropolitan will need to declare a Water Supply Allocation in dry years.
- Continued funding of conservation programs at \$40 million for the biennial period of FY 2014/15 and FY 2015/16 to help our member agencies and retail water agencies meet the state-mandated 20 percent by 2020 goal of reduced per capita water consumption and reduce the need to transport water into the Metropolitan service area or within Metropolitan's distribution system.
- Funding for the Local Resources Program incentives at \$84 million for the biennial period of FY 2014/15 and FY 2015/16 to meet the 2010 Integrated Resources Plan Update goals for local resource development and reduce the need to transport water into the Metropolitan service area or within Metropolitan's distribution system.
- Fully funding the ARC for OPEB beginning in FY 2014/15, three years earlier than originally planned and continuing to fully fund the ARC thereafter. It is estimated that by the end of FY 2015/16, Metropolitan's OPEB liability will be approximately 45 percent funded.

General Manager's Transmittal Letter

- Funding of \$831 million for the biennial period of FY 2014/15 and FY 2015/16 for Operations and Maintenance (O&M), including labor and benefits, water treatment chemicals, solids handling, professional services, and operating equipment purchases. This proposed O&M funding includes increased benefit costs, including retirement-related benefits, and merit increases; funding of positions in connection with succession planning; three new positions for Water System Operations to provide engineering support; and funding for two positions to provide additional interim support for the Bay Delta initiative.
- Rate increases in the remaining eight years of the ten-year forecast ranging from 3 to 5 percent that meet all financial policy guidelines.

A summary of budgeted sources and uses of funds is shown in Table 1.

Table 1. Biennial Budget Sources and Uses of Funds (\$ in millions)

	2012/13 Actual	2013/14 Budget	2013/14 Projected	2014/15 Budget	2015/16 Budget	2014/15	2015/16
						Budget Compared to 2013/14 Budget	Budget Compared to 2014/15 Budget
USES OF FUNDS							
Expenses							
State Water Contract	\$ 480.2	\$ 564.0	\$ 426.0	\$ 495.7	\$ 515.0	\$ (68.3)	\$ 19.3
Supply Programs	37.5	37.0	76.5	65.5	66.5	28.5	0.9
Colorado River Power	18.2	24.9	24.9	29.2	36.5	4.3	7.3
Debt Service	333.7	343.4	369.0	325.8	324.7	(17.6)	(1.1)
Demand Management	48.2	53.6	53.6	62.2	61.7	8.5	(0.5)
Departmental O&M	330.8	326.3	336.1	359.7	363.3	33.4	3.6
Treatment Chemicals, Solids & Power	23.5	26.4	26.4	26.6	27.6	0.2	1.1
Other O&M	5.2	37.5	128.0	27.5	26.6	(10.0)	(0.8)
Sub-total Expenses	1,277.4	1,413.3	1,440.6	1,392.1	1,421.9	(21.1)	29.8
Capital Investment Plan	118.6	294.6	200.0	245.4	267.9	(49.2)	22.5
Fund Deposits							
Water Transfer Fund	25.0	-	95.0	-	-	-	-
R&R and General Fund	121.0	125.0	225.0	245.4	221.0	120.4	(24.4)
Revenue Bond Construction	-	2.9	-	-	-	(2.9)	-
Water Stewardship Fund	18.6	0.3	14.1	-	-	(0.3)	-
Treatment Surcharge Stabilization Fund	4.9	-	-	-	0.4	-	0.4
Interest for Construction & Trust Funds	(0.4)	0.9	0.2	0.1	0.4	(0.8)	0.3
Increase in Required Reserves	26.5	28.2	8.6	9.9	18.2	(18.3)	8.3
Increase in Water Rate Stabilization Fund	115.7	-	-	-	4.3	-	4.3
Sub-total Fund Deposits	311.2	157.3	342.9	255.5	244.3	98.1	(11.1)
TOTAL USES OF FUNDS	\$1,707.2	\$1,865.2	\$1,983.5	\$1,893.0	\$1,934.1	\$ 27.8	\$ 41.1
SOURCES OF FUNDS							
Revenues							
Taxes	\$ 94.8	\$ 80.1	\$ 81.1	\$ 90.2	\$ 92.2	\$ 10.1	\$ 2.0
Annexations	0.3	1.0	-	-	-	(1.0)	-
Interest Income	(2.1)	14.1	7.7	16.2	27.9	2.1	11.7
Hydro Power	24.5	20.9	17.0	19.3	18.9	(1.7)	(0.4)
Fixed Charges (RTS & Capacity Charge)	172.7	182.1	182.1	199.5	198.8	17.4	(0.7)
Water Sales Revenue	1,282.5	1,240.7	1,437.5	1,290.0	1,308.4	49.2	18.4
Miscellaneous Revenue	10.2	6.1	6.1	10.2	11.3	4.1	1.1
Bond Proceeds and Reimbursements	-	178.6	-	-	-	(178.6)	-
Sub-total Revenues	1,583.0	1,723.7	1,731.7	1,625.4	1,657.5	(98.4)	32.1
Fund Withdrawals							
R&R and General Fund	54.9	125.0	130.0	245.4	267.9	120.4	22.5
Bond Funds for Construction	63.7	-	70.0	-	-	-	-
Water Stewardship Fund	-	-	-	9.5	8.8	9.5	(0.7)
Treatment Surcharge Stabilization Fund	-	-	0.5	4.4	-	4.4	(4.4)
Decrease in Required Reserves	5.7	1.5	-	-	-	(1.5)	-
Decrease in Water Rate Stabilization Fund	-	14.9	51.3	8.4	-	(6.6)	(8.4)
Sub-total Fund Withdrawals	124.3	141.5	251.8	267.6	276.6	126.1	9.0
TOTAL SOURCES OF FUNDS	\$1,707.2	\$1,865.2	\$1,983.5	\$1,893.0	\$1,934.1	\$ 27.8	\$ 41.1

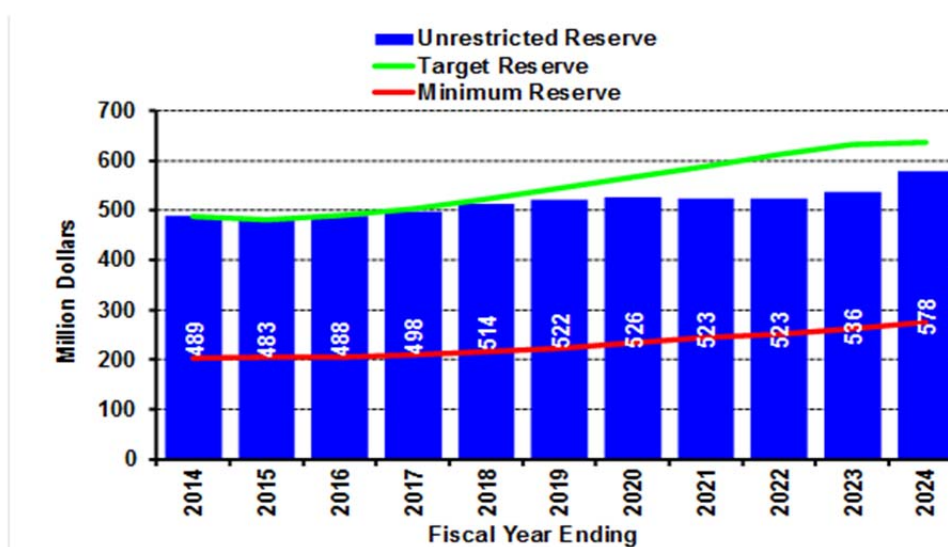
Totals may not foot due to rounding.

TEN-YEAR FINANCIAL FORECAST

The biennial budget and ten-year financial forecast comprise Metropolitan's long-range financial plan. The biennial budget establishes the foundation for a ten-year forecast of water sales, expenditures, revenues, projected rate increases and financial indicators. Incorporating a ten-year financial forecast within the biennial budget process helps ensure the long-range financial plan is continuously updated every two years to reflect any changes in underlying assumptions and/or financial policies. This approach is well suited to the dynamic environment Metropolitan operates in, rather than periodic updates of a stand-alone long-term financial planning document.

The biennial budget sets the stage for predictable and reasonable rate increases over the ten-year planning period. Use of reserves over target and higher levels of revenue funding for the CIP will result in lower revenue requirements in later years of the forecast. Depositing \$100 million to the OPEB Trust will lower operating expenses beginning in FY 2015/16 by \$7.2 million and every year thereafter extending beyond the forecast and resulting in a significant savings to Metropolitan. Use of revenues to fund the CIP will postpone and reduce any needed new money bond issues. Over the ten-year forecast, the higher proposed levels of revenue funding for the CIP will result in debt service by FY 2023/24 that is approximately \$50 million less than it would be under previous assumptions. These lower costs combined with maintaining the ad valorem tax rate at its current level throughout the ten-year period will mitigate increases in future water rates and charges. Key financial indicators of the ten-year forecast are summarized in Figure 1.

Figure 1: Projected Rate Increases, Reserves, and Financial Indicators



Ave Rate Increase	5%	1.5%	1.5%	3.0%	3.0%	3.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Sales, MAF	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CIP, \$M	200	245	268	275	281	284	293	304	312	317	313
PAYGO, \$M	125	245	221	200	204	201	176	182	187	190	188
Rev. Bond Cvg	2.7	2.0	2.0	2.0	2.0	2.1	2.2	2.4	2.6	2.7	2.9
Fixed Chg Cvg	2.0	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
AV Taxes, \$M	81	90	92	94	96	99	101	103	105	108	110
BDCP, \$M				15	24	46	91	148	204	259	302

General Manager's Transmittal Letter

The ten-year forecast assumes the following:

- Sales are forecasted throughout the period at 1.75 MAF;
- Beginning in FY 2019/20, sixty percent of the CIP is revenue funded. Revenue-funding a percentage of the CIP costs rather than using a fixed dollar amount allow revenue-based funding to adjust to changes in the CIP over time. For the first five years of the ten-year forecast, approximately 70 to 100 hundred percent of the CIP is funded from revenues;
- OPEB will be 63 percent funded by FY 2023/24, assuming full funding of the ARC and \$100 million is deposited to the OPEB Trust at June 30, 2014;
- Metropolitan's investments in storage programs continue, providing regional supply reliability;
- Demand management programs continue to be funded to help ensure that our member agencies and retail water agencies meet the 20 percent by 2020 goal of reduced per capita water consumption;
- Resulting rate increases beyond the biennial budget period are in a range of 3 percent to 5 percent each year.


Additional detail regarding Metropolitan's ten-year forecast is contained in the Ten-Year Forecast section of this budget book.

RESERVES

Fund balances are budgeted to be \$1.52 billion at June 30, 2015. Of that total, \$834.2 million is restricted by bond covenants, contracts, or board policy, and \$683.8 million is unrestricted. In addition, fund balances are budgeted to be \$1.49 billion at June 30, 2016. Of that total, \$852.3 million is restricted by bond covenants, contracts, or board policy, and \$633.4 million is unrestricted.

On June 30, 2015, the minimum and target reserve fund targets are estimated to be \$204.9 million and \$487.0 million, respectively. Based on projected revenues and expenditures, it is estimated that the balance in the Water Rate Stabilization Fund (WRSF) and Revenue Remainder Fund will total about \$490.5 million, about \$8.5 million above the target.

On June 30, 2016, the minimum and target reserve fund targets are estimated to be \$205.4 million and \$489.6 million, respectively. Based on projected revenues and expenditures, it is estimated that the balance in the WRSF and Revenue Remainder Fund will total about \$495.3 million, about \$5.7 million over the target.



Jeffrey Kightlinger
General Manager



Gary Breaux
Chief Financial Officer

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The biennial budget is intended to provide funding for Metropolitan's operations, capital programs and all ancillary functions of Metropolitan for Fiscal Years 2014/15 and 2015/16. The key strategic priorities that the Office of the General Manager will be focused on for the period covered by the biennial budget are addressed below.

Strategic Priority #1: Complete the Bay-Delta Conservation Plan (BDCP) and the associated Environmental Impact Report/Statement

During Fiscal Year 2014/15, the goal will be to complete the environmental documentation and necessary financing agreements so that Metropolitan's Board of Directors can make a sound business decision on participation in and implementation of a BDCP.

Interim steps in this process that will be completed during this time period include organizing and developing procedures and structures to handle the mechanics and logistics of managing a mega-construction project including but not limited to: establishing and staffing a construction office; developing appropriate specifications for equipment procurement, design and construction; establishing procedures for land acquisition and habitat development; creating approaches for interim and long-term project financing; and preparing all necessary permitting documentation.

In addition, staff will continue near-term efforts to provide greater reliability of State Water Project supplies. These actions include identifying and pursuing early-action habitat projects that satisfy current permit obligations that will also be compatible with the BDCP. Staff will also pursue implementation of new management techniques for species in the Delta including development of new models for species life cycles, turbidity monitoring and other approaches all designed to lead to better management of water supplies while enhancing protection for endangered species.

Finally, staff will work on implementation of the Delta Flood Emergency Preparedness, Response and Recovery Plan in the event of a catastrophic interruption of water supplies due to earthquake or flood damage.

Strategic Priority #2: Develop Water Supplies and Manage Water Reserves

Staff will work closely with the Board to manage Metropolitan's water supply reserves in the face of unprecedented drought conditions in California and throughout the Southwest. The actions will include implementation of storage withdrawals, coordination of deliveries with the member agencies, close monitoring of drought conditions and possible allocation actions as part of the WSDM plan and targeted outreach on conservation efforts.

Strategic Priority #3: Educate the Public and Stakeholders on Critical Water Supply Conditions and Critical Water Management Decisions.

The coming two years are shaping up to be momentous years for the water industry in California. The current drought gripping California has caused unprecedented water conditions for much of California and led to dramatic response at the state and federal level. These conditions are likely to deepen at least through 2014 if not beyond. Additionally, events are shaping up for key decisions on a Bay-Delta plan, a potential water bond, significant legislative proposals for statewide action and key Colorado River milestones. It will be essential to fully engage the public and key stakeholders in Metropolitan's service area and statewide in the importance of these issues, as decisions made over the next two years will be felt for a generation.

Strategic Priority #4: Employee Development

The proposed budget calls for Metropolitan to cease its managed attrition that has shrunk Metropolitan from 2,400 full-time employee positions to a current workforce of approximately 1,750. Recruitment activity will be expanded to fully replace all retirements and actually add some positions to bring the work

force to 1,828 positions over the next two years. Increased employee cross-training and employee development efforts will be needed to meet the challenge of increased retirements brought about by an aging workforce.

Strategic Priority #5: Local Projects and Integrated Resources Plan Updates

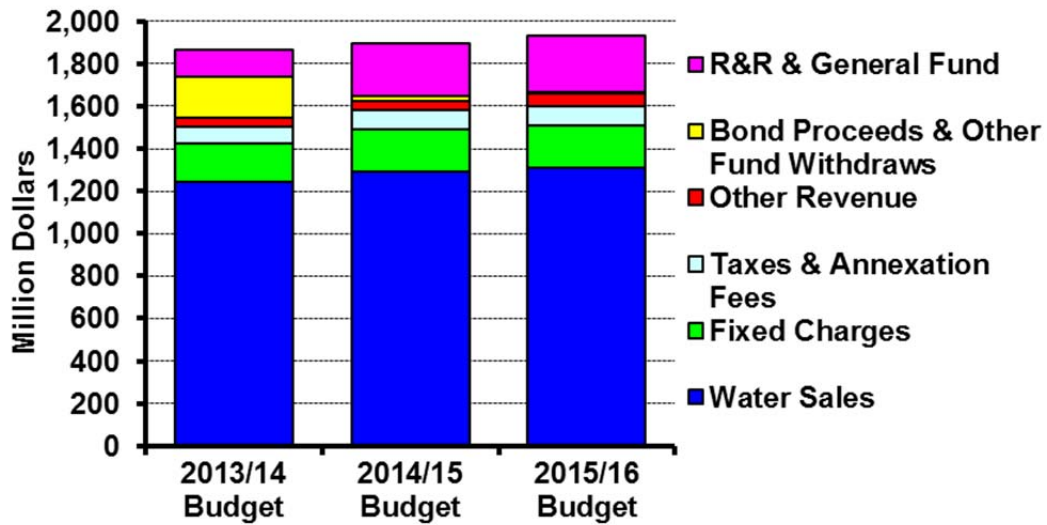
Staff intends to review its Local Resources Program and conservation rebate programs during this drought period to review what new actions might be appropriate, learn from this experience as to how to improve our programs and work with the public and member agencies on expanding conservation efforts. Metropolitan's IRP was adopted in 2010 and will be updated in 2015 along with the state required Regional Urban Water Management Plan.

Biennial Budget Summary
FY 2014/15 & 2015/16

The biennial budget for fiscal years 2014/15 and 2015/16 (FY 2014/15 and FY 2015/16) provides funding for Metropolitan’s key priorities while meeting or exceeding all financial policy guidelines, with overall rate increases of 1.5 percent in each year of the biennial budget. The overall rate increases of 1.5 percent are at their lowest level in the past ten years.

The biennial budget presents the sources and uses of funds. The budget is developed and monitored on a modified accrual basis. Revenues and expenses are recognized in the period they are earned and incurred. Depreciation and amortization are not included; payment of debt service is included. The modified-accrual basis of accounting provides a better match of revenues and expenses for budgeting and reporting.

Figure 2. Sources of Funds



SOURCES OF FUNDS

Estimated revenues from water sales, fixed charges (readiness-to-serve charge and capacity charge), taxes and annexation fees, and other miscellaneous income (interest income, power recovery, etc.) are projected to be \$1.63 billion for FY 2014/15 and \$1.66 billion for FY 2015/16. For FY 2014/15, this is \$80.3 million more than the FY 2013/14 budget, and for FY 2015/16, this is \$32.1 million more

than FY 2014/15. The increase in revenues is due to increases in water rates and charges in calendar year 2015 and calendar year 2016 and maintaining the ad valorem tax rate at .0035 percent of assessed valuations. Figure 2 shows the major sources of funds. Summaries of sources and uses of funds are shown in Tables 7, 8 and 9 at the end of this section. A description of each revenue source is included in the Glossary of Terms.

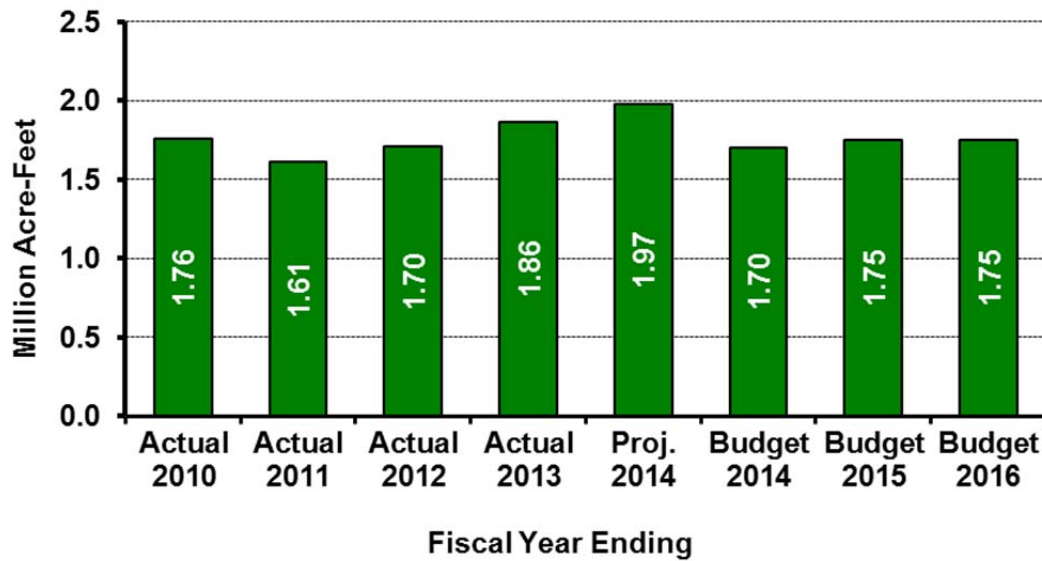
Biennial Budget Summary
FY 2014/15 & 2015/16

Water Sales

Revenues from water sales are budgeted at \$1,290.0 million in FY 2014/15 and \$1,308.4 million in FY2015/16, and are based on rates and charges adopted by the Board for January 1, 2014. In addition, water rates and charges are to increase by 1.5 percent overall

effective January 1, 2015 and 1.5 percent overall effective January 1, 2016. Water sales for both 2014/15 and 2015/16 are estimated to be 1.75 million acre-feet (MAF), an increase of 50 thousand acre-fee (TAF) from the FY 2013/14 budget.

Figure 3. Water Sales Trend



The FY 2014/15 fiscal year water sales include 1.57 MAF of firm sales and 181 thousand acre-feet (TAF) of Exchange Water. Treated sales are estimated to be 910 TAF, or 52 percent of total sales in FY 2014/15. The FY 2015/16 fiscal year water sales include 1.57 MAF of firm sales and 179 TAF of Exchange Water. Treated sales are estimated to be 898 TAF, or 51 percent of total sales in FY 2015/16. Figure 3 shows the trend of water sales.

Taxes and Annexation Fees

Revenues from taxes and annexation fees, which will be used to pay voter-approved debt service on general obligation bonds and a portion of the capital costs of the State Water Project (SWP), are estimated to be \$90.2 million in FY 2014/15 and \$92.2 million

in FY 2015/16. The ad valorem tax rate is assumed to remain at the current level of .0035 percent of assessed value; assessed valuations are projected to increase by 2.5 percent each fiscal year.

Fixed Charges

Fixed charges include the Capacity Charge and Readiness-to-Serve Charge. In FY 2014/15, these charges are estimated to generate \$37.5 million and \$162.0 million, respectively. In FY 2015/16, these charges are estimated to generate \$43.3 million and \$155.5 million, respectively. In total this represents a \$17.3 million increase from the FY 2013/14 to FY 2014/15, and a \$0.7 million decrease from the FY 2014/15 to the FY 2015/16 budget.

Biennial Budget Summary FY 2014/15 & 2015/16

Other Revenue

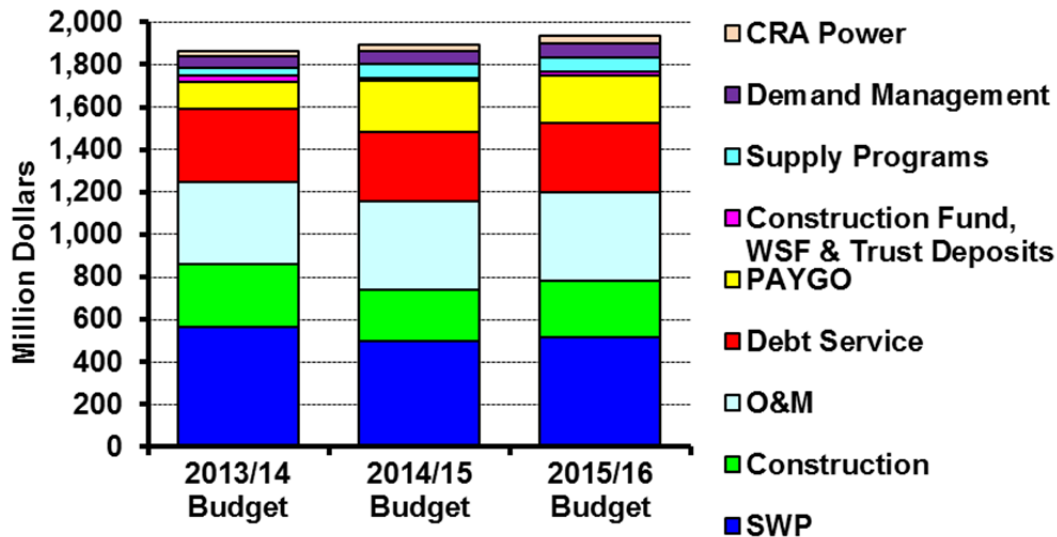
Interest earnings are estimated to total \$16.2 million and \$27.9 million for FY 2014/15 and FY 2015/16 respectively (including trust accounts and construction funds), primarily due to higher assumed interest rates.

Receipts from hydroelectric and Colorado River Aqueduct (CRA) power sales are estimated to be \$19.3 million for FY 2014/15 and \$18.9 million for FY 2015/16.

Other Sources

For FY 2014/15 and FY 2015/16 Metropolitan does not plan to issue any new debt. The funding requirements of the CIP will be met from current operating revenues (i.e., budgeted PAYGO) and by drawing down the R&R fund balance. In FY 2014/15, a total of \$1.89 billion will be available for expenditures and other obligations and in FY 2015/16 this figure will increase to \$1.93 billion.

Figure 4. Uses of Funds



USES OF FUNDS

Total uses of funds are \$1.89 billion for FY 2014/15 and \$1.93 billion for FY 2015/16. Figure 4 shows the breakdown of expenditures and other obligations that make up the Uses of Funds.

Colorado River Aqueduct Power

CRA power costs are projected to be \$29.2 million in FY 2014/15 and \$36.5 million in FY 2015/16 based on pumping 882 TAF and 876 TAF, respectively, through the CRA. FY 2015/16 is \$7.3 million higher despite similar pumping as a result of the need to purchase supplemental energy.

State Water Project

State Water Project (SWP) expenditures are budgeted at \$495.7 million for FY 2014/15 and \$515.0 million in FY 2015/16. This is based on total deliveries of 1.03 MAF for FY 2014/15, of which 94 TAF are received via exchange, and 1.02 TAF for FY 2015/16, of which 94 TAF are received via exchange.

SWP power costs are expected to be \$183.8 million for FY 2014/15 and \$194.0 million for FY 2015/16 and include the cost of pumping 912 TAF and 907 TAF respectively.

Biennial Budget Summary
FY 2014/15 & 2015/16

For FY 2014/15, the average total unit cost of SWP power is expected to be about \$202 per acre-foot, which includes \$18 per acre-foot for fixed power costs and \$183 per acre-foot for variable pumping costs. For FY 2015/16, the average total unit cost of SWP power is expected to be about \$214 per acre-foot, primarily for variable pumping costs.

SWP minimum operations, maintenance, power, and replacement charges are estimated to be about \$183.4 million in both FY 2014/15 and FY 2015/16. FY 2014/15 capital charges are expected to decrease \$19.5 million from the FY 2013/14 budget but then increase \$6.7 million in FY 2015/16. The initial decrease reflects incorporation of rate management credits into the forecast of SWP costs. Rate management credits result from a provision of the State Water Contract that provides for the reduction of capital charges based on differences between the Department of Water Resources' collections from the SWP contractors and the actual amounts paid for capital-related charges.

Demand Management Costs

Metropolitan provides financial assistance to its member agencies for the development of local water recycling and groundwater recovery projects through the Local Resource Program (LRP). Metropolitan also provides financial assistance for the development of conservation programs through the Conservation Credits Program (CCP).

As part of the LRP, Metropolitan entered into agreements to provide financial assistance to water-recycling projects, principally for landscape irrigation, groundwater recharge, and industrial uses. Metropolitan expects to provide incentives for the production of about 187 TAF of recycled water in each of FY 2014/15 and FY 2015/16.

Metropolitan also entered into agreements to provide financial assistance to projects to treat

contaminated groundwater for potable uses. Metropolitan expects to provide incentives for the production of about 77 TAF of recovered groundwater in each of FY 2014/15 and FY 2015/16.

The CCP provides financial assistance to customers in Metropolitan's service area for water conservation programs. The budget for CCP provides rebate funding for residential, commercial, industrial, and landscape conservation activities. The FY 2014/15 and FY 2015/16 funding for CCP is budgeted at \$20 million per year.

The CCP and LRP programs reduce the need to transport water into the Metropolitan service area or within Metropolitan's distribution system.

OPERATIONS AND MAINTENANCE

The FY 2013/14 operations and maintenance (O&M) budget has been restated to reflect the redistribution of a portion of the \$10 million in OPEB funding in FY 2013/14 to salaries and benefits in the same manner that retirement-related expenses are reflected in the FY 2014/15 and FY 2015/16 budgets. The O&M portion, or \$8.4 million of the \$10 million OPEB funding, was redistributed to the Department budgets with \$1.6 million remaining in Other O&M. The FY 2013/14 restated budget also includes an additional \$0.2M of Ethics department expenses authorized by the Board in August 2013.

The FY 2014/15 O&M budget, including operating equipment purchases, is \$413.7 million. This is \$23.2 million, or 6.0 percent, higher than the FY 2013/14 restated budget of \$390.5 million. The FY 2015/16 O&M budget is \$417.6 million, an increase of \$3.9 million, or 0.9 percent. Table 2 summarizes the O&M budget by expenditure type. A more detailed discussion of significant factors impacting the O&M budget follows Table 2.

Biennial Budget Summary
FY 2014/15 & 2015/16

Table 2. 2014/15 Operations & Maintenance Annual Budget (dollars) by Expenditure Type

	2013/14 Restated Budget	2014/15 Budget	2015/16 Budget	2013/14 Restated Budget vs.	2014/15 Budget vs.
				2014/15 Budget	2015/16 Budget
Salaries & Benefits (1)	244,650.9	264,694.7	267,409.5	20,043.9	2,714.7
Chemicals, Solids, and Power (2)	25,413.4	26,565.7	27,644.2	1,152.3	1,078.5
Outside Services	41,232.5	43,426.4	43,814.2	2,193.9	387.8
Materials & Supplies (3)	24,807.5	25,379.9	25,767.7	572.4	387.8
Other	47,234.5	46,004.0	44,760.4	(1,230.5)	(1,243.6)
Operating Equipment	7,124.6	7,640.9	8,190.3	516.3	549.4
Total	390,463.4	413,711.7	417,586.2	23,248.3	3,874.5

Totals may not foot due to rounding

(1) Includes overhead credit for construction and savings from liability reduction

(2) Costs associated with treatment only.

(3) Without chemicals associated with treatment plants.

FY 2014/15 O&M Budget

The FY 2014/15 O&M budget includes \$413.7 million for labor and benefits, water treatment chemicals, power, and solids handling, materials and supplies, professional services, and operating equipment purchases. This is \$23.2 million, or 6.0 percent, higher than the FY 2013/14 restated budget of \$390.5 million due primarily to an increase in retirement-related benefit costs and merit increases for qualified employees, variable treatment costs, and outside services.

Salaries and Benefits – Labor costs, not including those charged to construction, are \$264.7 million. This is \$20.0 million, or 8 percent, higher than the FY 2013/14 restated budget of \$244.6 million. This increase is primarily the result of an increase in retirement-related benefit costs and merit increases for qualified employees; three additional positions for Water Systems Operations, funding of two additional positions in the Bay Delta program and funding additional positions to assist with succession planning.

Salaries, not including fringe benefits or the overhead credit, are 4 percent higher than the FY 2013/14 restated budget. Fringe benefits are \$10.7 million, or 11.1 percent higher, than

the FY 2013/14 restated budget primarily as a result of full funding of the annual actuarial required contribution (ARC) for Metropolitan’s Other Post-Employment Benefits (OPEB) liability. Future annual ARC amounts are mitigated by an additional deposit to the OPEB Trust of \$100 million in FY 2013/14. The FY 2015/16 budget reflects \$7.2 million reduction in the anticipated ARC due to this deposit.

The total personnel complement for the FY 2014/15 budget is 1,905 authorized positions, including 19 agency and district temporary full-time equivalents (FTEs), and reflects an increase of 2 net positions from the FY 2013/14 budget. Total regular authorized employee positions are 137 positions below the FY 2008/09 budget. The FY 2014/15 budget assumes a vacancy rate of approximately 3.2 percent and 3 regular employee positions remain unfunded.

Other O&M – Outside services is anticipated to increase \$2.2 million in FY 2014/15 primarily as a result of an increase for security equipment maintenance and Emergency Maintenance System (EMS) storage costs.

Chemicals, solids, and power reflect the cost of the water treatment process and are anticipated to increase by \$1.1 million in

Biennial Budget Summary
FY 2014/15 & 2015/16

FY 2014/15, driven by an overall increase in chemical unit commodity prices and higher electricity rates.

FY 2015/16 O&M Budget

The FY 2015/16 O&M budget is \$417.6 million, an increase of \$3.9 million, or 1 percent, compared to the FY 2014/15 budget. This increase is primarily due to merit increases for qualified employees, increase in fringe benefit costs, and forecasted increases in chemical and power costs to operate the treatment plants.

Salaries and Benefits – The FY 2015/16 O&M labor budget includes \$7.2 million of anticipated savings on retirement related benefit costs as a result of the \$100 million deposit to the OPEB Trust in FY 2013/14.

The FY 2015/16 O&M labor budget is about \$2.7 million higher than the FY 2014/15 budget driven primarily by an increase in overall fringe benefit costs and merit increases

for qualified employees offset by savings on retirement related benefits costs.

Salaries, not including fringe benefits or the overhead credit, are 2 percent higher than the FY 2014/15 budget. Fringe benefits are only 0.3 percent lower than the FY 2014/15 budget as a result of the \$7.2 million in anticipated savings on retirement related benefit costs.

The total budgeted personnel complement for FY 2015/16 is reduced by 1 position to 1,904 positions, including 19 agency and district temporary FTEs. The FY 2015/16 budget assumes a vacancy rate of approximately 3.2 percent and 3 regular employee positions remain unfunded.

Other O&M –The cost of chemicals, power, and sludge disposal incurred in the water treatment process is anticipated to increase by \$1.1 million in FY 2015/16 driven primarily by modest inflationary pressure on chemical commodity prices and electricity rates.

Figure 5. Departmental Budget by Expenditure Type

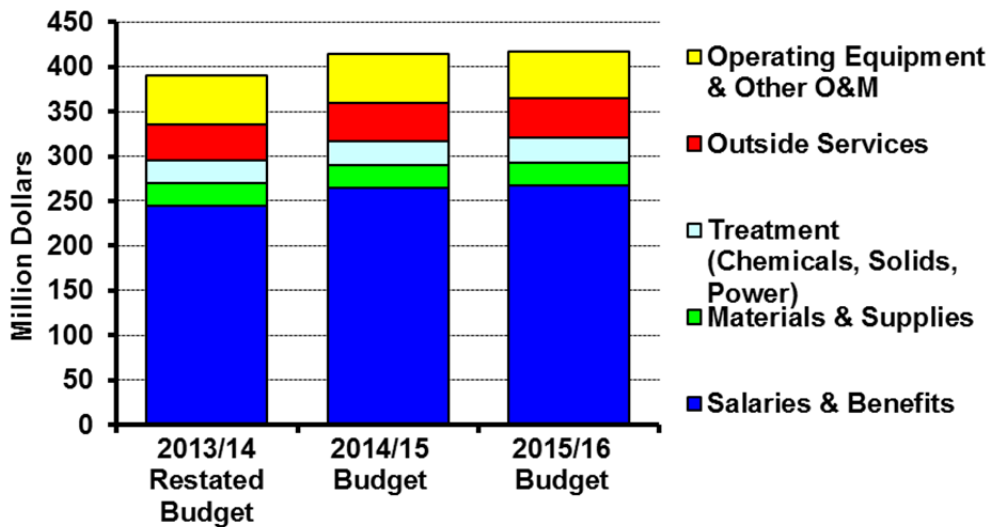


Figure 5 summarizes the total departmental O&M budget by expenditure type, of which 66 percent is for salaries and benefits.

Figure 6 depicts the distribution of the departmental O&M by organization without other O&M, the overhead credit, and

operating equipment. Including treatment costs, the Water System Operations (WSO) group accounts for 55 percent of the total departmental budget for both FY 2014/15 and FY 2015/16. A summary of the O&M budget by organization is shown in Table 3.

Biennial Budget Summary
FY 2014/15 & 2015/16

Figure 6. Departmental Budget by Organization
(without Other O&M, operating equipment, and overhead credit)

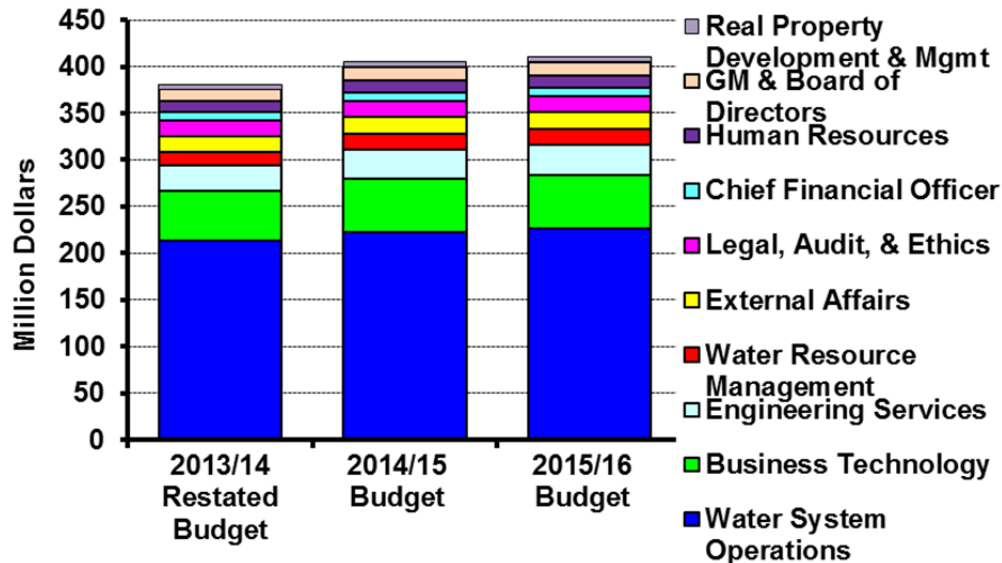


Table 3. Operations & Maintenance Budget by Organization

Departmental Units	2013/14 Restated Budget	2014/15 Budget	2015/16 Budget	2013/14 Restated Budget vs. 2014/15 Budget	%	2014/15 Budget vs. 2015/16 Budget	%
Office of the General Manager	\$ 12,854.2	\$ 14,482.4	\$ 14,676.6	\$ 1,628.2	12.7%	\$ 194.2	1.3%
Water System Operations w/o Variable Treatment	188,578.0	196,619.7	198,816.1	8,041.7	4.3%	2,196.4	1.1%
Water Resource Management	15,272.8	17,120.7	17,157.9	1,848.0	12.1%	37.1	0.2%
Engineering Services	26,289.7	31,125.3	31,457.0	4,835.6	18.4%	331.7	1.1%
Business Technology	53,167.8	56,848.2	57,776.7	3,680.4	6.9%	928.5	1.6%
Real Property Development & Mgmt	4,797.5	5,564.5	5,554.3	767.1	16.0%	(10.2)	(0.2%)
Human Resources	11,865.2	12,364.7	12,380.6	499.5	4.2%	15.9	0.1%
Office of the Chief Financial Officer	8,901.4	9,390.7	9,646.8	489.2	5.5%	256.2	2.7%
External Affairs	16,456.4	17,883.9	18,048.1	1,427.5	8.7%	164.2	0.9%
Subtotal - General Manager's Dep.	338,182.9	361,400.0	365,514.0	23,217.1	6.9%	4,114.0	1.1%
General Counsel	13,355.0	12,970.0	13,228.5	(385.0)	(2.9%)	258.5	2.0%
General Auditor	2,811.7	3,016.8	3,072.0	205.1	7.3%	55.2	1.8%
Ethics Office	846.4	1,040.5	1,040.4	194.1	22.9%	(0.0)	(0.0%)
Overhead Credit from Construction	(20,806.9)	(18,744.3)	(19,547.7)	2,062.6	(9.9%)	(803.5)	4.3%
Total Departmental Budget	334,389.0	359,683.0	363,307.3	25,294.0	7.6%	3,624.2	1.0%
Other O&M							
PC Replacement	3,525.0	-	-	(3,525.0)	(100.0%)	-	NA
CCP Vendor Administration	1,589.1	1,550.0	1,550.0	(39.1)	(2.5%)	-	NA
Performance Programs	673.0	673.0	673.0	-	NA	-	NA
Association Dues	4,981.0	5,065.9	5,184.8	84.9	1.7%	118.9	2.3%
Contingency	2,057.1	-	-	(2,057.1)	(100.0%)	-	NA
Insurance	9,566.6	11,344.0	9,800.0	1,777.4	18.6%	(1,544.0)	(13.6%)
Leases	532.6	565.0	600.0	32.4	6.1%	35.0	6.2%
Property Taxes	612.0	624.2	636.7	12.2	2.0%	12.5	2.0%
Subtotal - Other	23,536.4	19,822.1	18,444.5	(3,714.3)	(15.8%)	(1,377.6)	(6.9%)
TOTAL OPERATIONS & MAINTENANCE	357,925.4	379,505.1	381,751.8	21,579.7	6.0%	2,246.6	0.6%
Operating Equipment	7,124.6	7,640.9	8,190.3	516.3	7.2%	549.4	7.2%
Variable Treatment	25,413.4	26,565.7	27,644.2	1,152.3	4.5%	1,078.5	4.1%
GRAND TOTAL	\$ 390,463.4	\$ 413,711.7	\$ 417,586.2	\$ 23,248.3	6.0%	\$ 3,874.5	0.9%

Totals may not foot due to rounding

Biennial Budget Summary
FY 2014/15 & 2015/16

LABOR

Total authorized positions (including temporary workers) for FY 2014/15 and FY 2015/16 are 1,905 and 1,904 positions respectively. Total O&M personnel are up by 2 district temporary positions (rounded) to 1,905 in 2014/15 and drop 1 regular full time position to a total of 1,904 in FY 2015/16. Positions dedicated to capital work are expected to decrease slightly during the biennium while positions dedicated to O&M

will increase slightly. The FY 2014/15 and FY 2015/16 budget assumes a vacancy rate of approximately 3.2 percent and 3 positions remain unfunded in each budget year. Therefore, funded positions are lower than the authorized complement.

The personnel complement is broken down on Tables 4 and 5.

Table 4. Regular and Temporary Positions

	2012/13 Budget	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 Budget vs. 2014/15 Budget	2014/15 Budget vs. 2015/16 Budget
Regular Full Time Positions	1,883	1,881	1,886	1,885	5	-1
District Temporary Positions	19	18	20	20	2	0
Agency Temporary Positions	6	5	-	-	-5	0
Total	1,908	1,904	1,906	1,905	2	-1

Totals may not foot due to rounding.

Table 5. O&M and Capital Staffing Levels

	2013/14 Budget	2014/15 Budget	2015/16 Budget
O&M Positions			
Regular Full Time Positions	1,598	1,608	1,604
District & Agency Temporary Positions	20	20	20
Total O&M	1,618	1,628	1,624
Capital Positions			
Regular Full Time Positions	283	278	281
District & Agency Temporary Positions	3	-	-
Total Capital	286	278	281
GRAND TOTAL	1,904	1,906	1,905

Totals may not foot due to rounding.

Biennial Budget Summary FY 2014/15 & 2015/16

Supply Programs

Major supply program expenditures for FY 2014/15 and FY 2015/16 are estimated to be \$65.5 million and \$66.5 million respectively and include (may not foot due to rounding):

- \$12.2 million in FY 2014/15 and \$12.6 million in FY 2015/16 for operating and maintaining the IID/MWD conservation agreement;
- \$27.2 million in FY 2014/15 and \$21.1 million in FY 2015/16 for Colorado Programs;
- \$14.3 million in FY 2014/15 and \$20.1 million in FY 2015/16 for Central Valley Storage Programs;
- \$8.6 million in FY 2014/15 and \$9.4 million in FY 2015/16 for the Palo Verde Irrigation District (PVID) Land Management Program; and,
- \$3.2 million in FY 2014/15 and \$3.2 million in FY 2015/16 for transfers and in-basin programs.

CAPITAL INVESTMENT PLAN

The CIP budget for FY 2014/15 and FY 2015/16 is estimated to be \$245.4 million and \$267.9 million respectively. It is to be funded by current operating revenues (i.e., budgeted PAYGO) and by drawing down the R&R fund balance. The FY 2014/15 capital budget is \$49.2 million lower than the FY 2013/14 budget and the FY 2015/16 capital budget is \$22.5 million higher than the FY 2014/15 budget.

The two largest areas of expenditures in the FY 2014/15 and FY 2015/16 CIP are Infrastructure Reliability and Water Quality. It is currently anticipated that infrastructure expenditures will continue to grow as more facilities reach the end of their service life.

Cash Funded Capital

The CIP is to be funded by current operating revenues (budgeted PAYGO) and by drawing down the R&R fund balance. The PAYGO

funding for FY 2014/15 has been budgeted at \$245 million. In FY 2015/16, PAYGO funding has been budgeted at \$221 million and in addition to a \$47 million draw from the R&R fund will fund the \$268 million CIP.

Debt Service

For FY 2014/15 and FY 2015/16, Metropolitan does not plan to issue any new debt. Debt service payments in FY 2014/15 are budgeted to be \$325.8 million and include \$23.2 million in G.O. bond debt service, \$297.5 million in revenue bond debt service, \$3.9 million in variable rate debt administration costs (liquidity, remarketing fees, and broker-dealer fees), and \$1.3 million for State Revolving Fund Loan payments. Total debt service costs in FY 2014/15 are expected to be \$17.6 million less than the FY 2013/14 budget.

Debt service payments in FY 2015/16 are budgeted to be \$324.7 million and include \$23.3 million in G.O. bond debt service, \$296.4 million in revenue bond debt service, \$3.7 million in variable rate debt administration costs (liquidity, remarketing fees, and broker-dealer fees), and \$1.3 million for State Revolving Fund Loan payments. Total debt service costs in FY 2015/16 are expected to be \$1.1 million less than the FY 2014/15 budget.

Metropolitan currently has \$4.5 billion in outstanding debt. Of this amount, \$4.3 billion is revenue bond debt, of which 9 percent is in an unhedged variable rate mode.

Reserve Transfers

The FY 2014/15 budget forecasts an \$5.6 million decrease in reserves by June 30, 2015 and includes the Water Rate Stabilization Fund (WRSF) and the Revenue Remainder Fund. In addition, the Treatment Surcharge Stabilization Fund (TSSF) is expected to decrease \$4.4 million and the Water Stewardship Fund (WSF) is expected to decrease by \$9.5 million.

The FY 2015/16 budget forecasts a \$4.8 million increase in reserves by June 30, 2016 and includes the Water Rate Stabilization Fund

**Biennial Budget Summary
FY 2014/15 & 2015/16**

(WRSF) and the Revenue Remainder Fund. In addition the Treatment Surcharge Stabilization Fund (TSSF) is expected to remain at zero and the Water Stewardship Fund (WSF) is expected to decrease by \$8.8 million.

FUND BALANCES AND RESERVE LEVELS

Metropolitan operates as a single enterprise fund for financial statements and budgeting purposes. Through its administrative code, Metropolitan identifies a number of accounts, which are referred to as funds, to separately track uses of monies for specific purposes as summarized in Table 6. Figure 7 shows the distribution of these funds by type.

Fund balances are budgeted to be \$1.52 billion at June 30, 2015. Of that total, \$834.2 million is restricted by bond covenants, contracts, or board policy, and \$683.8 million is unrestricted. In addition, fund balances are budgeted to be

\$1.49 billion at June 30, 2016. Of that total, \$852.3 million is restricted by bond covenants, contracts, or board policy, and \$633.4 million is unrestricted.

On June 30, 2015, the minimum and target reserve fund targets are estimated to be \$204.9 million and \$487.0 million, respectively. Based on projected revenues and expenditures, it is estimated that the balance in the WRSF and Revenue Remainder Fund will total about \$490.5 million, about \$8.5 million above the target.

On June 30, 2016, the minimum and target reserve fund targets are estimated to be \$205.4 million and \$489.6 million, respectively. Based on projected revenues and expenditures, it is estimated that the balance in the WRSF and Revenue Remainder Fund will total about \$495.3 million, about \$5.7 million over the target.

Biennial Budget Summary FY 2014/15 & 2015/16

Table 6. Projected Fund Balances (dollars in millions)

	Restricted		Unrestricted		Total
	Contractual	Board	Designated	Undesignated	
2014/15 Budget					
Operating Funds	173.4	216.4	-	-	389.8
Debt Service Funds	309.0	-	-	-	309.0
Construction Funds	18.4	-	153.5	-	171.9
Reserve Funds*	-	-	-	490.5	490.5
Rate Stabilization Funds**	-	-	38.8	-	38.8
Trust and Other Funds	67.0	50.1	-	0.9	118.0
Total June 30, 2015	567.7	266.5	192.3	491.4	1,518.0
2015/16 Budget					
Operating Funds	179.1	222.4	-	-	401.5
Debt Service Funds	314.8	-	-	-	314.8
Construction Funds	18.9	-	106.7	-	125.6
Reserve Funds*	-	-	-	495.3	495.3
Rate Stabilization Funds**	-	-	30.5	-	30.5
Trust and Other Funds	67.0	50.1	-	0.9	118.0
Total June 30, 2016	579.8	272.5	137.1	496.2	1,485.7

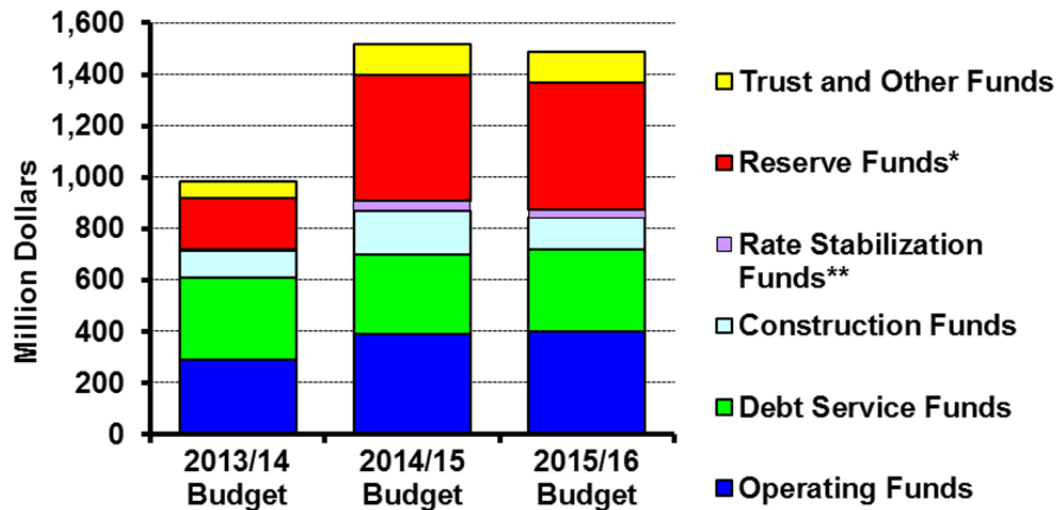
Based on modified accrual accounting.

Totals may not foot due to rounding.

* includes Water Rate Stabilization Fund and Revenue Remainder Fund.

** includes Water Stewardship Fund and Treatment Surcharge Stabilization Fund

Figure 7. Fund Distribution by Type



* includes Water Rate Stabilization Fund and Revenue Remainder Fund.

** includes Water Stewardship Fund and Treatment Surcharge Stabilization Fund

Biennial Budget Summary
FY 2014/15 & 2015/16

Table 7. Sources and Uses of Funds (dollars in millions)

	2012/13 Actual	2013/14 Budget	2013/14 Projected	2014/15 Budget	2015/16 Budget	2014/15	2015/16
						Budget Compared to 2013/14 Budget	Budget Compared to 2014/15 Budget
USES OF FUNDS							
Expenses							
State Water Contract	\$ 480.2	\$ 564.0	\$ 426.0	\$ 495.7	\$ 515.0	\$ (68.3)	\$ 19.3
Supply Programs	37.5	37.0	76.5	65.5	66.5	28.5	0.9
Colorado River Power	18.2	24.9	24.9	29.2	36.5	4.3	7.3
Debt Service	333.7	343.4	369.0	325.8	324.7	(17.6)	(1.1)
Demand Management	48.2	53.6	53.6	62.2	61.7	8.5	(0.5)
Departmental O&M	330.8	326.3	336.1	359.7	363.3	33.4	3.6
Treatment Chemicals, Solids & Power	23.5	26.4	26.4	26.6	27.6	0.2	1.1
Other O&M	5.2	37.5	128.0	27.5	26.6	(10.0)	(0.8)
Sub-total Expenses	1,277.4	1,413.3	1,440.6	1,392.1	1,421.9	(21.1)	29.8
Capital Investment Plan	118.6	294.6	200.0	245.4	267.9	(49.2)	22.5
Fund Deposits							
Water Transfer Fund	25.0	-	95.0	-	-	-	-
R&R and General Fund	121.0	125.0	225.0	245.4	221.0	120.4	(24.4)
Revenue Bond Construction	-	2.9	-	-	-	(2.9)	-
Water Stewardship Fund	18.6	0.3	14.1	-	-	(0.3)	-
Treatment Surcharge Stabilization Fund	4.9	-	-	-	0.4	-	0.4
Interest for Construction & Trust Funds	(0.4)	0.9	0.2	0.1	0.4	(0.8)	0.3
Increase in Required Reserves	26.5	28.2	8.6	9.9	18.2	(18.3)	8.3
Increase in Water Rate Stabilization Fund	115.7	-	-	-	4.3	-	4.3
Sub-total Fund Deposits	311.2	157.3	342.9	255.5	244.3	98.1	(11.1)
TOTAL USES OF FUNDS	\$1,707.2	\$1,865.2	\$1,983.5	\$1,893.0	\$1,934.1	\$ 27.8	\$ 41.1
SOURCES OF FUNDS							
Revenues							
Taxes	\$ 94.8	\$ 80.1	\$ 81.1	\$ 90.2	\$ 92.2	\$ 10.1	\$ 2.0
Annexations	0.3	1.0	-	-	-	(1.0)	-
Interest Income	(2.1)	14.1	7.7	16.2	27.9	2.1	11.7
Hydro Power	24.5	20.9	17.0	19.3	18.9	(1.7)	(0.4)
Fixed Charges (RTS & Capacity Charge)	172.7	182.1	182.1	199.5	198.8	17.4	(0.7)
Water Sales Revenue	1,282.5	1,240.7	1,437.5	1,290.0	1,308.4	49.2	18.4
Miscellaneous Revenue	10.2	6.1	6.1	10.2	11.3	4.1	1.1
Bond Proceeds and Reimbursements	-	178.6	-	-	-	(178.6)	-
Sub-total Revenues	1,583.0	1,723.7	1,731.7	1,625.4	1,657.5	(98.4)	32.1
Fund Withdrawals							
R&R and General Fund	54.9	125.0	130.0	245.4	267.9	120.4	22.5
Bond Funds for Construction	63.7	-	70.0	-	-	-	-
Water Stewardship Fund	-	-	-	9.5	8.8	9.5	(0.7)
Treatment Surcharge Stabilization Fund	-	-	0.5	4.4	-	4.4	(4.4)
Decrease in Required Reserves	5.7	1.5	-	-	-	(1.5)	-
Decrease in Water Rate Stabilization Fund	-	14.9	51.3	8.4	-	(6.6)	(8.4)
Sub-total Fund Withdrawals	124.3	141.5	251.8	267.6	276.6	126.1	9.0
TOTAL SOURCES OF FUNDS	\$1,707.2	\$1,865.2	\$1,983.5	\$1,893.0	\$1,934.1	\$ 27.8	\$ 41.1

Totals may not foot due to rounding.

Biennial Budget Summary FY 2014/15 & 2015/16

Table 8. June 30, 2015 Sources and Uses by Fund (dollars in millions)

Fiscal Year Ending June 30th, 2015 (\$ in Millions)	All Funds	Operating Funds							Debt Service Funds	Stabilization Funds			Reserve Funds (1)	Construction Funds		Trust & Other Funds
		General	Water Revenue	O&M	Water Standby	Water Transfer	Self-Insured Retention	State Contract		Water Stewardship	Water Treatment Surcharge	Stab.		R&R	Revenue Bond Construction	
Beginning of Year Balance	1,530.1	117.0	-	169.2	0.6	119.9	24.9	68.2	323.1	48.2	4.4	496.1	153.5	4.0	0.9	
USES OF FUNDS																
Expenses																
State Water Contract	495.7	-	-	360.8	-	-	-	134.9	-	-	-	-	-	-	-	
Supply Programs	65.5	-	-	65.5	-	-	-	-	-	-	-	-	-	-	-	
Colorado River Power	29.2	-	-	29.2	-	-	-	-	-	-	-	-	-	-	-	
Debt Service	325.8	1.3	-	3.9	-	-	-	-	320.7	-	-	-	-	-	-	
Demand Management	62.2	-	-	62.2	-	-	-	-	-	-	-	-	-	-	-	
Departmental O&M	359.7	-	-	359.7	-	-	-	-	-	-	-	-	-	-	-	
Treatment Chemicals, Sludge & Power	26.6	-	-	26.6	-	-	-	-	-	-	-	-	-	-	-	
Other O&M	27.5	7.6	-	19.8	-	-	-	-	-	-	-	-	-	-	-	
Sub-total Expenses	1,392.1	8.9	-	927.6	-	-	-	134.9	320.7	-	-	-	-	-	-	
Capital Investment Plan	245.4	15.7	-	-	-	-	-	-	-	-	-	-	229.8	-	-	
Fund Deposits																
R&R and General Fund	245.4	15.7	-	-	-	-	-	-	-	-	-	-	229.8	-	-	
Revenue Bond Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Water Stewardship Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treatment Surcharge Stabilization Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest for Construction & Trust Funds	0.1	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.0	
Increase in Required Reserves	9.9	-	-	4.2	-	-	-	2.8	0.1	-	-	2.8	-	-	-	
Increase in Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-total Fund Deposits	255.5	15.7	-	4.2	-	-	-	2.8	0.1	-	-	2.8	229.8	0.1	0.0	
TOTAL USES OF FUNDS	1,893.0	40.2	-	931.8	-	-	-	137.7	320.8	-	-	2.8	459.5	0.1	0.0	
SOURCES OF FUNDS																
Revenues																
Taxes	90.2	-	-	-	-	-	-	67.0	23.2	-	-	-	-	-	-	
Annexations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest Income	16.2	1.3	-	2.0	0.0	1.4	0.3	0.8	3.6	0.5	0.0	4.4	1.8	0.1	0.0	
Hydro Power	19.3	-	19.3	-	-	-	-	-	-	-	-	-	-	-	-	
Fixed Charges (RTS & Capacity Charge)	199.5	-	199.5	-	-	-	-	-	-	-	-	-	-	-	-	
Water Sales Revenue	1,290.0	-	1,290.0	-	-	-	-	-	-	-	-	-	-	-	-	
Miscellaneous Revenue	10.2	10.2	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bond Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-total Revenues	1,625.4	11.6	1,508.8	2.0	0.0	1.4	0.3	67.8	26.7	0.5	0.0	4.4	1.8	0.1	0.0	
Fund Withdrawals																
Transfer Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
R&R and General Fund	245.4	15.7	-	-	-	-	-	-	-	-	-	-	229.8	-	-	
Bond Funds for Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Water Stewardship Fund	9.5	-	-	-	-	-	-	-	-	9.5	-	-	-	-	-	
Treatment Surcharge Stabilization Fund	4.4	-	-	-	-	-	-	-	-	-	4.4	-	-	-	-	
Decrease in Required Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Decrease in Rate Stabilization Fund	8.4	-	-	-	-	-	-	-	-	-	-	8.4	-	-	-	
Sub-total Fund Withdrawals	267.6	15.7	-	-	-	-	-	-	-	9.5	4.4	8.4	229.8	-	-	
TOTAL SOURCES OF FUNDS	1,893.0	27.2	1,508.8	2.0	0.0	1.4	0.3	67.8	26.7	10.0	4.4	12.7	231.5	0.1	0.0	
Inter-Fund Transfers	-	13.0	(1,508.8)	929.8	(0.0)	(1.4)	(0.3)	69.9	279.8	(10.0)	(4.4)	(9.9)	228.0	14.2	-	
End of Year Balance	1,518.0	117.0	-	173.4	0.6	119.9	24.9	71.0	309.0	38.8	0.0	490.5	153.5	18.4	0.9	

Totals may not foot due to rounding

(1) Includes Water Rate Stabilization Fund and Revenue Remainder Fund

Biennial Budget Summary
FY 2014/15 & 2015/16

Table 9. June 30, 2016 Sources and Uses by Fund (dollars in millions)

Fiscal Year Ending June 30th, 2016 (\$ in Millions)	All Funds	Operating Funds							Debt Service Funds	Stabilization Funds		Reserve Funds (1)	Construction Funds		Trust & Other Funds
		General	Water Revenue	O&M	Water Standby	Water Transfer	Self-Insured Retention	State Contract		Water Stewardship	Water Treatment Surcharge Stab.		R&R	Revenue Bond Construction	
Beginning of Year Balance	1,518.0	117.0	-	173.4	0.6	119.9	24.9	71.0	309.0	38.8	0.0	490.5	153.5	18.4	0.9
USES OF FUNDS															
Expenses															
State Water Contract	515.0	-	-	373.7	-	-	-	141.3	-	-	-	-	-	-	-
Supply Programs	66.5	-	-	66.5	-	-	-	-	-	-	-	-	-	-	-
Colorado River Power	36.5	-	-	36.5	-	-	-	-	-	-	-	-	-	-	-
Debt Service	324.7	1.3	-	3.7	-	-	-	-	319.7	-	-	-	-	-	-
Demand Management	61.7	-	-	61.7	-	-	-	-	-	-	-	-	-	-	-
Departmental O&M	363.3	-	-	363.3	-	-	-	-	-	-	-	-	-	-	-
Treatment Chemicals, Sludge & Power	27.6	-	-	27.6	-	-	-	-	-	-	-	-	-	-	-
Other O&M	26.6	8.2	-	18.4	-	-	-	-	-	-	-	-	-	-	-
Sub-total Expenses	1,421.9	9.5	-	951.4	-	-	-	141.3	319.7	-	-	-	-	-	-
Capital Investment Plan	267.9	12.5	-	-	-	-	-	-	-	-	-	-	255.3	-	-
Fund Deposits															
R&R and General Fund	221.0	12.5	-	-	-	-	-	-	-	-	-	-	208.5	-	-
Revenue Bond Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Stewardship Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treatment Surcharge Stabilization Fund	0.4	-	-	-	-	-	-	-	-	-	0.4	-	-	-	-
Interest for Construction & Trust Funds	0.4	-	-	-	-	-	-	-	-	-	-	-	-	0.4	0.0
Increase in Required Reserves	18.2	-	-	5.7	-	-	-	6.0	6.0	-	-	0.5	-	-	-
Increase in Rate Stabilization Fund	4.3	-	-	-	-	-	-	-	-	-	-	4.3	-	-	-
Sub-total Fund Deposits	244.3	12.5	-	5.7	-	-	-	6.0	6.0	-	0.4	4.8	208.5	0.4	0.0
TOTAL USES OF FUNDS	1,934.1	34.5	-	957.1	-	-	-	147.3	325.7	-	0.4	4.8	463.8	0.4	0.0
SOURCES OF FUNDS															
Revenues															
Taxes	92.2	-	-	-	-	-	-	68.9	23.3	-	-	-	-	-	-
Annexations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income	27.9	2.4	-	3.6	0.0	2.4	0.5	1.5	6.2	0.7	0.0	7.7	2.6	0.4	0.0
Hydro Power	18.9	-	18.9	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Charges (RTS & Capacity Charge)	198.8	-	198.8	-	-	-	-	-	-	-	-	-	-	-	-
Water Sales Revenue	1,308.4	-	1,308.4	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenue	11.3	11.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total Revenues	1,657.5	13.6	1,526.0	3.6	0.0	2.4	0.5	70.4	29.5	0.7	0.0	7.7	2.6	0.4	0.0
Fund Withdrawals															
Transfer Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&R and General Fund	267.9	12.5	-	-	-	-	-	-	-	-	-	-	255.3	-	-
Bond Funds for Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Stewardship Fund	8.8	-	-	-	-	-	-	-	-	8.8	-	-	-	-	-
Treatment Surcharge Stabilization Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in Required Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total Fund Withdrawals	276.6	12.5	-	-	-	-	-	-	-	8.8	-	-	255.3	-	-
TOTAL SOURCES OF FUNDS	1,934.1	26.2	1,526.0	3.6	0.0	2.4	0.5	70.4	29.5	9.5	0.0	7.7	258.0	0.4	0.0
Inter-Fund Transfers	-	8.3	(1,526.0)	953.5	(0.0)	(2.4)	(0.5)	76.9	296.1	(9.5)	0.4	(2.9)	205.8	0.2	-
End of Year Balance	1,485.7	117.0	-	179.1	0.6	119.9	24.9	77.0	314.8	30.0	0.5	495.3	106.7	18.9	1.0

Totals may not foot due to rounding

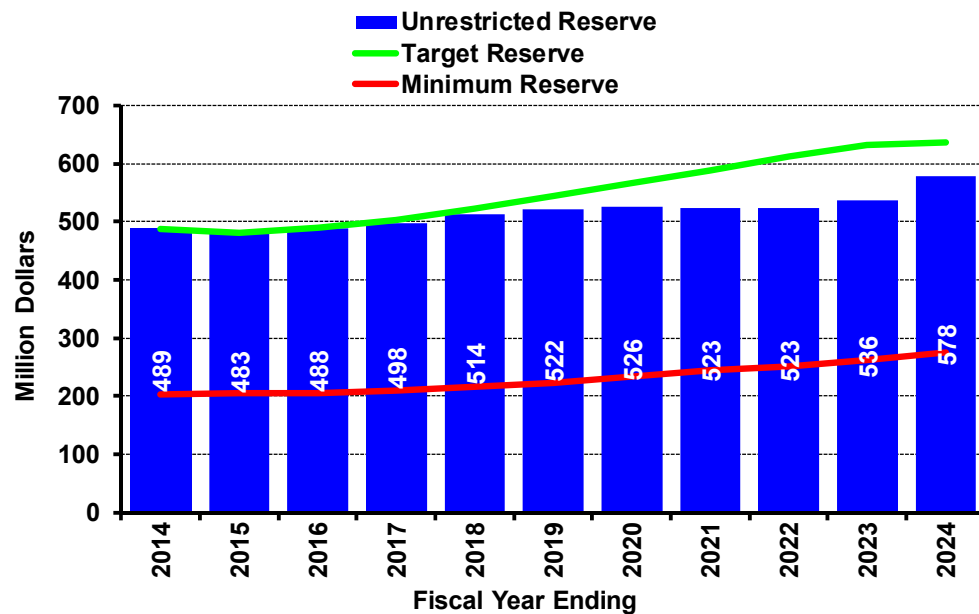
(1) Includes Water Rate Stabilization Fund and Revenue Remainder Fund

Ten-Year Financial Forecast

The ability to ensure a reliable supply of high quality water for Metropolitan’s 26 member agencies depends on the Metropolitan’s ongoing ability to fund operations and maintenance, maintain and augment local and imported water supplies, fund replacements and refurbishment of existing infrastructure, and invest in system improvements. This ten-year plan supports long range resource, capital investment and operational planning. As such, it includes a forecast of future costs and the revenues

necessary to support operations and investments in infrastructure and resources that are derived from the 2010 Update to the Integrated Resources Plan (2010 IRP Update) and other planning processes while conforming to Metropolitan's financial policies. These financial policies, which address reserve levels, financial indicators, and capital funding strategies, ensure sound financial management and fiscal stability for Metropolitan.

Figure 8. Projected Rate Increases, Reserves and Financial Indicators



Ave Rate Increase	5%	1.5%	1.5%	3.0%	3.0%	3.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Sales, MAF	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CIP, \$M	200	245	268	275	281	284	293	304	312	317	313
PAYGO, \$M	125	245	221	200	204	201	176	182	187	190	188
Rev. Bond Cvg	2.7	2.0	2.0	2.0	2.0	2.1	2.2	2.4	2.6	2.7	2.9
Fixed Chg Cvg	2.0	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
AV Taxes, \$M	81	90	92	94	96	99	101	103	105	108	110
BDCP, \$M				15	24	46	91	148	204	259	302

Figure 8 summarizes the financial metrics of the ten-year financial forecast. The ten-year forecast includes a rate forecast, based on Metropolitan's existing cost-of-service and rate

structure. The forecast shows that the overall increase in water rates and charges will vary from 1.5 percent to 5 percent over the next ten years.

Ten-Year Financial Forecast

Table 10 shows the projected unbundled water rates and charges. Components of the rate structure may increase at different rates depending on the costs recovered. The full-service treated Tier 1 water rate is estimated to

be approximately \$1,233 per acre-foot by January 1, 2024, compared to \$890 per acre-foot on January 1, 2014, an average increase of 3.3 percent per year over the ten-year period.

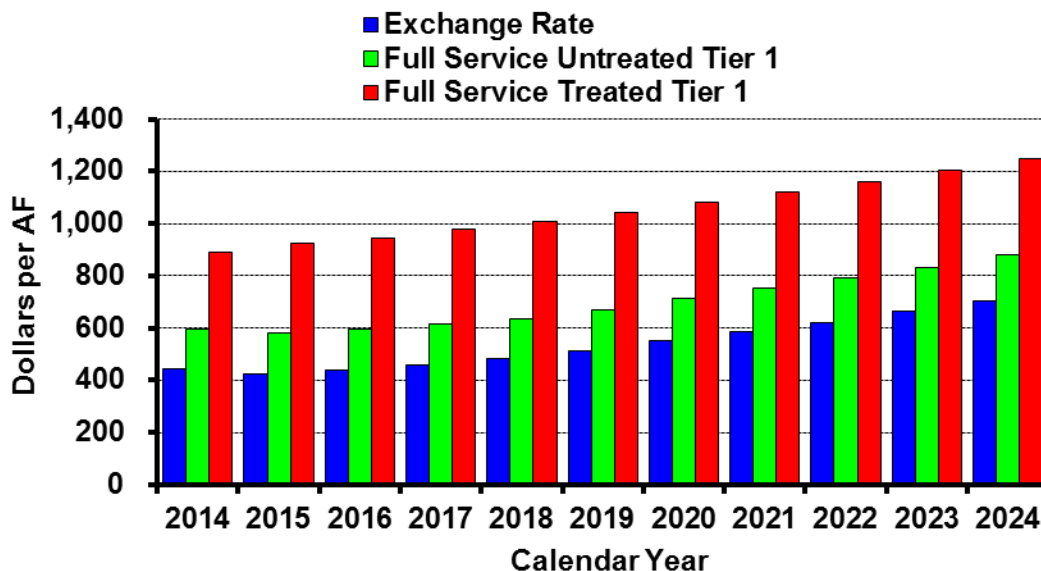
Table 10. Projected Water Rates and Charges

Rates and Charges Effective January 1st	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Tier 1 Supply Rate (\$/AF)	\$148	\$158	\$156	\$156	\$156	\$156	\$160	\$164	\$168	\$171	\$176
Tier 2 Supply Rate (\$/AF)	\$290	\$290	\$290	\$290	\$290	\$290	\$290	\$290	\$290	\$290	\$290
System Access Rate (\$/AF)	\$243	\$257	\$259	\$268	\$278	\$291	\$308	\$328	\$351	\$373	\$398
Water Stewardship Rate (\$/AF)	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41
System Power Rate (\$/AF)	\$161	\$126	\$138	\$150	\$164	\$179	\$200	\$215	\$226	\$243	\$258
Full Service Untreated Volumetric Cost (\$/AF)											
Tier 1	\$593	\$582	\$594	\$615	\$639	\$667	\$709	\$748	\$786	\$828	\$873
Tier 2	\$735	\$714	\$728	\$749	\$773	\$801	\$839	\$874	\$908	\$947	\$987
Exchange	\$445	\$424	\$438	\$459	\$483	\$511	\$549	\$584	\$618	\$657	\$697
Treatment Surcharge (\$/AF)	\$297	\$341	\$348	\$358	\$360	\$360	\$360	\$360	\$360	\$360	\$360
Full Service Treated Volumetric Cost (\$/AF)											
Tier 1	\$890	\$923	\$942	\$973	\$999	\$1,027	\$1,069	\$1,108	\$1,146	\$1,188	\$1,233
Tier 2	\$1,032	\$1,055	\$1,076	\$1,107	\$1,133	\$1,161	\$1,199	\$1,234	\$1,268	\$1,307	\$1,347
Readiness-to-Serve Charge (\$M)	\$166	\$158	\$153	\$153	\$154	\$158	\$169	\$189	\$214	\$236	\$260
Capacity Charge (\$/cfs)	\$8,600	\$11,100	\$10,900	\$10,900	\$11,500	\$12,100	\$12,100	\$12,100	\$12,200	\$12,400	\$12,500

Figure 9 shows the volumetric cost per acre-foot for Tier 1 Full Service untreated water, Tier 1 Full Service treated water, and untreated

Exchange Water delivered pursuant to the 2003 Amended and Restated Exchange Agreement between Metropolitan and SDCWA.

Figure 9. Projected Volumetric Rates



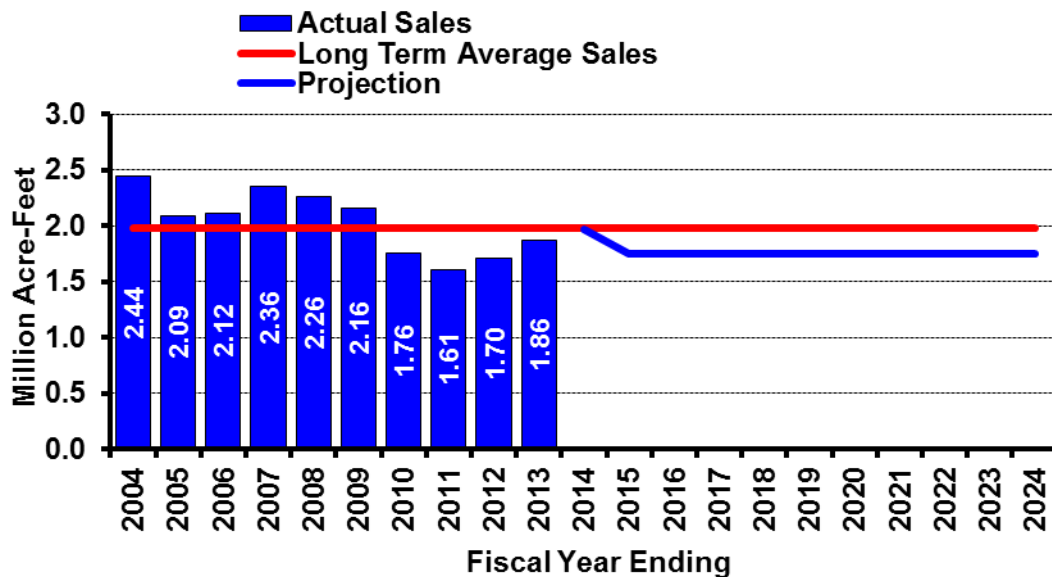
Ten-Year Financial Forecast

These estimated rate increases result from increasing investments for the SWP and the BDCP, investments in reliability through conservation and local resources, system improvements to water treatment, investments to maintain the conveyance and distribution system, and increasing operating and maintenance costs. Annual expenditures, excluding funding of the Capital Investment Plan (CIP), are expected to increase from \$1.4 billion in FY 2014/15 to \$2.0 billion by FY 2023/24, or an annual average increase of about 4 percent. Metropolitan's share of the costs for the Bay Delta Conservation Plan (BDCP) is expected to increase to about \$300 million by FY 2023/24. During this same period, capital investments are expected to be about \$2.9 billion. To finance these capital

investments, the ten-year forecast anticipates funding 100 percent of the CIP from PAYGO and Replacement and Refurbishment (R&R) funds for the first three fiscal years, then transitioning to funding 60 percent of the CIP from water sales revenues, or PAYGO. The balance of the CIP, or \$0.7 billion, would be financed by issuing revenue bond debt.

Consistent with the 2010 IRP Update, future growth in retail demands is expected to be met either by the development of local supply resources or by conservation efforts necessary to meet the state mandate to reduce per capita retail water use by 20 percent by 2020. These impacts result in flat projected annual water sales over the ten-year period of 1.75 MAF, as shown in Figure 10.

Figure 10. Water Sales



SOURCES OF FUNDS

Revenues

Volumetric water revenues are expected to increase from \$1.3 billion in FY 2014/15 to \$1.8 billion in FY 2023/24. This increase is due to anticipated rate increases.

Fixed water charges (Readiness-to-Serve and Capacity Charge) are expected to increase from about \$199.5 million in FY 2014/15 to \$297.0 million in FY 2023/24.

Property tax revenue is expected to increase from \$90.2 million in FY 2014/15 to

Ten-Year Financial Forecast

\$110.2 million in FY 2023/24. This projection assumes the Board maintains the ad valorem tax rate at .0035 percent of assessed valuations. By FY 2023/24 almost all of the revenues are used to pay SWP costs, which would include Metropolitan’s share of BDCP costs.

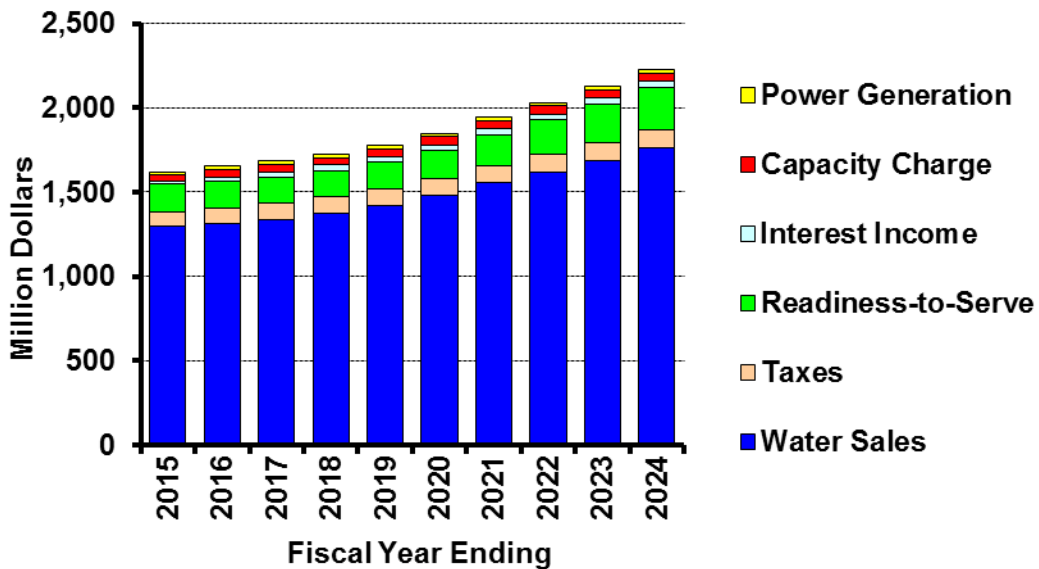
Power sales from Metropolitan’s hydroelectric power recovery plants and excess CRA power are projected to average about \$20.9 million per year over this period.

Interest income is projected to increase from \$16.2 million in FY 2014/15 to \$36.8 million in FY 2023/24 as a result of increased balances and higher average returns of 1.2 percent to 2.5 percent from FY 2014/15 to FY 2023/24.

Overall, volumetric water revenues continue to approximate 80 percent of total revenues throughout the period.

Forecasted revenues by major category are shown in Figure 11.

Figure 11. Revenue Forecast



Other Funding Sources

Other sources of funds include withdrawals from bond construction funds, Refurbishment and Replacement (R&R) Fund, General Fund, Water Stewardship Fund (WSF), Treatment Surcharge Stabilization Fund (TSSF), Water Rate Stabilization Fund (WRSF), and Revenue Remainder Fund.

USES OF FUNDS

Over the next ten years, total uses of funds are projected to range from \$1.9 billion to \$2.6 billion.

Expenses

Expenses are grouped into six major categories: SWP, O&M, demand management programs, CRA power costs, supply programs, and debt service & PAYGO funding. Figure 12 illustrates the general trends in expenses over the ten-year period from FY 2014/15 to FY 2023/24. Figure 13 shows the comparison of FY 2014/15 to FY 2023/24 in terms of the contribution of expenses to the total.

Ten-Year Financial Forecast

Figure 12. Expenditure Forecast

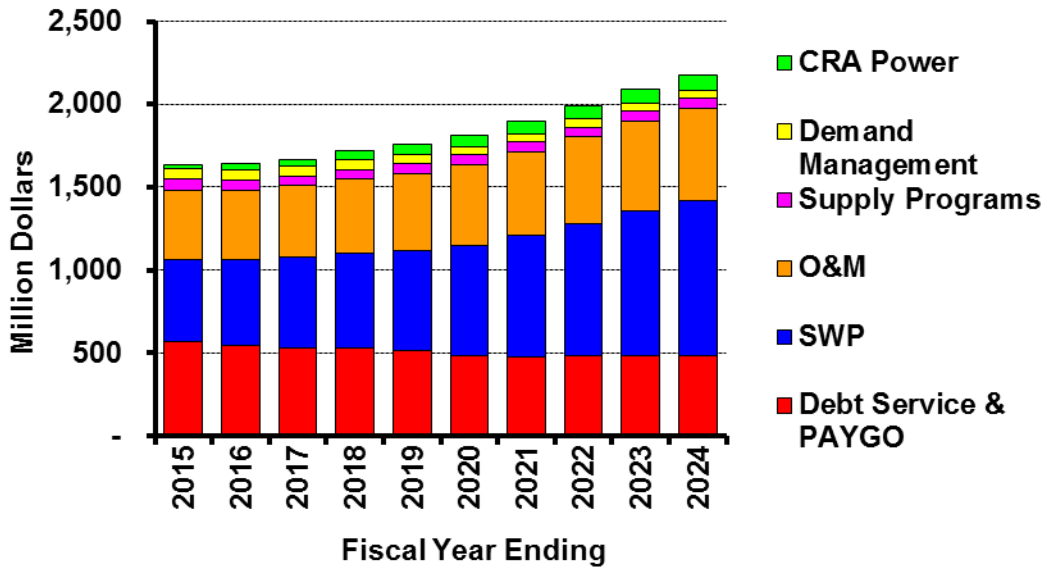
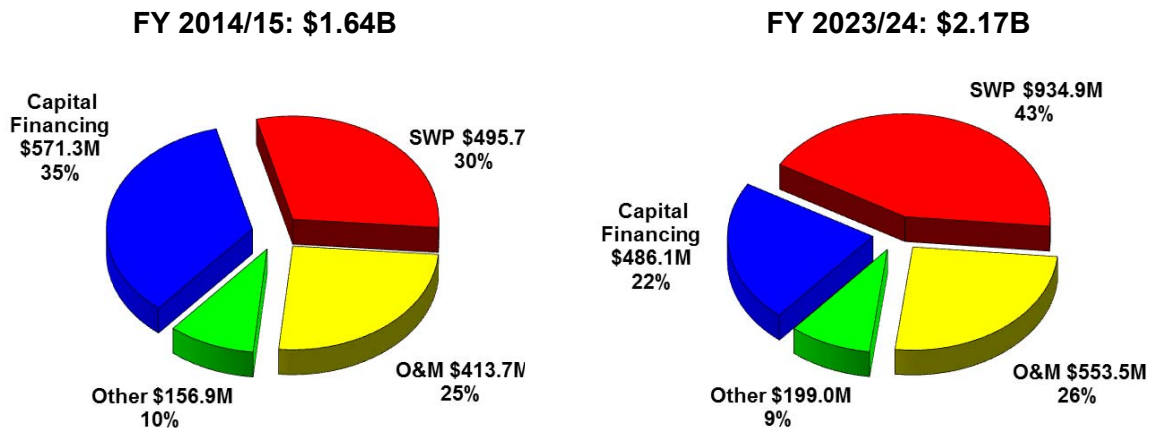


Figure 13. Expenditure Forecast, Contribution by Major Area



Ten-Year Financial Forecast

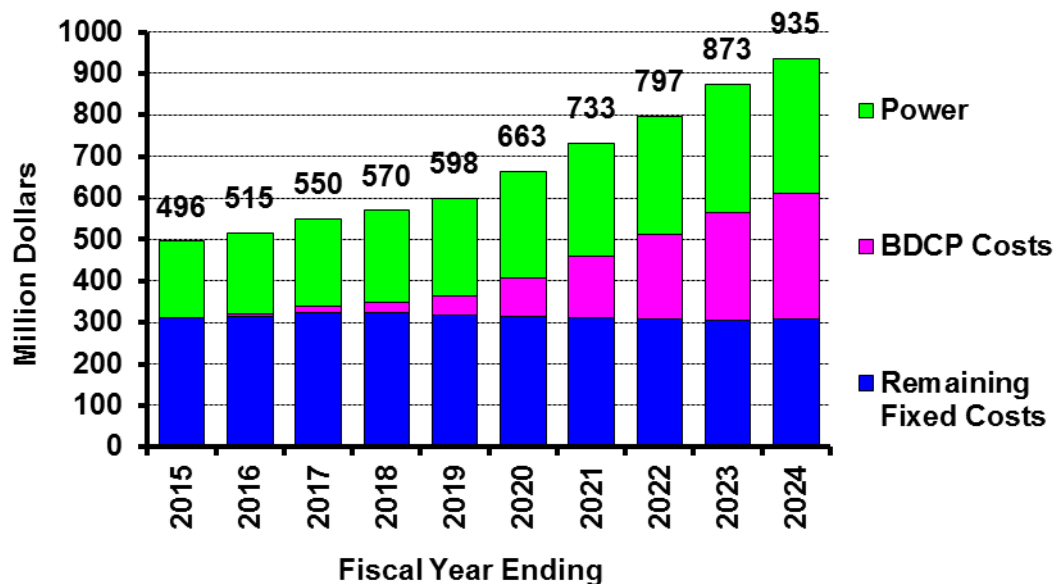
State Water Project

SWP expenditures are projected to increase from \$496 million in FY 2014/15 to \$935 million in FY 2023/24. The projection assumes the BDCP moves forward. These costs account for \$302.0 million in FY 2023/24. The remainder of the fixed costs are based upon information provided by the DWR, and is associated with Transportation Capital and Minimum Operations & Maintenance, and the Delta Water Supply Capital and Minimum Operations & Maintenance. After adjusting downward in FY 2013/14, variable SWP power costs are projected to increase steadily beginning in FY 2014/15.

Power costs will vary depending on the price of electricity, total system deliveries, storage operations, and the amount of water pumped on the SWP. Increasing costs affecting the SWP include the cost of emissions allowance purchases directly and indirectly, the cost of adding renewable energy to the SWP power portfolio, and the cost of using the California Independent System Operator grid to transmit power from generation sources to the SWP load locations. Net flows through the SWP that incur power are expected to average 923 TAF per year.

The total SWP costs are shown in Figure 14.

Figure 14. SWP Forecast



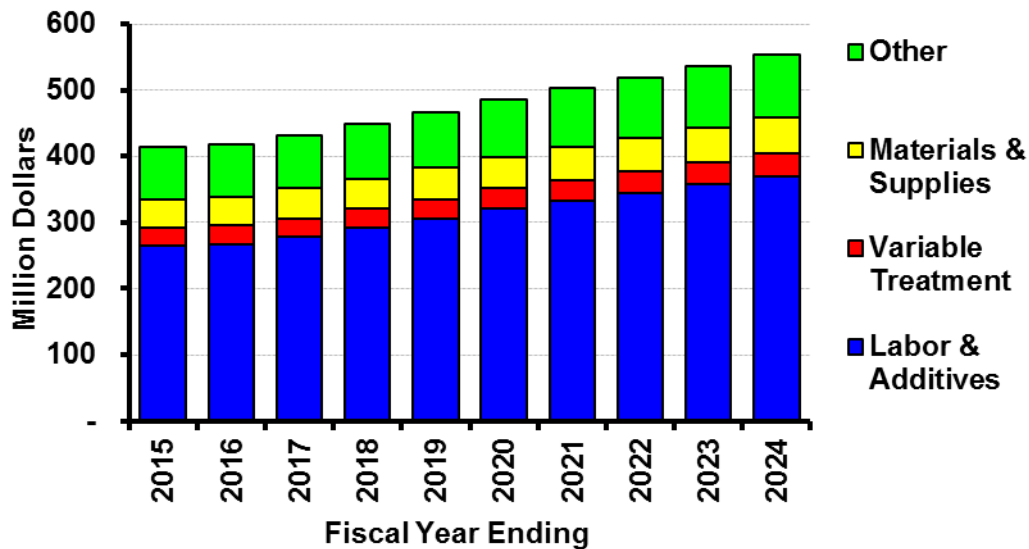
Operations and Maintenance

O&M costs in FY 2023/24 are projected to be \$553.5 million. This represents an average annual increase of 3.3 percent from FY 2014/15 as a result of increasing labor, benefits, and treatment costs. During this time frame, inflation is assumed to be 2.5 percent. Items that are driving overall O&M costs up more rapidly than the rate of inflation include

rising benefit costs for pensions and medical costs for active and retired employees. In addition, the ten-year forecast assumes Metropolitan fully funds the annual required contribution to meet future retiree medical costs (OPEB) much like promised retirement benefits, rather than paying for retiree medical costs on a pay-as-you-go basis.

Ten-Year Financial Forecast

Figure 15. O&M Forecast



Demand Management

Demand management costs include funding for the local resource programs (LRP) and Conservation Credit Program (CCP) are projected to decrease from \$62.2 million in FY 2014/15 to \$45.9 million in FY 2023/24. The LRP costs are projected to decrease from \$42.2 million in FY 2014/15 to \$25.9 million in FY 2023/24. The yield from the LRP is expected to decrease from 275 TAF in FY 2014/15 to 184 TAF in FY 2016/17 as more projects become cost effective when compared to Metropolitan’s water rates. The CCP costs are projected to remain at \$20.0 million throughout the ten-year period and provide continued funding of residential, commercial, and outdoor conservation programs. These programs reduce the need to transport water into the Metropolitan service area or within Metropolitan’s distribution system.

CRA Power Costs

CRA Power costs are projected to increase from \$29 million in FY 2014/15 to

\$90 million in FY 2023/24. Power costs will vary depending on the price of electricity, total system deliveries, storage operations, and the amount of water pumped on the CRA.

Colorado River diversions are expected to average 909 TAF from FY 2016/17 to FY 2023/24.

Water Transfers and Supply Programs

Supply programs vary slightly throughout the ten-year period from \$65.5 million in FY 2014/15 to \$63.2 million in FY 2023/24. The estimates represent expenditures for expected conditions. If extreme weather conditions are experienced, these cost estimates could be much higher or lower. If higher than normal demand is coupled with lower than normal supply, supply program costs could be more than four times higher. The deposit of approximately \$150 million of projected reserves over the target into a water transfer and management fund in FY 2013/14 will help ensure sufficient funds are available for these programs in the near term.

Ten-Year Financial Forecast

Capital Investment Plan

Metropolitan will be investing in infrastructure necessary to treat, store, and deliver water. Many of these investments will be required to repair and replace aging facilities, or Rehabilitation & Replacements (R&R). The ten-year projected CIP through FY 2023/24 is estimated at \$2.9 billion, with more than 80 percent going towards Rehabilitation and Replacement. The major elements of the ten-year projected capital program are shown in Table 11. This table shows the CIP by major service function, driver and funding

source. The CIP continues to reflect the deferral of facility expansion. The CIP focuses on projects that enhance reliability or provide an adequate return on investment while focusing on necessary refurbishment and replacement of aging infrastructure. Accordingly the O&M impact from the resulting CIP is negligible. Without this emphasis on the repair and replacement of these aging facilities O&M expenses could potentially be much higher.

Figure 16 shows the funding source for the ten-year CIP.

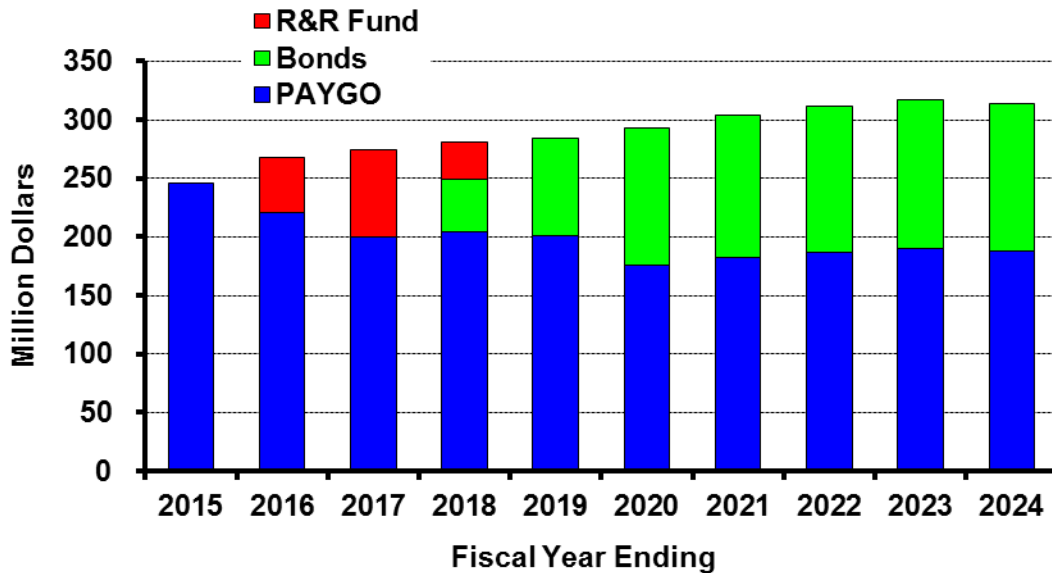
Table 11. CIP Ten-Year Forecast and Funding Sources (dollars in millions)

Fiscal Year Ending	2015 Budget	2016 Budget	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	Total
Major Service Functions											
Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Conveyance & Aqueduct	27.2	22.3	27.2	46.3	46.1	44.6	44.2	63.0	58.0	59.6	438.4
Storage	12.2	12.6	2.0	-	-	-	-	-	-	-	26.8
Distribution	43.5	51.6	69.8	112.7	135.7	157.6	191.6	178.8	199.4	204.1	1,344.8
Treatment	126.1	148.7	121.4	95.1	79.3	73.8	57.3	58.8	48.4	49.7	858.5
Administrative & General	28.1	30.4	50.4	26.5	23.2	16.7	11.0	11.4	11.7	-	209.4
Hydroelectric	8.2	2.3	4.1	0.5	0.1	0.7	0.1	-	-	-	15.9
Total	245.4	267.9	274.8	281.1	284.4	293.4	304.1	312.0	317.4	313.4	2,893.8
By Driver											
Efficiency	-	0.2	0.8	4.0	1.7	0.0	-	-	-	-	6.7
Infrastructure	193.5	212.3	240.4	269.3	279.2	292.0	304.1	312.0	317.4	313.4	2,733.6
Regulatory	7.4	10.1	12.3	1.5	-	-	-	-	-	-	31.3
Supply	1.1	-	-	-	-	-	-	-	-	-	1.1
Water Quality	43.5	45.3	21.2	6.2	3.5	1.4	0.0	-	-	-	121.1
Total	245.4	267.9	274.8	281.1	284.4	293.4	304.1	312.0	317.4	313.4	2,893.8
By System Improvements and R&R											
System Improvements	106.8	105.7	116.2	58.2	34.8	26.6	12.8	13.2	12.3	-	486.5
Rehabilitation and Replacements	138.6	162.1	158.6	222.9	249.6	266.8	291.3	298.8	305.1	313.4	2,407.3
Total	245.4	267.9	274.8	281.1	284.4	293.4	304.1	312.0	317.4	313.4	2,893.8
Funding Sources											
Bonds	-	-	-	45.2	83.4	117.4	122.1	125.0	127.4	125.4	745.8
R&R Fund	-	46.9	74.8	31.9	-	-	-	-	-	-	153.5
PAYGO	245.4	221.0	200.0	204.0	201.0	176.0	182.0	187.0	190.0	188.0	1,994.4
Total	\$ 245.4	\$ 267.9	\$ 274.8	\$ 281.1	\$ 284.4	\$ 293.4	\$ 304.1	\$ 312.0	\$ 317.4	\$ 313.4	\$ 2,893.8

Totals may not foot due to rounding.

Ten-Year Financial Forecast

Figure 16. CIP Ten-Year Forecast and Funding Sources (dollars in millions)



The CIP will be funded from a combination of bond proceeds and operating revenues. In order to mitigate future increases in water rates, provide financial flexibility, and support Metropolitan's high credit ratings including maintaining revenue bond debt service and fixed charge coverage ratios, 60 percent of the CIP be funded from current revenues. This level of CIP funding is appropriate given that the 80 percent of the ten-year CIP is identified as R&R projects. Bond funded expenditures will include a combination of variable and fixed rate debt. Debt has been structured to mitigate near-term rate impacts and smooth out long-term debt service. Variable rate debt is used to mitigate interest cost over the long term, while mitigating interest rate exposure.

Debt Financing

As shown in Table 11, it is anticipated that there will be about \$2.9 billion of capital expenditures over this period. Of this, \$745.8 million, or 26 percent of future capital expenditures, are anticipated to be funded by debt proceeds. Outstanding revenue bond debt currently represents \$4.5 billion, or 63 percent

of Metropolitan's \$6.8 billion equity as of June 30, 2013. Metropolitan may not have outstanding revenue bond debt in amounts greater than 100 percent of its equity.

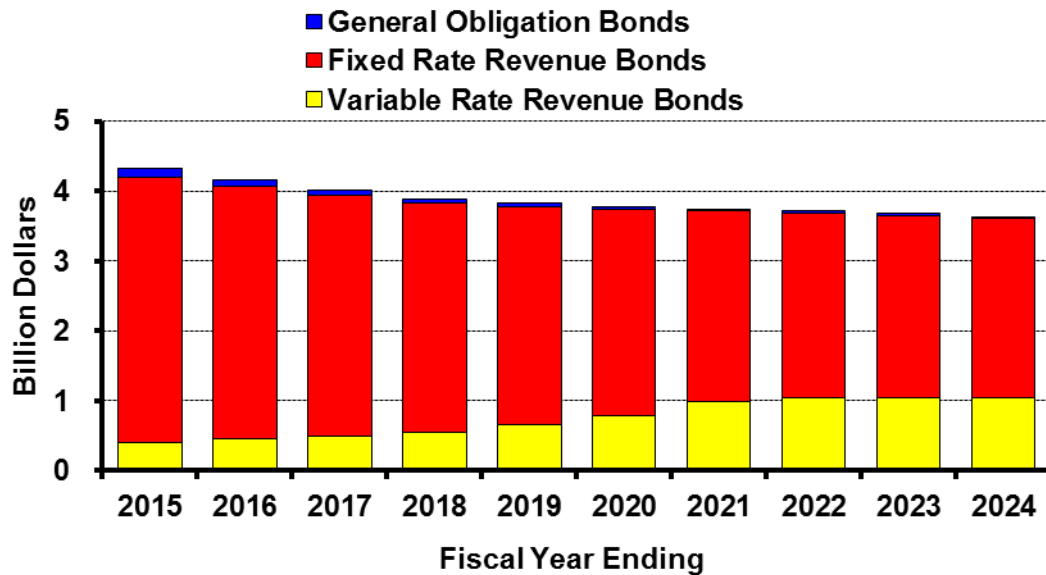
Total outstanding debt is illustrated in Figure 17. Total outstanding debt is estimated to decrease to \$3.7 billion by FY 2023/24.

Metropolitan's variable rate debt as a percentage of total revenue bond debt is projected to increase to 29 percent over this time period as fixed rate debt is retired and new variable rate debt is issued. The appropriate amount of variable rate debt will continue to be monitored and adjusted depending on market rates, financing needs, available short-term investments, and fund levels in the investment portfolio with which variable rate interest exposure can be hedged.

General Obligation (GO) bond debt service will decrease from \$23.2 million to \$2.5 million per year as voter approved indebtedness matures.

Ten-Year Financial Forecast

Figure 17. Outstanding Debt



Other Obligations

The forecast accounts for required transfers to and from operating funds to meet revenue bond covenants and board policies. Over the next ten years, as costs continue to increase (most notably the reserve requirements for

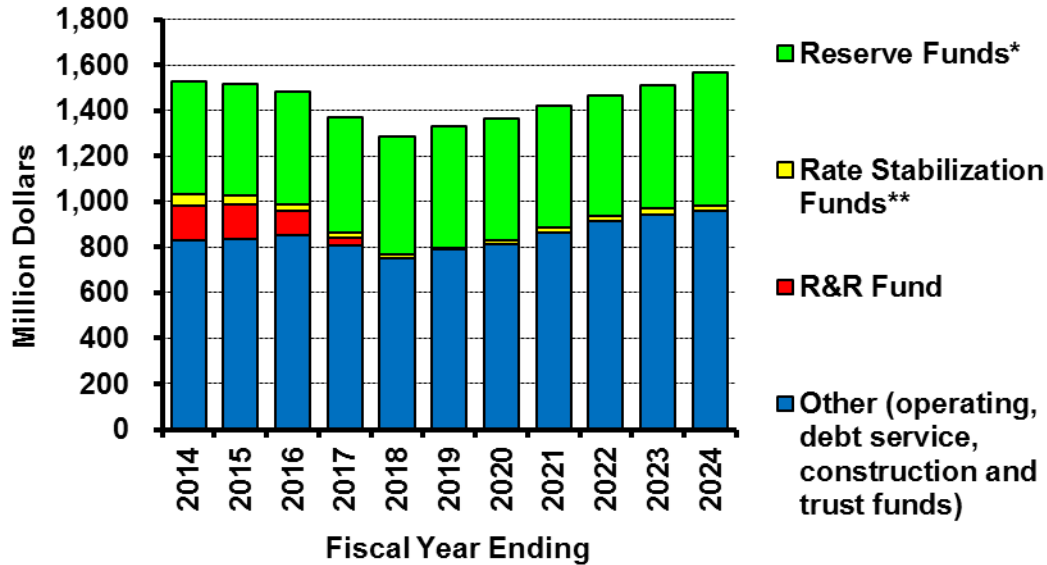
O&M Fund and State Water Contract Fund), the annual required transfer is estimated to average about \$32.0 million per year.

Ten-Year Financial Forecast

FUND BALANCES AND RESERVES

As shown in Figure 18, over the next ten years, total fund balances are projected to increase to \$1.63 billion in FY 2023/24.

Figure 18. End of Year Fund Balances



* includes Water Rate Stabilization Fund and Revenue Remainder Fund.

** includes Water Stewardship Fund and Treatment Surcharge Stabilization Fund.

FINANCIAL RATIOS

Metropolitan’s financial objective is to maintain a minimum revenue bond coverage ratio of 2.0 times. The revenue bond coverage ratio is projected to be 2.0 times in FY 2014/15 and increase to 2.9 times in FY 2023/24. Revenue bond debt service coverage is the primary indicator of credit quality and is equal to the ratio of net operating revenues to revenue bond debt service.

Fixed charge coverage measures the amount by which net-operating revenues “cover” all recurring fixed costs including SWC capital obligations. This is a broader ratio than the revenue bond coverage ratio and is one measure used to gauge Metropolitan’s overall financial strength. Metropolitan’s financial policy goal is to maintain a minimum fixed charge coverage ratio of 1.2 times. For FY 2014/15 through FY 2023/24, the fixed charge coverage is projected to decrease from 1.6 times to 1.4 times. Table 12 summarizes uses and sources of funds over the ten-year period.

Ten-Year Financial Forecast

Table 12. Ten-Year Financial Forecast, Sources and Uses of Funds (dollars in millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fiscal Year Ending	Projected	Budget	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
USES OF FUNDS											
Expenses											
State Water Contract	\$ 426.0	\$ 495.7	\$ 515.0	\$ 549.6	\$ 569.8	\$ 598.4	\$ 663.0	\$ 733.0	\$ 797.1	\$ 873.2	\$ 934.9
Supply Programs	76.5	65.5	66.5	59.6	54.9	56.5	57.9	58.9	60.2	61.7	63.2
Colorado River Power	24.9	29.2	36.5	39.3	52.2	59.4	68.9	76.0	81.3	86.3	89.8
Debt Service	369.0	325.8	324.7	327.2	327.0	316.5	311.4	297.7	298.2	297.2	298.1
Demand Management	53.6	62.2	61.7	59.8	59.3	58.5	48.7	48.2	48.4	45.8	45.9
Departmental O&M	336.1	359.7	363.3	377.0	392.7	409.2	426.3	440.6	455.5	471.0	486.9
Treatment Chemicals, Solids & Power	26.4	26.6	27.6	27.7	28.4	29.4	30.7	32.1	32.8	33.5	34.2
Other O&M	128.0	27.5	26.6	27.3	28.0	28.7	29.4	30.1	30.9	31.7	32.5
Sub-total Expenses	1,440.6	1,392.1	1,421.9	1,467.5	1,512.3	1,556.5	1,636.2	1,716.8	1,804.5	1,900.4	1,985.5
Capital Investment Plan	200.0	245.4	267.9	274.8	281.1	284.4	293.4	304.1	312.0	317.4	313.4
Fund Deposits											
Water Transfer Fund	95.0	-	-	-	-	-	-	-	-	-	-
R&R and General Fund	225.0	245.4	221.0	200.0	204.0	201.0	176.0	182.0	187.0	190.0	188.0
Revenue Bond Construction	-	-	-	-	-	16.3	-	7.5	0.3	-	-
Water Stewardship Fund	14.1	-	-	-	-	-	2.1	2.0	1.4	4.3	3.8
Treatment Surcharge Stabilization Fund	-	-	0.4	0.9	0.8	-	5.3	6.9	1.0	-	-
Interest for Construction & Trust Funds	0.2	0.1	0.4	0.7	0.9	1.0	1.2	1.2	1.3	1.4	1.5
Increase in Required Reserves	8.6	9.9	18.2	19.2	10.2	33.1	41.8	49.9	53.5	43.9	39.9
Increase in Water Rate Stabilization Fund	-	-	4.3	6.9	9.2	0.6	-	-	-	2.5	28.5
Sub-total Fund Deposits	342.9	255.5	244.3	227.7	225.1	252.0	226.4	249.6	244.6	242.1	261.7
TOTAL USES OF FUNDS	\$ 1,983.5	\$ 1,893.0	\$ 1,934.1	\$ 1,970.0	\$ 2,018.4	\$ 2,092.9	\$ 2,155.9	\$ 2,270.5	\$ 2,361.1	\$ 2,460.0	\$ 2,560.6
SOURCES OF FUNDS											
Revenues											
Taxes	\$ 81.1	\$ 90.2	\$ 92.2	\$ 94.3	\$ 96.4	\$ 98.6	\$ 100.8	\$ 103.1	\$ 105.4	\$ 107.8	\$ 110.2
Annexations	-	-	-	-	-	-	-	-	-	-	-
Interest Income	7.7	16.2	27.9	33.8	32.7	32.7	33.4	34.1	35.1	35.9	36.8
Hydro Power	17.0	19.3	18.9	20.0	20.5	20.7	21.6	21.0	21.7	22.2	22.7
Fixed Charges (RTS & Capacity Charge)	182.1	199.5	198.8	195.9	197.6	202.5	211.1	226.6	249.3	273.4	297.0
Water Sales Revenue	1,437.5	1,290.0	1,308.4	1,331.8	1,370.5	1,414.8	1,473.8	1,547.9	1,611.7	1,678.6	1,751.4
Miscellaneous Revenue	6.1	10.2	11.3	12.0	12.3	12.7	13.4	14.2	14.6	15.1	16.0
Bond Proceeds	-	-	-	-	39.9	99.7	109.7	129.6	129.1	129.0	119.0
Sub-total Revenues	1,731.7	1,625.4	1,657.5	1,687.8	1,769.9	1,881.7	1,963.8	2,076.6	2,166.9	2,262.0	2,353.1
Fund Withdrawals											
R&R and General Fund	130.0	245.4	267.9	274.8	235.9	201.0	176.0	182.0	187.0	190.0	188.0
Bond Funds for Construction	70.0	-	-	-	5.3	-	7.7	-	-	3.5	10.9
Water Stewardship Fund	-	9.5	8.8	7.4	7.3	8.1	-	-	-	-	-
Treatment Surcharge Stabilization Fund	0.5	4.4	-	-	-	2.2	-	-	-	4.5	8.6
Decrease in Required Reserves	-	-	-	-	-	-	-	-	-	-	-
Decrease in Rate Stabilization Fund	51.3	8.4	-	-	-	-	8.4	11.9	7.2	-	-
Sub-total Fund Withdrawals	251.8	267.6	276.6	282.2	248.5	211.3	192.1	193.9	194.2	197.9	207.5
TOTAL SOURCES OF FUNDS	\$ 1,983.5	\$ 1,893.0	\$ 1,934.1	\$ 1,970.0	\$ 2,018.4	\$ 2,092.9	\$ 2,155.9	\$ 2,270.5	\$ 2,361.1	\$ 2,460.0	\$ 2,560.6
Fiscal Year Sales & Exchange (MAF)	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

Totals may not foot due to rounding.

Ten-Year Financial Forecast

Table 13. Ten-Year Financial Forecast, Coverage Ratios and Fund Balances (dollars in millions)

Fiscal Year Ending	2014 Projected	2015 Budget	2016 Budget	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
RATIOS											
Fixed Charge Coverage	2.0	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4
Revenue Bond Coverage	2.7	2.0	2.0	2.0	2.0	2.1	2.2	2.4	2.6	2.7	2.9
Var. Rate Debt as % of Rev. Bond Debt	9%	10%	11%	12%	14%	17%	21%	26%	28%	29%	29%
RESTRICTED FUNDS EOY balance											
General Fund	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1
Water Transfer Fund	119.9	119.9	119.9	60.0	-	-	-	-	-	-	-
Other	591.0	598.2	616.3	632.7	632.1	674.8	698.4	747.3	795.4	826.7	843.9
Sub-total Restricted Funds	827.0	834.2	852.3	808.8	748.2	790.9	814.5	863.4	911.5	942.8	960.0
UNRESTRICTED FUNDS EOY balance											
Reserve Funds (1)	496.1	490.5	495.3	505.7	521.3	529.5	532.8	530.7	530.6	543.6	585.4
Treatment Surcharge Stabilization Fund	4.4	0.0	0.5	1.4	2.2	0.0	5.3	12.3	13.3	8.8	0.2
Water Stewardship Fund	48.2	38.8	30.0	22.7	15.3	7.2	9.3	11.3	12.8	17.1	20.8
R&R Fund	153.5	153.5	106.7	31.9	-	-	-	-	-	-	-
General Fund	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Sub-total Unrestricted Funds	703.1	683.8	633.4	562.5	539.7	537.7	548.4	555.2	557.5	570.4	607.4
TOTAL FUNDS	\$ 1,530.1	\$ 1,518.0	\$ 1,485.7	\$ 1,371.3	\$ 1,287.9	\$ 1,328.6	\$ 1,362.9	\$ 1,418.6	\$ 1,469.0	\$ 1,513.2	\$ 1,567.4

Totals may not foot due to rounding.

(1) includes Water Rate Stabilization Fund and Revenue Remainder Fund.

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OVERVIEW

The budget process provides an opportunity to align shorter-term Objectives and Actions in the department and group level business plans to Metropolitan's longer-term Mission, Values, and Strategic Priorities and the needs of our member agencies. This biennial budget marks Metropolitan's second full budget in a formal biennial budget. The Board does have the opportunity to amend the budget as it sees fit to changing fiscal and climatic changes.

The budget is presented to the Board for consideration and adoption in April in order to align it with the adoption of water rates also approved in April. This permits incorporation of approved O&M budget expenditures into the Revenue Requirements process, which

facilitates the setting of water rates. The Board and member agencies conduct extensive reviews of and provide significant input to the budget over four months from January to April. This year's budget review process included board workshops on January 30 and February 10 and 25, a public hearing on March 10, discussion at the February 10, and March 10 Finance and Insurance Committee meetings, and several other presentations and caucuses with member agencies, with final approval occurring at the April 8 Board meeting. The budget process culminates with submission of the General Manager's Business Plan to the Board in July, consistent with the approved budget.

Budget Calendar

Due Date	Activity
July - November	Identification of major maintenance and capital projects and CIP Evaluation Team review of new and continuing projects.
August - October	Budget instructions issued to all groups. Personnel complements are developed including full-time, part-time, temporary, and overtime estimates. Group managers begin proposed budget presentations to senior management.
November	CIP Evaluation Team completes review of project proposals for the CIP. O&M budgets, CIP estimates, and operating equipment budgets are developed. Senior management reviews and makes final recommendations on group budgets.
December	Group budgets are revised as necessary. Proposed budget is finalized and materials and presentations are developed for presentation to the Board of Directors.
January-March	Proposed budget is presented to the Board of Directors and member agency managers. Proposed group and department budgets are presented to the relevant Board committees. Proposed annual budget workshops are conducted with the full Board and budget estimates are revised as necessary.
April	Business and Finance Committee recommends action on the annual budget. Board of Directors takes action on adoption of the annual budget. GM Business Plan is presented to the Board.

Starting in the summer, the groups identify needed major maintenance and new capital projects and develop cost estimates.

In August, the budget guidelines are issued to group, assistant group, and section managers by Budget and Financial Planning staff outlining

major budget priorities consistent with the Business Plan, staffing and operational objectives, and a calendar of budget process deadlines.

The development phase begins with overall program formulation and identification of individual projects, staffing, and equipment needs. Personnel budgets, including requests for temporary and part-time help, are then prepared and professional services requirements are identified. All requests for personnel, equipment purchases, and projects must be submitted with formal justifications, which address a standard set of questions developed by Budget and Financial Planning staff.

Each organization is required to identify the extent to which its proposed budget supports the General Manager's strategic priorities as outlined in the Business Plan. This information is later used to update the Business Plan in the late spring in an iterative process.

The procedures for preparation of each element of the budget are outlined below.

LABOR AND PROFESSIONAL SERVICES BUDGET

The labor budget consists of regular full-time payroll, overtime, premium pay, and part-time and temporary employees. The professional services budget consists of planned payments to outside consultants for specialized skills. Personnel complements reflect the staffing of on-going work with regular employees rather than temporary employees or consultants. In addition, each group provides detailed information on consultant, overtime, and temporary employee usage. This enables senior management to examine the level and types of resources being committed to the business plan strategic priorities and make appropriate determinations for the allocation of labor resources.

Adjustments to the proposed budget are made following the review by senior management and the General Manager. Each group manager may provide a formal presentation of the group O&M budget to their home committee, if desired.

PROJECT BUDGETS

The CIP is updated to provide an overview of the financial, design, and construction status of existing projects on a quarterly basis, as well as proposals for new projects on an annual basis. All projects are reviewed and prioritized on a biennial basis by the CIP Evaluation Team.

When the need for a project is recognized, a justification is prepared which provides information regarding the expected benefits, how the work will be accomplished, the consequences of not approving the project, alternative levels of effort and cost to accomplish the project, a discussion of the impact of the project on future O&M costs, and a cost estimate for the project.

Many of the major capital projects are developed through the planning process, which include area studies that identify capital facilities needed to meet projected water demands. New and proposed water quality regulations also have resulted in the need for major capital projects. These projects or requirements may also be identified in detailed analyses such as the System Overview Study and the Integrated Resources Plan.

Capital projects include new facilities, betterments, and replacements that cost at least \$50,000 and have an anticipated useful life of at least five years. In the case of information technology capital projects, the cost must exceed \$250,000 and the resulting asset must have an anticipated useful life of at least three years. Projects can be further differentiated into three general categories: major capital, minor capital, and O&M projects. Major capital projects cost at least \$250,000 and are brought to the Board for approval prior to funding. Minor capital projects cost between \$50,000 and \$250,000 are included in the CIP and are within the General Manager's authority to approve from a Board-approved appropriation for minor capital projects. O&M projects involve costs and scopes that are deemed significant and/or non-routine by the proposing organization and track expenditures in support of significant programs but do not necessarily extend the useful life of

the asset. Examples of O&M projects include managing quagga mussels in the aqueduct, repairing a roof, and maintaining emergency management programs. Additional information on project budgeting can be found in the Capital Investment Plan Section of this budget book.

EQUIPMENT BUDGET

Operating equipment is any equipment, machine, vehicle, tool, or other item that is portable, costs more than \$5,000, and has an anticipated useful life of at least five years. Expensed equipment is similar to operating equipment except that it costs less than \$5,000. All operating equipment is tracked while the tracking of expensed equipment is required for only certain classes of equipment (e.g., workstation/laptop computers, communications equipment, etc.).

The justification for equipment requests includes a description of the item, where it will be used, what it will be used for, and whether or not the item is new or a replacement. If the item is a replacement, the frequency of downtime and cost of repair of the old item versus purchasing a new one must be provided. If the item is required equipment for expanded functions or additional personnel, this must also be explained. A cost/benefit analysis is performed for equipment costing more than \$40,000.

Depending on the nature of the equipment, the requests may be evaluated by several groups. For example, each group manager and the fleet equipment coordinator review vehicle requests.

BUDGET PRESENTATION

The O&M budget is presented in an organizational format and is described in terms of its scope of work, personnel requirements, and allocation by expense category. The budget serves to identify the resource requirements for the actions and tasks each group will engage in to support the General Manager's Business Plan. The overall emphasis, consistent with Metropolitan's mission, has been on providing high quality and reliable water supplies at a fair

and competitive price and in an environmentally responsible manner.

REVIEW PROCESS

Budget requests are evaluated at several management levels. Managers and staff review budget requests during each phase of the process. Each request for a new project, additional personnel, or piece of operating equipment is scrutinized by each group and further reviewed by Budget and Financial Planning staff.

All budget submittals are reviewed collectively by the group and section managers. Only those items that are deemed appropriate to support the initiatives of the General Manager's Business Plan are included in the budget recommendation.

AMENDMENTS TO THE BUDGET

The budget may be amended outside of the normal budget cycle when expenditures are anticipated to significantly exceed estimates. A report outlining the reasons for increasing the budget appropriation is prepared and submitted to the Board of Directors for consideration. The Board of Directors must approve any increases in the budget appropriations.

ACCOUNTING BASIS

The budget is developed and monitored on a modified accrual basis. This means that revenues and expenses are recognized in the period they are earned and incurred regardless of whether cash has been received or disbursed. Differences between the basis of budgeting and the financial statements are minimal. Depreciation and amortization will not be recorded and payments of debt service will be recorded when due and payable. The modified-accrual basis of accounting is in accordance with Generally Accepted Accounting Principles (GAAP) and provides a better match of revenues and expenses for budgeting and reporting. Metropolitan considers the budget to be balanced when the sources of funds equals the uses of funds.

The Metropolitan Water District Act

Sec. 18. [Fiscal Year]

The fiscal year of any metropolitan water district shall commence on the first day of July of each year and shall continue until the close of the 30th day of June of the year following.

Sec. 123. [Borrowing, Limitation]

A district may borrow money and incur indebtedness and issue bonds or other evidence of such indebtedness, except that no district shall incur indebtedness which, in the aggregate, shall exceed 15 percent of the assessed valuation of all the taxable property included within the district, as shown by the assessment records of the county or counties.¹

CASE NOTE

A contract between the State and a metropolitan water district for a water supply from the State Water Resources Development System was a contract for the furnishing of continued water service in the future, payments by the district being contingent upon performance of contractual duties by the State and not incurred at the outset, so the district did not incur an indebtedness in excess of that permitted by former Section 5(7) of the Metropolitan Water District Act (now Sec. 123).

Metropolitan Water District v. Marquardt, 59 Cal.2d 159, 28 Cal. Rptr. 724 (1963).

Sec. 124. [Taxes, Levy and Limitation]

A district may levy and collect taxes on all property within the district for the purposes of carrying on the operations and paying the obligations of the district, except that such taxes, exclusive of any tax levied to meet the bonded indebtedness of such district and the interest thereon, exclusive of any tax levied to meet any obligation to the United States of America or to any board, department or agency thereof, and exclusive of any tax levied to meet any obligation to the state pursuant to Section 11652 of the Water Code, shall not exceed five cents (\$0.05) on each such one hundred dollars (\$100) of assessed valuation. The term "tax levied to meet the bonded indebtedness of such district and the interest thereon" as used in this section shall also include, but shall not be limited to, any tax levied pursuant to Section 287 to pay the principal of, or interest on, bond anticipation notes and any tax levied under the provisions of any resolution or ordinance providing for the issuance of bonds of the district to pay, as the same shall become due, the principal of any term bonds which under the provisions of such resolution or ordinance are to be paid and retired by call or purchase before maturity with moneys set aside for that purpose.

Amended by Stats. 1969, ch. 441.

CASE NOTE

An article in a contract between the State and a metropolitan water district for a water supply from the State Water Resources Development System which article is based upon Water Code

¹ The assessed valuation of all taxable property as of June 30, 2011 used in calculating the ad valorem tax limitation was more than \$2 trillion (\$2,050,497,523,732), fifteen percent of this amount is \$307.6 billion (\$307,574,628,560).

Section 11652, requiring the district to levy a tax to provide for all payments due under the contract, does not contravene former Section 5(8) of the Metropolitan Water District Act, imposing a limit on taxation, as Section 11652 is a special provision relating only to taxation to meet obligations from water contracts with state agencies, whereas said Section 5(8) is a general provision relating to taxation by a district for all purposes and the special provision controls the general provision.

Metropolitan Water District v. Marquardt, 59 Cal.2d 159, 28 Cal. Rptr. 724 (1963).

Sec. 124.5. [Ad valorem Tax Limitation]

Subject only to the exception in this section and notwithstanding any other provision of law, commencing with the 1990-91 fiscal year any ad valorem property tax levied by a district on taxable property in the district, other than special taxes levied and collected pursuant to annexation proceedings pursuant to Articles 1 (commencing with Section 350), 2 (commencing with Section 360), 3 (commencing with Section 370), and 6 (commencing with Section 405) of Chapter 1 of Part 7, shall not exceed the composite amount required to pay (1) the principal and interest on general obligation bonded indebtedness of the district and (2) that portion of the district's payment obligation under a water service contract with the state which is reasonably allocable, as determined by the district, to the payment by the state of principal and interest on bonds issued pursuant to the California Water Resources Development Bond Act as of the effective date of this section and used to finance construction of facilities for the benefit of the district. The restrictions contained in this section do not apply if the board of directors of the district, following a hearing held to consider that issue, finds that a tax in excess of these restrictions is essential to the fiscal integrity of the district, and written notice of the hearing is filed with the offices of the Speaker of the Assembly and the President pro Tempore of the Senate at least 10 days prior to that date of the hearing.

Added by Stats. 1984, ch. 271.

Sec. 134. [Adequacy of Water Rates; Uniformity of Rates]

The Board, so far as practicable, shall fix such rate or rates for water as will result in revenue which, together with revenue from any water stand-by or availability service charge or assessment, will pay the operating expenses of the district, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by the district, and provide for the payment of the interest and principal of the bonded debt subject to the applicable provisions of this act authorizing the issuance and retirement of the bonds. Those rates, subject to the provisions of this chapter, shall be uniform for like classes of service throughout the district.

Amended by Stats. 1984, ch. 271

Sec. 239.2. [Limitation on Amount of Revenue Bonds]

No revenue bonds shall be issued under this chapter, except for refunding, unless the amount of equity of the district, as shown on its balance sheet as of the end of the last fiscal year prior to the issuance of such bonds, equals at least 100 percent of the aggregate amount of revenue bonds to be outstanding following the issuance of such bonds.

Added by Stats. 1972, ch. 169.

FINANCIAL POLICIES

(From The Metropolitan Water District Administrative Code)

§ 5107. Biennial Budget Process.

(a) There shall be prepared each even-numbered year, under the direction of the General Manager, a proposed biennial budget covering District operations for the following two fiscal years. The proposed biennial budget shall be submitted to the Board no later than the date of the regular Board meeting in June immediately preceding the first fiscal year of the biennium to which the budget applies. The proposed biennial budget shall indicate by fund all anticipated expenses and required reserves and the source of revenues to be used to meet such expenses and provide such reserves. The proposed biennial budget will at a minimum include a five-year financial forecast. At least one Board Workshop on the proposed biennial budget will be conducted prior to submission of the proposed biennial budget for Board approval. The Finance and Insurance Committee shall review the proposed biennial budget in its entirety, together with the recommendations from the Board workshop, and report its recommendations to the Board.

(b) After considering the proposed biennial budget and making any revisions thereto that it may deem advisable, the Board shall adopt the biennial budget before the beginning of the biennial period to which the budget applies. The amounts provided in the adopted budget for the biennial period for total expenses for operations and maintenance, including minimum and variable operations and maintenance charges under water or power contracts with the State, for capital charges under such contracts, and for debt service shall be deemed to be appropriated from the funds indicated in the budget.

(c) The adoption of the budget shall have no effect upon appropriations for capital projects and continuing expenditures not susceptible to immediate direct allocation, as described in Section 5108 hereof, and shall not establish any limitations on expenditures for such purposes.

(d) The total operations and maintenance budget shall be measured against the regional rate of inflation as measured by the five-year rolling average change in the Consumer Price Index (CPI) for the Los Angeles-Riverside-range County area, not seasonally adjusted, for all items as reported by the U. S. Bureau of Labor Statistics. The budget will include explanations of increases greater than the CPI due to unique conditions, growth or expansion of services.

Ords. 127 and 129; repealed by Ord. 146; Section 471.8 added, as amended, by M.I. 32690 - April 10, 1979; amended by M.I. 36110 - June 10, 1986. Section 471.8 repealed and Section 5107 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; paragraph (a) amended by M.I. 36535 - March 10, 1987; paragraph (a) amended by M.I. 40231 - May 11, 1993; paragraph (a) amended by M.I. 41755 - February 13, 1996; paragraphs (a) and (b) amended by M.I. 42060 - September 10, 1996; paragraph (a) amended by M.I. 42193 - December 10, 1996; paragraph (a) amended by M. I. 44095 - July 11, 2000; paragraph (a) amended by M. I. 44582 - August 20, 2001; paragraph (a) amended and paragraph (d) added by M. I. 45904 - September 14, 2004; paragraph (a) amended by M. I. 46064 - January 11, 2005; paragraph (a) amended by M.I. 46148 - March 8, 2005; paragraph (a) amended by M.I. 46983 - February 13, 2007; paragraph (a) amended by M.I. 48534 - January 11, 2011; section title and paragraphs (a)-(b) amended by M.I. 48800 - September 13, 2011; paragraphs (a), (b), and (d) amended by M.I. 49187 - September 11, 2012.

The District operates as a single enterprise fund for financial statements and budgeting purposes. Through its administrative code the District identifies a number of accounts, which are referred to as funds, to separately track uses of monies for specific purposes.

§ 5200. Funds Established.

To provide for accountability of public moneys in accordance with applicable federal and state law and regulations and Board policies, the following funds active or prospectively active have been established in the Treasury of the District:

(a) General Fund (Fund No. 1001, established 1929). Moneys not specifically allocated or appropriated may be placed in this fund and used for general purposes of the District. Expenditures for reimbursable work and water conservation capital and indirect costs under the contract with Imperial Irrigation District are paid from this fund.

(b) Replacement and Refurbishment Fund (Fund No. 5001, established 1988). Used to finance certain capital program expenditures from current revenues in accordance with Section 5109, subject to the conditions contained in Section 5202(b).

(c) State Contract Fund (Fund No. 5701, established 1960). Used for the payment of capital charges under the State Water Contract, including the capital charges for off-aqueduct power facilities, subject to the conditions contained in Section 5201(d).

(d) Special Tax Fund (Fund No. 5702, established 1951). Annexation fees (cash payments and special tax collections) are deposited in this fund and transferred to the State Contract Fund to pay a portion of State Water Contract capital charges.

(e) Water Revenue Fund (Fund No. 1002, established 1975). Receipts from water sales are deposited in this fund and are transferred to various other funds in accordance with revenue bond covenants and Board resolutions to pay in order of priority:

(1) Operation and maintenance expenditures;

(2) Principal of, premium, if any, and interest on the Prior Lien Waterworks Revenue Bonds and any required deposits into any reserve funds or accounts therefore;

(3) The interest on and bond obligation of Subordinate Lien Water Revenue Bonds and Parity Obligations issued pursuant to Master Resolution 8329 (the Master Resolution) adopted by the Board on July 9, 1991 and any Supplemental Resolutions thereto;

(4) All other payments required for compliance with the Master Resolution, and any Supplemental Resolutions;

(5) Principal of and interest on Commercial Paper Notes and other amounts due a provider of a liquidity facility;

(6) Deposits into the Water Standby Charge Fund in accordance with resolutions imposing such charges; and

(7) Any other obligations which are charges, liens, or encumbrances upon or payable from net operating revenues.

Moneys remaining at the end of each month, after the foregoing transfers, are transferred to the Revenue Remainder Fund.

(f) Operation and Maintenance Fund (Fund No. 1003, established 1975). Used to pay all operation and maintenance expenditures, including State Water Contract operation, maintenance, power and replacement charges, subject to the conditions contained in Section 5201(f).

(g) Revenue Remainder Fund (Fund No. 1004, established 1975). Used to maintain working capital and may be used for any lawful purpose by the District, subject to the conditions contained in Section 5202.

(h) Water Rate Stabilization Fund (Fund No. 5501, established 1987). Used to reduce future water revenue requirements or, as directed by the Board, for other lawful purposes, in accordance with Section 5202.

(i) Water Treatment Surcharge Stabilization Fund (Fund No. 5502, established 1988). Used to mitigate required increases in the surcharge for water treatment or, as directed by the Board, for other lawful purposes, in accordance with Section 5202.

(j) Revolving Construction Fund (Fund No. 5003, established 1988). Capital expenditures made from this fund are to be reimbursed from proceeds of security sales to the extent such expenditures are authorized uses of debt proceeds under the Act, subject to the conditions and restrictions contained in Section 5201(g).

(k) Employee Deferred Compensation Fund (Fund No. 6003, established 1976). Compensation deferred by employees under Section 457 of the Internal Revenue Code of 1986, as amended, is deposited in this fund and is withdrawn in accordance with Articles 2 and 3 of Chapter 7 of Division VI of this Administrative Code.

(l) Iron Mountain Landfill Closure/Postclosure Maintenance Trust Fund (Fund No. 6005, established 1990). Used as a trust fund to maintain moneys sufficient to cover the costs of closure and postclosure maintenance of the District's solid waste landfill facility at Iron Mountain, in accordance with regulations of the California Integrated Waste Management Board, and subject to the conditions contained in Section 5201(l).

(m) Water Standby Charge Fund (Fund No. 1005, established 1992). Used to separately hold revenues attributable to water standby charges; amounts deposited in this fund are used exclusively for the purpose for which the water standby charge was authorized.

(n) Water Transfer Fund (Fund No. 1007, established 1995). Used for moneys set aside for the purchase of water through transfers or similar arrangements, and for the costs of filling the Eastside Reservoir Project.

(o) Self-Insured Retention fund (Fund No. 1008, established 1999). Used to separately hold amounts set aside for emergency repairs and claims against the District as provided in Section 5201(o).

(p) Lake Mathews Multi Species Reserve Trust fund (Fund 6101, established 1997.) Used as set forth in agreement between Metropolitan and the Riverside County Habitat Conservation Agency for the Multi Species Reserve.

(q) There shall be established in the Treasury of the District such funds and accounts as are required pursuant to bond covenants, tax and non-arbitrage certificates, bond counsel letters of instruction and related documents, to provide for accountability of District funds and compliance with applicable federal and state law and regulations. Such funds and accounts shall be established for each issue of bonds, notes or other obligations of the district as required in the respective bond or note resolution and closing documents.

(r) Water Stewardship Fund (Fund No. 1009 established 2005). Used to collect revenue from the Water Stewardship Rate and to pay costs associated with water recycling, seawater desalination, conservation, brackish water desalination, or other demand management programs. These funds can also be used to fund administrative costs associated with these programs. Funds may be used as directed by the Board, for other lawful purposes, in accordance with Section 5201(p) and Section 5202(d).

38241 - May 8, 1990; amended and paragraph (bb) added by M.I. 38305 - June 12, 1990; paragraphs (cc), (dd) and (ee) added by M.I. 38999 - June 11, 1991; amended and paragraphs (ff), (gg), (hh) and (ii) added by M.I. 39171 - August 20, 1991; paragraphs (jj), (kk), and (ll) added by M.I. 39785 - August 20, 1992; paragraph (k)(6) added, paragraph (jj) added, paragraphs (kk) - (mm) renumbered by M.I. 39925 - November 10, 1992; new paragraphs (nn) through (uu) added by M.I. 40272 - June 15, 1993; paragraph (bb) amended by M.I. 40273 - June 15, 1993; paragraphs (vv) through (bbb) added by M.I. 40388 - August 24, 1993; paragraphs (i) and (q) amended, paragraph (r) deleted and remainder of section renumbered by M.I. 40443 - September 21, 1993; paragraph (q) amended by M.I. 40976 - August 19, 1994; paragraph (bbb) added by M.I. 41581 - September 12, 1995; paragraphs (a) through (bbb) amended and new paragraphs (bbb) through (sss) added by M.I.42817 - February 10, 1998; paragraphs (tt) through (aaaa) added April 1998, by authority granted to the General Counsel by M.I. 42817 - February 10, 1998; paragraphs (bbbb) through (jjjj) added September 1998, by authority granted to the General Counsel by M.I. 42817 - February 10, 1998; paragraph (kkkk) added by M.I. 43434 - March 9, 1999; paragraph (a) amended, old paragraphs (c), (g)-(J), (m), (n), (p), (q), (u)-(x), (z), (bb)-(hh), (jj)-(aaa), and (ccc)-(jjjj) deleted, remaining paragraphs renumbered, and new paragraphs (q) and (r) added by M. I. 45249 - March 11, 2003; paragraph (b) amended, paragraph (e) repealed and paragraphs (f) - (r) renumbered by M. I. 45904 - September 14, 2004; new paragraph (r) added by M. I. 46266 - June 14, 2005; paragraph (g) amended by M. I. 46838 - October 10 2006.

§ 5201. Restricted Funds.

Cash and securities to be held in the various ledger funds shall be as follows:

(a) General Obligation Bond Interest and Principal Funds and the Waterworks General Obligation Refunding Bonds Interest and Principal Funds, the cash and securities in each as of June 30, shall be at least equal to the debt service for the ensuing 18 months, less revenues anticipated to be derived from the next succeeding tax levy specifically for such debt service.

(b) For the Waterworks Revenue Bonds Interest and Principal Funds, the Water Revenue Bonds Reserve Funds, the Water Revenue Refunding Bonds Interest and Principal Funds and the Water Revenue Refunding Reserve Bonds, the cash and securities in each shall be at least equal to the minimums required by the resolutions of issuance for such bonds.

(c) For the Bond Construction Funds there shall be no minimum requirements; provided that any cash and securities in such funds shall be restricted to use for the purposes such finances were required.

(d) For the State Contract Fund, cash and securities on hand June 30 and December 31 shall equal the capital payments to the State Department of Water Resources that are due on July 1 of the same year and January 1 of the following year, respectively.

(e) For the Special Tax Fund, there shall be no minimum requirement.

(f) For the Operation and Maintenance Fund, cash and securities shall be at least equal to the minimum required by the resolutions of issuance for revenue bonds.

(g) For the Revolving Construction Fund, there shall be no minimum requirement. Cash and securities in this fund, unless restricted as to use by resolution of the Board, shall be available for transfer to the Water Rate Stabilization Fund and the Water Treatment Surcharge Stabilization Fund at the discretion of the Board.

(h) For the Commercial Paper, Series A, Note Payment Fund, and the Commercial Paper, Series B, Note Payment Fund, the District shall deposit amounts sufficient to pay principal of, and interest on, such Commercial Paper Notes in an amount at least equal to one-half of the projected interest payments due on such notes in the subsequent fiscal year.

(i) For the Water Standby Charge Fund, there shall be no minimum requirement; provided that any cash and securities in such fund shall be restricted to use for the purposes such moneys were authorized.

(j) For the General Obligation Bond Excess Earnings Funds, the Waterworks General Obligation Refunding Bond Excess Earnings funds, the Water Revenue Bond Excess Earnings Funds and the Water Revenue Refunding Bond Excess Earnings Funds, the minimum requirement shall be the amounts deposited into this fund in accordance with the provisions of the Tax and Nonarbitrage Certificates and Resolutions for the Bonds.

(k) For the Waterworks General Obligation Refunding Bonds, 1993 Series A1 and A2, Escrow Account Fund, the minimum requirement shall be the amounts necessary to pay the principal, if any, and the interest on the Series A1 and A2 Bonds to the crossover date, and to defease certain maturities of outstanding prior general obligation bonds.

(l) For the Iron Mountain Landfill Closure/Postclosure Maintenance Trust Fund, cash and securities as of June 30, shall be at least equal to the Chief Executive Officer's latest estimates of closure and postclosure maintenance costs.

(m) For the Optional General Obligation Bond Redemption Fund and the Optional Revenue Bond Redemption Fund, the minimum requirement shall be the amount necessary to redeem such untendered, refunded bonds which have been called for redemption.

(n) For the Water Transfer Fund, all amounts budgeted or pledged for purchase of water through transfers or similar arrangements, and for the costs of filling the Eastside Reservoir Project, shall be set aside in such fund and used solely for such purpose.

(o) For the Self-Insured Retention fund, all amounts in such fund shall be set aside and used solely for emergency repairs and claims against the District. The minimum cash and securities to be held in such fund as of June 30 of each year shall be \$25 million.

(p) For the Water Stewardship Fund, there shall be no minimum requirement; all amounts in such fund shall be used to fund the Conservation Credit Program, Local Resources Program, seawater

desalination, brackish water desalination, and similar demand management programs, including the departmental operations and maintenance costs for administering these programs.

Section 331.1 - M.I. 32735 - May 8, 1979, effective July 1, 1979 [Supersedes M.I. 30984 - August 19, 1975; M.I. 31826 - June 14, 1977 and M.I. 32292 - June 13, 1978]; paragraph (f) [formerly Section 331.1.6] added by M.I. 35309 - September 11, 1984. Section 331.1 repealed and Section 5200 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; amended by M.I. 36676 - June 9, 1987; paragraph (g) added by M.I. 37449 - December 13, 1988; renumbered to Section 5201 and paragraphs (a) and (c) amended by M.I. 38241 - May 8, 1990; paragraph (c) amended and paragraph (h) added by M.I. 38999 - June 11, 1991; paragraphs (b) and (c) amended by M.I. 39171 - August 20, 1991; paragraphs (b) and (c) amended by M.I. 39785 - August 20, 1992; paragraph (i) added by M.I. 39925 - November 10, 1992; paragraphs (a)(b)(c) amended and paragraph (j)(k) added by M.I. 40272 - June 15, 1993; paragraph (h) amended and paragraph (l) added by M.I. 40273 - June 15, 1993; paragraphs (a), (b), and (j) amended by M.I. 40388 - August 24, 1993; paragraph (j) amended and paragraph (m) added by M.I. 40443 - September 21, 1993; paragraph (n) added by M.I. 41581 - September 12, 1995; paragraphs (b)(c)(h)(j)(k)(l)(n) amended by M.I. 42817-- February 10, 1998; paragraphs (b), (c), and (j) amended April 1998 by authority granted the General Counsel by M.I. 42817 - February 10, 1998; paragraph (o) added by M.I. 43434 - March 9, 1999; paragraphs (a)-(c), and (j) amended by M. I. 45249 - March 11, 2003; paragraph (n) amended by M. I. 45775 - June 8, 2004; paragraph (p) added by M. I. 46266 - June 14, 2005.

§ 5202. Fund Parameters.

The minimum cash and securities to be held in the various ledger funds as of June 30 of each year shall be as follows:

(a) For the Revenue Remainder Fund cash and securities on hand of June 30 of each year shall be equal to the portion of fixed costs of the District estimated to be recovered by water sales revenues for the eighteen months beginning with the immediately succeeding July. Such funds are to be used in the event that revenues are insufficient to pay the costs of the District.

(b) For the Replacement and Refurbishment Fund, any unexpended monies shall remain in the Fund for purposes defined in Section 5109, or as otherwise determined by the Board. The end-of-year fund balance may not exceed \$95 million. Available monies in excess of \$95 million at June 30 shall be transferred to the Water Rate Stabilization Fund, unless otherwise determined by the Board.

(c) Amounts remaining in the Revenue Remainder on June 30 of each year after meeting the requirements set forth in Section 5202(a) shall be transferred to the Water Rate Stabilization Fund and to the extent required under Section 5202(d), to the Water Treatment Surcharge Stabilization Fund.

(d) After making the transfer of funds as set forth in Section 5202(c), a determination shall be made to substantially identify the portion, if any, of such transferred funds attributable to collections of treatment surcharge revenue in excess of water treatment cost and to collections of water stewardship rate revenue in excess of costs of the Conservation Credits Program, Local Resources Program seawater desalination and similar demand management programs, including the departmental operations and maintenance costs of administering these programs.. Such funds shall be transferred to the Water Treatment Surcharge Stabilization Fund and the Water Stewardship Fund, respectively, to be available for the principal purpose of mitigating required increases in the treatment surcharge and water stewardship rates. If such determination indicates a deficiency in treatment surcharge or water stewardship rate revenue occurred during the fiscal year, a transfer of funds shall

be made from the Water Treatment Surcharge Stabilization Fund or the Water Stewardship Fund, as needed and appropriate, to reimburse funds used for the deficiency. Notwithstanding the principal purpose of the Water Treatment Surcharge Stabilization Fund and the Water Stewardship Fund, amounts assigned to these fund shall be available for any other lawful purpose of the District.

(e) Amounts in the Water Rate Stabilization Fund shall be held for the principal purpose of maintaining stable and predictable water rates and charges. The amount to be held in the Water Rate Stabilization fund shall be targeted to be equal to the portion of the fixed costs of the District estimated to be recovered by water sales revenues during the two years immediately following the eighteen-month period referenced in Section 5202(a). Funds in excess of such targeted amount shall be utilized for capital expenditures of the District in lieu of the issuance of additional debt, or for the redemption, defeasance or purchase of outstanding bonds or commercial paper of the District as determined by the Board. Provided that the District's fixed charge coverage ratio is at or above 1.2 amounts in the Water Rate Stabilization Fund may be expended for any lawful purpose of the District, as determined by the Board of Directors, provided that any funds distributed to member agencies shall be allocated on the basis of all water sales during the previous fiscal year, such sales to include sales under the Interim Agricultural Water Program, Replenishment Service Program and all Full Service water sales.

Notwithstanding the fund parameters set forth in this Section 5202, including, but not limited to, any minimum fund balances or specified uses and purposes, all amounts held in the foregoing funds shall be available to pay interest on and Bond Obligation (including Mandatory Sinking Account Payments) of Water Revenue Bonds issued pursuant to Resolution 8329 adopted by the Board on July 9, 1991, as amended and supplemented (the Master Resolution), and Parity obligations. Capitalized terms not defined in this paragraph shall have the meanings assigned to such terms in the Master Resolution.

Section 331.2 - M.I. 32735 - May 8, 1979, effective July 1, 1979 [Supersedes M.I. 30984 - August 19, 1975; M.I. 31826 - June 14, 1977 and M.I. 32292 - June 13, 1978]; amended by M.I. 35309 - September 11, 1984; amended by M.I. 35730 - July 9, 1985. Section 331.2 repealed and Section 5201 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; paragraph (a) amended and paragraph (b) added by M.I. 36676 - June 9, 1987; paragraph (a) amended by M.I. 36731 - July 14, 1987; paragraph (b) amended and paragraph (c) added by M.I. 37007 - February 9, 1988; amended by M.I. 37449 - December 13, 1988; paragraph (a) amended by M.I. 37679 - May 9, 1989; renumbered to Section 5202 by M.I. 38241 - May 8, 1990; paragraphs (c) and (d) amended by M. I. 38304 - June 12, 1990; paragraph (a) amended by M.I. 39794 - August 20, 1992; paragraph (e) added by M.I. 41581 - September 12, 1995; Section renamed and paragraphs (a)-(c) and (e) amended by M.I.43434 - March 9, 1999; paragraph (e) amended by M.I. 43587 - June 8, 1999; paragraph (b), (c) and (e) amended by M. I. 44907 - June 11, 2002; paragraph (b) amended by M. I. 45904 - September 14, 2004; paragraph (d) amended by M. I. 46266 - June 14, 2005; paragraph (e) amended by M. I. 46838 - October 10, 2006; final paragraph added by M.I. 47286 - November 20, 2007.

§ 5203. Indirect Credit of District.

The Chief Executive Officer may negotiate with the Department of Water Resources on the basis of using the indirect credit of the District to finance State Revenue Bonds so long as the obligation of the District thereunder does not exceed the obligation required under the State Contract.

Section 331.2 renumbered 331.3. Section 331.3 repealed and Section 5202 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; renumbered to Section 5203 by M.I. 38241 - May 8, 1990.

§ 5204. Compliance with Fund Requirements and Bond Indenture Provisions.

As of June 30 of each year, the Chief Executive Officer shall make a review to determine whether the minimum fund requirements outlined in this Chapter have been met and whether the District has complied with the provisions of the articles and covenants contained in the resolutions of issuance for all outstanding District bond issues during the preceding fiscal year. The Chief Executive Officer, after consulting with the General Counsel, shall report the results of his review in writing to the Board of Directors annually.

Section 331.4 - M.I. 34190 - April 13, 1982. Section 331.4 repealed and Section 5203 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; amended by M.I. 36676 - June 9, 1987; renumbered to Section 5204 by M.I. 38241 - May 8, 1990.

OPERATING POLICIES

(From The Metropolitan Water District Operating Policies and Procedures)

O.P. NUMBER	TITLE	ISSUE DATE	REVISION DATE
F-07	Capitalization & Retirement of Plant Assets	3/6/02	3/12/09

SUMMARY

This document establishes the policies governing the capitalization and retirement of plant assets.

SUPERSESSON

This Operating Policy supersedes Operating Policy F-07 originally issued September 23, 1998; revised March 6, 2002.

AUTHORITY

The General Manager delegates the authority to establish and maintain policies regulating the capitalization and retirement of plant assets to the Chief Financial Officer/Assistant General Manager or designee.

DEFINITIONS

Component Equipment — equipment considered to be part of a plant, usually determined when the item is permanently affixed in one location (as opposed to operating equipment as defined in Operating Policy F-01, Operating, Expensed and Capital Equipment).

Plant Assets — a new facility, betterment, replacement/refurbishment, or equipment which is a component part of a plant and that has both:

- A total cost of at least \$50,000
- A useful life of at least five years

Replacement/Refurbishment — the substitution/repair of a new facility or component of an existing facility. A replacement always involves a replacement of facilities or component, and a refurbishment may involve the replacement of facilities or component.

Retirement — the result of the replacement of existing facilities with new facilities designed to accomplish the same function, or as the result of the sale or abandonment of facilities that are no longer of economic use.

Service Connection — a pipeline, with its appurtenances, that branches off or connects the water distribution system to customer facilities.

Integrated Software — computer software that is integrated into and necessary to operate general plant and equipment (e.g., Supervisory Control and Data Acquisition system [SCADA], telephone system, and computer-operated lathes), rather than perform an application.

POLICIES

1. Any item of cost that conforms to the criteria of plant assets shall be capitalized as a plant asset; otherwise the cost is charged to operations and maintenance expense.
2. When multiple components of a plant asset are acquired or built, and the components have individual costs of less than \$50,000, the cost of these items is an operations and maintenance expense. If the components have useful lives of five years or more, they are capitalized when:
 - The aggregate total costs exceed \$50,000, and
 - The components are added simultaneously or within a planned short period of time.
3. Service connections are capitalized as plant assets and are not subject to the \$50,000 cost criterion. Customers pay the cost of acquiring and installing service connections. The customer contribution is recorded as contributed capital.
4. Integrated software is considered part of the plant and equipment of which it is an integral part and capitalized and depreciated accordingly. The aggregate cost of the hardware and software is used to determine whether to capitalize or expense the costs.
5. Replacement or refurbishment costs are charged to operations and maintenance expense provided such costs do not exceed the capital cost and useful life criteria for the assets involved.
6. Plant assets replaced, sold or abandoned are removed from accounting records. The Engineering Services Section notifies the Controller of plant assets to be retired.
7. Costs of replacement plant assets are accumulated under separate and identifiable project numbers. Project descriptions identify, to the extent practicable, the plant assets being retired.

8. When plant assets are retired, the original cost and the related depreciation are removed from the accounting records. If the original cost cannot be identified, an estimate based on current cost is used.
9. The capitalization threshold will be reviewed every five years commencing January 1, 2009, and adjusted as necessary.

REFERENCES

- Operating Policy F-01, Operating, Expensed and Capital Equipment
- MWD Administrative Code Section 5108, Appropriations
- Government Accounting Standards Board Statement No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments
- Government Finance Officers Association – Accounting for Capital Assets, A Guide for State and Local Governments

APPROVAL

<u>Original signed by Jeffrey Kightlinger</u>	<u>3/12/09</u>
Jeffrey Kightlinger, General Manager	Date

Rate Structure Overview

This section provides an overview of Metropolitan's rate structure. The rate structure is designed to accomplish the following:

- **Accountability** – Define the linkage among costs, charges, and benefits through a cost of service approach consistent with industry guidelines and practices;
- **Regional Provider** – Ensure that regional services are provided to meet the existing and growth needs of member agencies;
- **Equity** – Ensure that users, including member agencies and other entities, pay the same rates and charges for like classes of services and provide fair allocation of costs through rates and charges;
- **Environmental Responsibility** – Encourage wise environmental stewardship and effective demand management by funding conservation and recycling projects and programs, and use pricing to encourage investments in conservation and recycling and other economical local supplies;
- **Choice and Competition** – Offer choices for services to member agencies and accommodate the development of a water transfer market;
- **Water Quality** – Support source quality improvements and water treatment systems that are required to ensure safe drinking water and the feasibility of water recycling and groundwater management programs; and
- **Financial Integrity** – Establish a financial commitment from the member agencies that provides financial security for Metropolitan and does not transfer undue risk to member agencies, individually or as a whole.

The rate structure includes the following benefits to how Metropolitan recovers the cost of providing services:

- The water rate used is unbundled into separate rates for supply, conveyance and distribution, water stewardship, and power;
- A tiered pricing structure encourages the development of cost-effective local water resources, including conservation, water recycling, groundwater recycling, and desalination. In addition, member agencies with increasing demands for Metropolitan system supplies will pay a larger proportion of the cost of developing supply;
- A Capacity Charge allocates the cost of peak distribution capacity to member agencies that cause the greatest peaks on the system; and
- A Water Stewardship Rate provides a dedicated source of funding for the continuation of regional investments in conservation, recycling, and other economical local resources.

The different elements of the rate structure are summarized in Table 14.

Rate Structure Overview

Table 14. Rate Structure Components

Rate Design Elements	Service Provided/ Costs Recovered	Type of Charge
System Access Rate	Conveyance/Distribution (Average Capacity)	Volumetric (\$/af)
Water Stewardship Rate	Conservation/Local Resources	Volumetric (\$/af)
System Power Rate	Power	Volumetric (\$/af)
Treatment Surcharge	Treatment	Volumetric (\$/af)
Capacity Charge	Peak Distribution Capacity	Fixed (\$/peak cfs)
Readiness-To-Serve Charge	Conveyance / Distribution / Emergency Storage (Standby Capacity)	Fixed (\$M)
Tier 1 Supply Rate	Supply	Volumetric (\$/af)
Tier 2 Supply Rate	Supply	Volumetric (\$/af)
Surplus Water Rates	Replenishment/Agriculture	Volumetric (\$/af)

RATE STRUCTURE COMPONENTS

System Access Rate (SAR)

The SAR recovers the cost of the conveyance and distribution system that is used on an average annual basis through a uniform volumetric rate. All users pay the SAR for access to conveyance and distribution capacity in the Metropolitan system.

The SAR is charged for each acre-foot of water conveyed and distributed by Metropolitan. All users (member agencies and third parties) using the Metropolitan system to convey water pay the same SAR for the use of the system conveyance and distribution capacity used to meet average annual demands.

Water Stewardship Rate (WSR)

The WSR provides a dedicated source of funding for conservation and local resources development. The WSR supports Metropolitan's funding of future conservation and local supply projects. Because of the uniform benefits (e.g. greater available system capacity through reduced use by others) conferred on all system users by investments in conservation and local resources, all users of Metropolitan's conveyance and distribution system pay the WSR.

System Power Rate (SPR)

The SPR recovers the cost of energy required to pump water to Southern California through the State Water Project and Colorado River Aqueduct. The cost of power is recovered through a uniform volumetric rate.

The SPR is applied to all deliveries to member agencies. Wheeling parties will pay for the actual cost (not system average) of power needed to move the water. For example, water wheeled through the State Water Project's California Aqueduct would pay the actual variable power cost incurred by DWR to move the water.

Treatment Surcharge

The treatment surcharge recovers the cost of providing treatment capacity and operations through a uniform, volumetric rate. The treatment surcharge will be applied to all treated water deliveries.

Capacity Charge

The capacity charge is levied on the maximum summer day demand placed on the system between May 1 and September 30 for the three calendar-year period ending December 31, of the calendar year preceding the prior budget year. Demands measured for the purposes of billing the capacity charge include all firm demand and agricultural demands as well as wheeling service. Replenishment service is not included in the measurement of peak day demand for purposes of billing the capacity charge.

Over time, a member agency will have an incentive to reduce its capacity charge payments and could do so by reducing peak day demands on the system.

Readiness-To-Serve Charge (RTS)

The RTS is a fixed charge that recovers the cost of the portion of system conveyance, distribution, and system storage capacity that is on standby to provide emergency service and operational flexibility. These costs would

be recovered by the Tier 1 and Tier 2 Supply Rates and the System Access Rate without the RTS charge.

The RTS will be allocated among the member agencies based on a ten-year rolling average of firm demands. Replenishment and agricultural deliveries are excluded, while water transfers and exchanges are included for purposes of calculating the ten-year rolling average used to allocate the RTS. The standby charge will continue to be collected at the request of the member agency and applied as a direct offset to each agency's RTS obligation.

Tier 2 Supply Rate

The cost of maintaining existing supplies and developing additional supplies are recovered through a two-tiered pricing approach. The higher Tier 2 Supply Rate is set at Metropolitan's cost of developing supply. When included with the other rate components, the Tier 2 Supply Rate provides a price signal to encourage cost effective conservation and local resources development.

The Tier 2 Supply Rate is set at Metropolitan's cost of developing supply to encourage the member agencies and their customers to maintain existing local supplies and develop cost-effective local supply resources and conservation. The Tier 2 Supply Rate also recovers a greater proportion of the cost of developing additional supplies from member agencies that have increasing demands on Metropolitan's system. Therefore, the Tier 2 Supply Rate partially addresses customer equity issues between member agencies that are not increasing their demands on the system and member agencies that continue to need additional imported water supplies.

The Tier 2 Supply Rate will be charged to all firm water sales above 60 percent of a member agency's base firm demand, unless the member agency elected to execute a Purchase Order. The base firm demand is the maximum of the initial base demand or the ten year rolling average of firm demands. A member agency's initial base demand is calculated as the maximum annual firm demand for the

13 years ending June 30, 2002. If a member agency submits a Purchase Order it will pay the Tier 2 Supply Rate for all firm demands that exceed 90 percent of its base firm demand. The member agencies' base firm demands will be adjusted annually to reflect the phase out of the interim agricultural water program. Wheeling parties do not pay the Tier 2 Supply Rate.

Tier 1 Supply Rate

The Tier 1 Supply Rate recovers the majority of the supply revenue requirement. Member agencies without a Purchase Order will pay the Tier 1 Supply Rate for all firm demands up to 60 percent of their base firm demand. Member agencies with Purchase Orders will pay the Tier 1 Supply Rate for all firm demands up to 90 percent of their base firm demand. The member agencies' base firm demands will be adjusted annually to reflect

the phase out of the interim agricultural water program. Wheeling parties do not pay the Tier 1 Supply Rate.

Replenishment Program and Agricultural Water Program

Metropolitan currently administers two pricing programs that make interruptible supplies (i.e. system supplies in excess of what is needed to meet consumptive municipal and industrial demands) available to the member agencies at a discounted water rate. The replenishment program provides system supplies when available for the purpose of replenishing local storage. The interim agricultural water program also makes surplus system water available for agricultural purposes. Per the Board's action, the interim agricultural water program will be phased out over a period of five years, from 2008 to 2013.

ABOUT METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Formation and Purpose

Metropolitan was created in 1928 under authority of the Metropolitan Water District Act. The Act authorizes Metropolitan to: levy ad valorem property taxes within its service area; establish water rates; impose charges for water standby and service availability; incur general obligation bonded indebtedness; issue water revenue bonds, and notes and short-term revenue certificates; execute contracts; and exercise the power of eminent domain for the purpose of acquiring property. In addition, Metropolitan's Board of Directors (the "Board") is authorized to establish terms and conditions under which properties may be annexed to Metropolitan's service area.

Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member public agencies. If additional water is available, such water may be sold for other beneficial uses. Metropolitan serves its member agencies as a water wholesaler and has no retail customers.

The mission of Metropolitan, as promulgated by the Board, 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.

Metropolitan's charges for water sales and availability are fixed by its Board, and are not subject to regulation or approval by the California Public Utilities Commission or any other state or federal agency. Metropolitan imports water from two principal sources: northern California via the Edmund G. Brown California Aqueduct (the "California Aqueduct") of the State Water Project owned by the State of California (the "State" or "California") and the Colorado River via the Colorado River Aqueduct (CRA) owned by Metropolitan.

Member Agencies

Metropolitan is comprised of 26 member public agencies, including 14 cities, 11 municipal water districts, and one county water authority, which collectively serve the residents and businesses of more than 300 cities and numerous unincorporated communities. Member agencies request water from Metropolitan at various delivery points within Metropolitan's system and pay for such water at uniform rates established by the Board for each class of water service. Metropolitan's water is a supplemental supply for its member agencies, most of whom have other sources of water.

Service Area

Metropolitan's service area comprises approximately 5,200 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. When Metropolitan began delivering water in 1941, its service area consisted of approximately 625 square miles. Its service area has increased by over 4,500 square miles since that time. The expansion was primarily the result of annexation of the service area of additional member agencies.

Metropolitan estimates that approximately 18.4 million people lived in Metropolitan's service area in 2013, based on official estimates from the California Department of Finance and on population distribution estimates from the Southern California Association of Governments (SCAG) and the San Diego Association of Governments (SANDAG). Population projections prepared by SCAG in 2012 and SANDAG in 2010, as part of their planning process to update regional transportation and land use plans, show expected population growth of about 18 percent in Metropolitan's service area between 2010 and 2035. The 2010 Census population estimates are incorporated into SCAG's 2012 projections. The 2010 SANDAG regional growth projections do not incorporate the 2010 Census population estimates. The economy of Metropolitan's

service area is exceptionally diverse. In 2012, the economy of the six counties which contain Metropolitan's service area had a gross domestic product larger than all but fifteen nations of the world. Metropolitan has historically provided between 40 and 60 percent of the water used annually within its service area.

The climate in Metropolitan's service area ranges from moderate temperatures throughout the year in the coastal areas to hot and dry summers in the inland areas. Annual rainfall in an average year has historically been approximately 13 to 15 inches along the coastal area, up to 20 inches in foothill areas and less than 10 inches inland.

Governance and Management

Board of Directors

Metropolitan is governed by a 37-member Board of Directors. Each member public agency is entitled to have at least one representative on the Board, plus an additional representative for each full five percent of the total assessed valuation of property within Metropolitan's service area. Changes in relative assessed valuation do not terminate any director's term. Accordingly, the Board may, from time to time, have more than 37 directors.

The Board includes business, professional, and civic leaders. Directors serve on the Board without compensation from Metropolitan. Voting is based on assessed valuation, with each member agency being entitled to cast one vote for each \$10 million or major fractional part of \$10 million of assessed valuation of property within the member agency, as shown by the assessment records of the county in which the member agency is located. The Board administers its policies through the Metropolitan Water District Administrative Code (the "Administrative Code"), which was adopted by the Board in 1977. The Administrative Code is periodically amended to reflect new policies or changes in existing policies that occur from time to time.

Management

Metropolitan's day-to-day management is under the direction of its General Manager, who serves at the pleasure of the Board, as do Metropolitan's General Counsel, General Auditor, and Ethics Officer.

Selected Demographic and Economic Information for Metropolitan's Service Area

The map on page 71 shows the area served by Metropolitan. It includes parts of six of the ten counties that comprise Southern California. The area served by Metropolitan represents the most densely populated and heavily industrialized portions of Southern California.

The economy of the area served by Metropolitan is generally described in terms of data for the six-county area (Six County Area) consisting of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura counties. Although these counties comprise Metropolitan's service area, Metropolitan's territory does not encompass all of the area within each of the six counties. In 2012, the economy of the Six County Area was larger than all but fifteen nations of the world. The Six County Area economy ranked between South Korea (\$1.13 trillion) and Indonesia (\$878 billion), with an estimated gross domestic product (GDP) of just under \$1.1 trillion. The Six County Area's gross domestic product in 2012 was larger than all states except California, Texas, and New York.

Background and Service Area Economy

Table 15. Ranking of Areas by Gross Domestic Product*

	(Dollars in Billions) 2012
United States	\$16,245
China	8,358
Japan	5,960
Germany	3,400
France	2,613
United Kingdom	2,435
Brazil	2,253
Russian Federation	2,015
Italy	2,013
California	2,003
India	1,842
Canada	1,821
Australia	1,521
Spain	1,349
Texas	1,397
New York	1,206
Mexico	1,178
South Korea	1,130
Six County Area	1,096
Indonesia	878

* Source: Countries – World Bank; U.S – Bureau of Economic Analysis; California and Six County Area – U.S. Department of Commerce

Summary of Recent Trends and Outlook for the Six County Area Economy

The national economy has expanded since 2009, although at growth rates below the historical average for economic recoveries. Private sector nonfarm wage and salary jobs reached a milestone in March 2014 surpassing the pre-recession peak level including a gain of over 600,000 manufacturing jobs and 500,000 construction jobs. The unemployment rate in the nation has declined from near 9.8 percent in November 2010 to 6.3 percent in April 2014.

Housing starts and new permits have reached levels last seen in mid-2008 as the number of foreclosures has declined and housing prices are rising in most parts of the country. Consumer price increases remain below 2 percent and the Federal Reserve Bank has pledged to keep interest rate targets low even after the unemployment falls below 6.5 percent, while the Bank has started reducing asset purchases by \$10 billion each month so far in 2014.

Most economic forecasts for 2014 expect continued moderate job growth and positive but moderate GDP growth increasing toward the later part of the year.

The Six County Area economy is growing again. The Six County Area outpaced the nation in job growth in 2013 and for the 12 months ending in April 2014 posted a gain of 2.4 percent compared to the 1.7 percent national job growth rate. Unemployment rates fell throughout the Six County Area while income, taxable sales, assessed valuation, and housing prices rose. Total income surpassed pre-recession levels in 2012 and taxable sales will surpass pre-recession levels in 2013. Residential building permits were up 33 percent in 2013 while nonresidential permit valuations rose by 14 percent.

Still, major indicators including job levels and unemployment rates show that the Six County Area economy underperformed the state and nation for the period from 2007 through 2013 because the economy performed worse than

the nation during the recession years. The Six County Area has recovered approximately 82 percent of the jobs lost during the recession as of April 2014.

Population growth in the Six County Area since 2010 has exceeded the national average according to both the California Department of Finance (DOF) estimates and those published by the Census Bureau. However, population growth in California and the Six County Area has been slowing since 2000 compared with previous decades. The Six County Area added nearly 1.2 million residents between 2000 and 2005, but only an additional 583,000 residents in the next five years. Population growth slowed after 2005 as high housing prices and large job losses contributed to larger levels of out-migration to other areas of California and other states.

Long-term job growth is driven by the Six County Area's economic base—those sectors that sell most of their goods and services in national and world markets outside of the Six County Area. Recent projections by the Center for Continuing Study of the California Economy (CCSCE), the Southern California Association of Governments (SCAG) and the San Diego Association of Governments (SANDAG) report that the Six County Area will see job growth that slightly exceeds the national average during the next 10 to 30 years, led by gains in Professional and Business Services, Wholesale Trade and Tourism and Entertainment.

Population projections for 2035 were adopted by SCAG in April 2012 and by SANDAG in October 2011 as part of their planning process to update regional transportation and land use plans. These projections show expected population growth of approximately 4.8 million for the Six County Area, an increase of 23 percent between 2010 and 2035.

The long-term demand for housing based on job and population growth remains well above current levels according to projections from SCAG, SANDAG and CCSCE.

Recent Six County Area Job Growth Trends

The Six County Area experienced a loss of more than 740,000 jobs between 2007 and 2010, as reported by the California Employment Development Department (EDD) and a loss of over 800,000 jobs from the peak month of July 2007 through March 2010 (Table 15). Job losses occurred in all five metropolitan areas in the Six County Area. The Six County Area experienced sharp declines in the level of residential and nonresidential construction during the past five years. (see “Construction Activity” and “Nonresidential Construction” below) As a result, job losses in construction-related industries were large relative to job losses in these industries nationally and are the major explanation of why job losses and unemployment in the Six County Area exceeded those in the nation.

The Six County Area recorded job gains in 2011, 2012 and 2013 and by April 2014 had recovered 656,900 of the previous job losses. Year-over-year job gains are continuing into 2014, and between April 2013 and April 2014 ranged from a high of 2.4 percent in the Riverside-San Bernardino metro area to a low of 1.9 percent in Orange County. Job growth for the entire Six County Area was 182,600 jobs or a gain of 2.2 percent compared to a 1.7 percent increase in jobs for the nation.

Job growth was aided by gains in foreign trade, tourism and professional services, as well as a rebound in construction and related sectors and continuing growth in health care and food services.

Table 15. Recent Employment Trends (Non-Farm Wage and Salary Jobs in Thousands)

	2007	2010	2012	2013	Apr 13	Apr 14	Apr 13-14 % Change
Los Angeles	4,227.4	3,888.4	4,006.9	4,112.6	4,091.6	4,182.9	2.2%
Orange	1,521.0	1,366.0	1,418.1	1,454.2	1,448.8	1,475.7	1.9%
Riverside-San Bernardino	1,286.0	1,144.2	1,179.2	1,226.4	1,222.5	1,252.1	2.4%
San Diego	1,319.7	1,236.4	1,279.5	1,312.0	1,308.8	1,337.8	2.2%
Ventura	297.8	274.6	281.3	286.6	285.5	291.3	2.0%
Total Six County Area	8,651.9	7,909.6	8,165.0	8,391.8	8,357.2	8,539.8	2.2%

Source: California Employment Development Department

The large job losses in 2008 and 2009 resulted in a sharp rise in unemployment rates throughout the Six County Area between 2006 and 2010.

Unemployment rates in the Six County Area are now declining but remain above the national unemployment rate, except for Orange County, and all metro areas remain far above the unemployment rates in 2006.

In April 2014, unemployment rates ranged from a low of 5.0 percent in Orange County to a high of 8.3 percent in Riverside and San Bernardino counties. Between April 2013 and April 2014, unemployment rates in California and the Six County Area declined substantially. In April 2014, the state unemployment rate was 7.8 percent compared to the U.S. rate of 6.3 percent.

Background and Service Area Economy

Table 16. Unemployment Rates

	1993	2000	2006	2010	2012	2013	Apr 13	Apr 14
Los Angeles County	10.0%	5.4%	4.8%	12.6%	10.9%	9.9%	9.3%	7.6%
Orange County	6.9%	3.5%	3.4%	9.5%	7.6%	6.2%	5.7%	5.0%
Riverside County	12.2%	5.4%	5.0%	14.5%	12.1%	10.3%	9.6%	8.3%
San Bernardino County	10.0%	4.8%	4.8%	14.2%	11.9%	10.3%	9.6%	8.3%
San Diego County	7.9%	3.9%	4.0%	10.5%	8.9%	7.5%	7.0%	6.0%
Ventura County	9.1%	4.5%	4.3%	10.8%	9.1%	7.8%	6.9%	6.1%
United States	6.9%	4.0%	4.6%	9.6%	8.1%	7.4%	7.5%	6.3%
State of California	9.5%	4.9%	4.9%	12.4%	10.4%	8.9%	9.1%	7.8%

Source: U.S. Bureau of Labor Statistics and EDD; U.S. and California estimates for March are seasonally adjusted.

The Six County Area moved from substantial job losses on a monthly basis to a period of stability in job levels and finally accelerating job growth over the past 2 years (Table 16). The Six County Area is outpacing the nation in job growth since the beginning of 2013 although job levels and unemployment rates have not recovered the pre-recession levels. By April 2014, job levels had returned to the level in August 2008 but remained 146,400 jobs below the pre-recession peak level in July 2007.

Construction Activity

Residential building permit levels in the Six County Area declined sharply after 2004. Between 2004 and 2009, permit levels fell by 84 percent from 108,322 to 17,932 units. Permit levels have rebounded since 2009 reaching 45,341 in 2013. Permit levels declined for the first three months of 2014, as shown below, but the decline is expected to be temporary. Since 2011, more than half of all new permits have been for multi-family residential building. Projected long-term job and population growth will support a much higher level of residential construction than is currently occurring.

Table 17. Residential Building Permits

	2004	2009	2012	2013	Jan-Mar 2013	Jan-Mar 2014
Los Angeles County	26,395	5,653	11,715	16,547	4,851	4,795
Orange County	9,322	2,200	6,163	10,038	2,919	1,889
Riverside County	34,226	4,190	7,629	6,086	1,407	1,183
San Bernardino County	18,470	2,495	1,810	3,269	803	358
San Diego County	17,306	2,990	6,419	8,448	1,733	1,620
Ventura County	2,603	404	322	953	142	136
Total Six County Area	108,322	17,932	34,058	45,341	11,855	9,981

Source: Construction Industry Research Board and California Homebuilding Foundation

Housing Trends in the Six County Area Economy

The housing market recovery that began in 2012 continued and strengthened in 2013 in the Six County Area. Housing prices increased, the number of new residential building permits rose and the number of new foreclosure filings declined. Mortgage rates increased in 2013 but remain near historic lows and the number of homes in the unsold inventory is low by historic standards according to the California Association of Realtors (CAR). These signs combined with expected job growth point to a continued strengthening in the housing market in 2014 and beyond.

Median resale housing prices in Six County Area markets were near 2003 levels at the lowest recent levels in March 2009. Median prices fluctuated in a narrow range until the summer of 2012 and then began a rebound that has continued into 2014. In April 2014, median prices throughout the Six County Area were near the top of the recent range with increases of

between 32 percent and 45 percent since April 2012. CAR reported that the share of distressed properties declined from 37.3 percent of total sales in September 2012 to 12.4 percent in March 2014. The Case Shiller home price index, which eliminates the effect of changes in the mix of housing, increased for the 24th straight month for the Los Angeles and San Diego regional markets in February 2014 gaining 35.0 percent in the Los Angeles market area and 32.1 percent in the San Diego market area during this period.

Nonresidential Construction

Nonresidential construction throughout the Six County Area peaked at \$11.3 billion in 2007. Between 2007 and 2009, nonresidential construction declined by more than 50 percent to a 2009 level of \$5.1 billion. The Six County Area is experiencing a rebound in nonresidential permit levels since 2009. Permit levels reached \$8.7 billion in 2013 and are up 22 percent in the first three months of 2014 although still below 2007 levels.

Background and Service Area Economy

Table 18. Total Nonresidential Construction Permit Valuation (Dollars in Billions)

	2000	2007	2009	2012	2013	Jan-Mar 201X	Jan-Mar 201X
Los Angeles County	\$3.3	\$4.7	\$2.7	\$3.7	\$4.2	\$1.2	\$1.4
Orange County	1.8	2.0	1.0	1.3	1.5	0.3	0.4
Riverside County	0.8	1.5	0.4	0.7	0.8	0.2	0.2
San Bernardino County	0.8	1.4	0.3	0.6	0.7	0.4	\
San Diego County	1.4	1.4	0.6	1.2	1.4	0.2	0.5
Ventura County	0.3	0.3	0.2	0.1	0.1	0.0	0.0
Total Six County Area	\$8.4	\$11.3	\$5.1	\$7.6	\$8.7	\$2.3	\$2.8

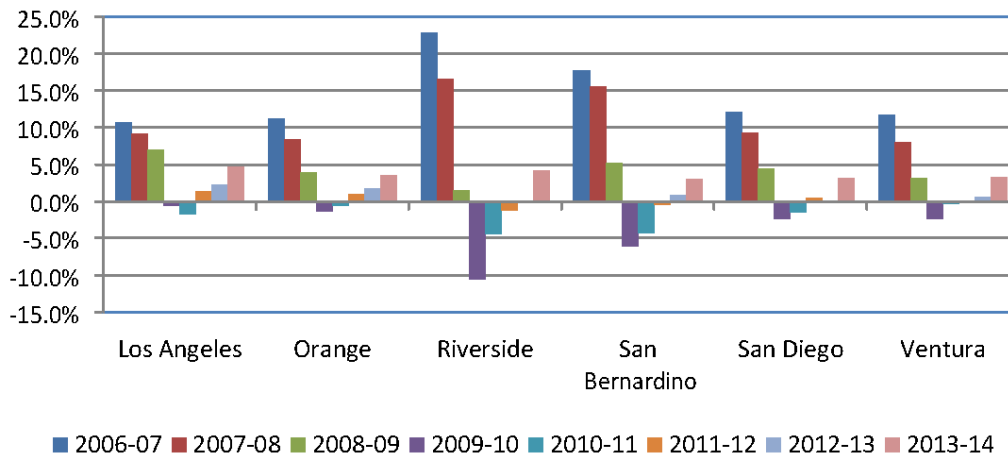
Source: Construction Industry Research Board and California Homebuilding Foundation

Assessed Valuation

The downturn in residential and nonresidential construction led to a sharp decline in the rate of growth in assessed valuation throughout the Six County Area with some counties experiencing an actual decline in the assessed

value of properties. These declines were another source of fiscal pressure on local communities throughout the Six County Area in recent years. Assessed values rebounded for 2013-14 with gains ranging from 3.0 percent in San Bernardino County to 4.7 percent in Los Angeles County.

Figure 19 Change in Assessed Valuations



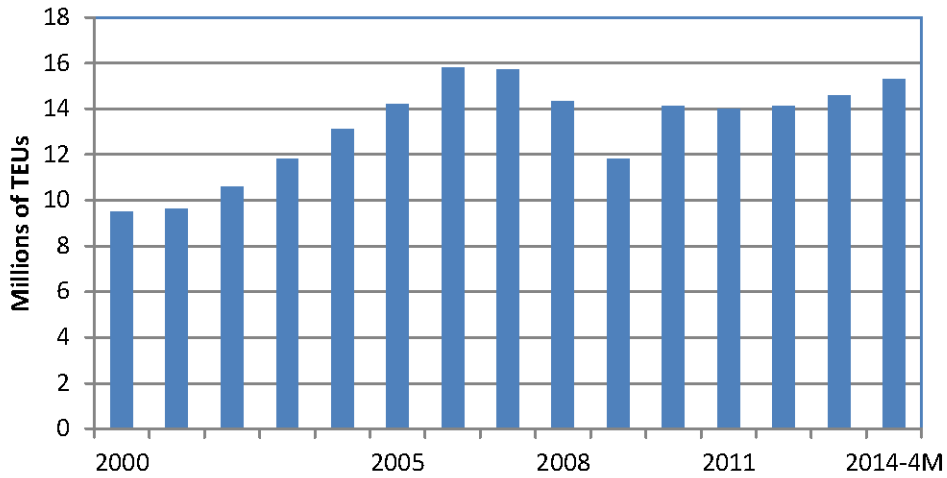
Source: California Board of Equalization

International Trade

The recession led to a decline in the dollar volume and physical volume of international trade in the Six County Area in 2008 and 2009. Container volumes increased by 19 percent in 2010 led by record volumes of export shipments.

Total container volumes were level in 2011 and 2012 as a result of slow U.S. economic growth and slowing growth around the world. Container volumes were up 3.4 percent in 2013 and up 4.9 percent the first four months of 2014 led by strong export growth.

Figure 20 Container Shipments (Los Angeles and Long Beach Ports)



Source: Ports of Los Angeles and Long Beach

Over the longer term, international trade has been a leading growth sector in the Six County Area. Container volume rose 48 percent between 2000 and 2012 despite the large drop in 2008 and 2009. This growth supports jobs and economic activity in the transportation, wholesale trade and warehousing industries as the Six County Area is a gateway for U.S. trade with Pacific Rim countries.

The Los Angeles and Long Beach ports are the nation’s leading port complex in terms of trade volume, the eighth largest port complex in the world and the largest outside of Asia. The area’s ports handle 50 percent of the nation’s trade with China. China is by far the largest trading partner for these ports with \$212 billion in two-way trade in 2012, up 1.8 percent from 2011, with the dominant portion related to imports from China. The next largest trading partner is Japan (\$68 billion) followed by South

Korea, Taiwan and Thailand. Mexico is by far the largest trading partner in the San Diego Customs District.

Long-term growth in the United States and in our trading partners will boost international trade levels of activity in the coming years. California exports surpassed pre-recession levels in June 2011 and have continued to post record levels. The Six County Area’s largest trading partners include some of the world’s fastest growing economies such as China. In 2012, a major free trade agreement was signed between the United States and South Korea.

The LAEDC International Trade report in May 2013 cited progress on a number of infrastructure projects to expand port capacity with more than \$6 billion being invested in current upgrades. The report also cited long-term challenges including competition from the

Panama Canal expansion and from other west-coast ports. Another concern is with handling the increased volume of trade after it arrives at the port. Major initiatives to relieve congestion near the port are underway and additional projects are under discussion.

Income and Wages

Counties in the Six County Area have income and wage levels that range from below the national average to above the national average. Orange and Ventura counties have the highest household income levels within the Six County Area. Los Angeles and Orange counties have the highest wage levels, well above the national average. San Diego County income and wage levels are also above the national average. Riverside and San Bernardino counties have per capita income and wage levels that are below the

national average. Median household income is above the national average in each of the counties in the Six County Area.

Per capita income and median household income measures are affected by demographic trends. Per capita income measures in the region are pushed downward by the above average percent of children in the Six County Area population compared to the national average, while median household income measures are pushed upward by the above average number of wage earners per household in the Six County Area. Income and wage trends in the Six County Area have been comparable to national trends since 2000.

The table below shows per capita income, median household income and wage levels for each of the counties in the Six County Area, as well as for California and the United States, in 2012.

Table 19. Income and Wages

	Per Capita Income (2012)	Median Household Income (2012)	Average Wage (2012)
Los Angeles County	\$44,474	\$53,001	\$55,506
Orange County	52,342	71,983	55,363
Riverside County	31,742	52,651	39,105
San Bernardino County	32,072	50,770	41,227
San Diego County	49,719	60,330	54,022
Ventura County	48,837	71,517	50,258
California	46,477	58,328	56,784
United States	43,735	51,371	49,289

Source: Per Capita Income–U.S. Department of Commerce and CCSCE; Median Household Income–U.S. Census Bureau (American Community Survey); Average Wage–U.S. Bureau of Labor Statistics

Population

Population growth in California and the Six County Area has been slowing since 2000 compared with previous decades. In December 2010, the Census Bureau released 2010 Census estimates of population by state. The Census Bureau estimate for California was 37.3 million, which was 1.5 million lower than the DOF estimate for 2010. The 2010 population estimates for counties in the Six County Area was 960,000 below the DOF estimate for 2010. Population growth averaged 174,100 per year between 2000 and 2010 compared to 219,300 between 1990 and 2000.

The Six County Area added nearly 1.2 million residents between 2000 and 2005 but only an additional 588,000 residents in the next five years. Population growth slowed after 2005 as high housing prices and large job losses contributed to larger levels of out-migration to other areas of California and other states.

Population growth continued at a historically slow pace between 2010 and 2013 according to the DOF estimates, averaging 163,000 per year. The Six County Area had 21.5 million residents in 2013, approximately 56 percent of the State’s population.

Table 20. Six County Area Population (in Thousands)

	1990	2000	2005	2010	2011	2012	2013
Los Angeles County	8,860	9,544	9,810	9,825	9,861	9,945	10,020
Orange County	2,412	2,854	2,957	3,017	3,047	3,075	3,105
Riverside County	1,188	1,557	1,935	2,192	2,221	2,250	2,268
San Bernardino County	1,432	1,719	1,943	2,039	2,053	2,064	2,076
San Diego County	2,505	2,828	2,970	3,103	3,125	3,154	3,182
Ventura County	669	757	797	825	830	833	840
Total Six County Area	17,066	19,259	20,412	21,001	21,137	21,321	21,491

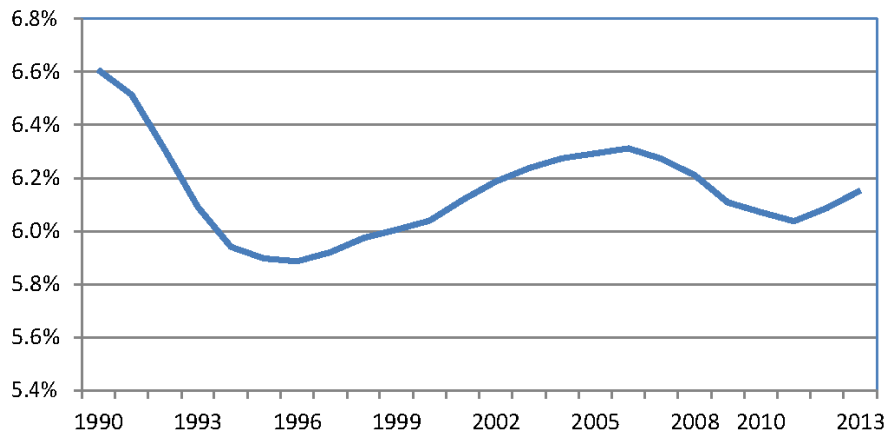
Source: California Department of Finance as of July 1

Economic Structure of the Six County Area and Long-Term Prospects

The Six County Area experienced a decline in the share of U.S. jobs between 2007 and 2011 driven by large losses in construction related jobs. Since 2011, the Six County Area share of national jobs has remained constant. The pattern of larger percentage job losses compared to the nation mirrors the experience of the early 1990s when aerospace jobs declined sharply and the

Six County Area share of U.S. non-farm wage and salary jobs fell from 6.6 percent to a low of 5.9 percent. From 1994 to 2007, the Six County Area experienced job growth that slightly exceeded the national average and brought the Six County Area’s job share back to 6.3 percent. The recent recession brought the Six County Area’s job share down to 6.0 percent in 2011 but recent job growth brought the Six County Area share back to near 6.2 percent in 2013.

Figure 21 Six County Share of U.S. Jobs



Sources: California Employment Development Department, Bureau of Labor Statistics, U.S. Dept. of Labor, CCSCE

In 2013 Education and Health Services was the largest major industry sector in the Six County Area measured by jobs, with approximately 1.3 million jobs or 15 percent of the Six County Area total.

The next largest sectors in October 2013 were Professional and Business Services and Government followed by Leisure and Hospitality, Retail Trade and Manufacturing.

Two sectors accounted for most of the job growth since 2000: Educational and Health Services and Leisure and Hospitality. Six County Area job levels in 2013 remained below 2007 levels as a result of large losses in Construction, Manufacturing and related sectors and smaller losses in other sectors. Between 2010 and 2013, the Six County Area added nearly 500,000 jobs.

Background and Service Area Economy

Table 21. . Six County Area Employment by Major Sector (Jobs in Thousands)

	2000	2007	2010	2013	Change 2000- 2013	Change 2007- 2013
Farm	67.7	63.8	59.8	60.6	-7.1	-3.2
Natural Resources and Mining	6.3	7.8	7.2	7.9	1.6	0.1
Construction	373.8	479.0	298.8	336.7	-37.1	-142.3
Manufacturing	1,113.3	888.6	733.1	735.6	-377.7	-153.0
Wholesale Trade	385.2	429.2	381.6	410.1	24.9	-19.1
Retail Trade	834.5	948.5	849.4	895.7	61.2	-52.8
Transportation, Warehousing and Utilities	286.8	298.9	275.6	296.4	9.6	-2.5
Information	343.3	293.5	260.5	263.2	-80.1	-30.3
Financial Activities	448.3	524.3	441.5	456.6	8.3	-67.7
Professional and Business Services	1,171.9	1,285.5	1,136.9	1,246.2	74.3	-39.3
Educational and Health Services	828.1	1,060.2	1,150.9	1,295.6	467.5	235.4
Leisure and Hospitality	740.4	897.2	861.0	961.9	221.5	64.7
Other Services	271.0	293.9	272.4	290.6	19.6	-3.3
Government	1,170.9	1,245.8	1,240.8	1,195.6	24.7	-50.2
Total Wage and Salary Jobs	8,041.5	8,716.2	7,969.5	8,452.7	411.2	-263.5

Source: California Employment Development Department (EDD)

Long-term job growth is driven by the Six County Area's economic base—those sectors that sell most of their goods and services in national and world markets outside of the Six County Area. Recent projections by CCSCE, SCAG and SANDAG report that the Six County Area will see job growth that slightly exceeds the national average during the next 10 to 30 years, led by gains in Professional and Business Services, Wholesale Trade, Information and the tourism component of Leisure and Hospitality.

The Six County Area economy has an economic base that is diversified and well positioned to participate in U.S. and world economic growth over the next ten years. Job levels are expected to grow in the high-wage and fast-growing professional, scientific, technical and information services sectors, which include

architecture, design, computer, research and development, advertising, legal, accounting, and Internet-related and management services. Other fast-growing sectors over the next ten years include entertainment and tourism industries and health care.

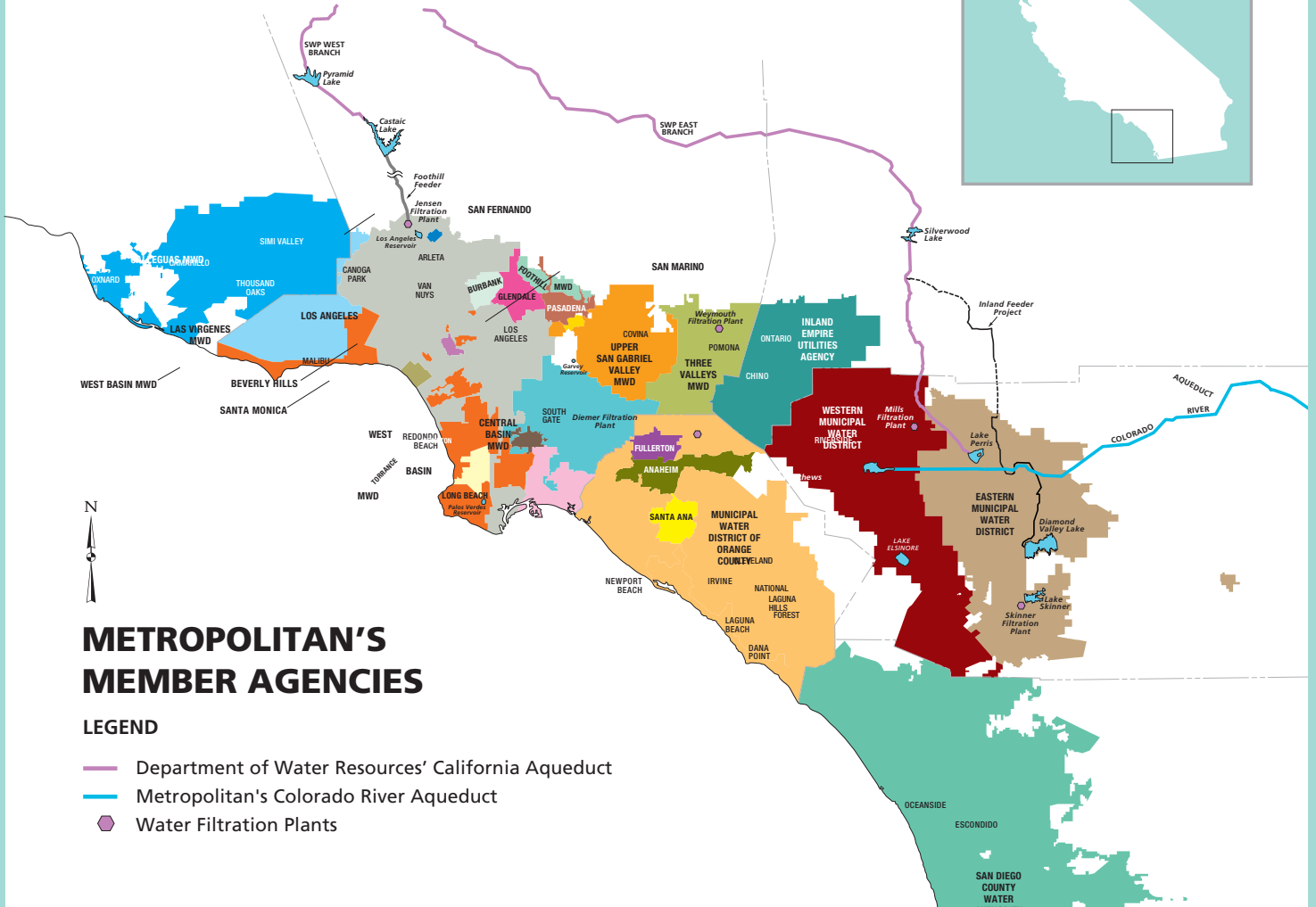
The Six County Area has an above-average share of four additional fast-growing sectors—Wholesale Trade and Transportation, tied to the area's projected growth in foreign trade; Information, which includes motion pictures; and the tourism component of Leisure and Hospitality, tied to growth in disposable income in the U.S. and worldwide.

The motion picture and tourism sectors are two major components of the Six County Area economic base. Film LA reports two major trends for the industry in recent years. The

number of production days increased in 2010, 2011, 2012 and 2013 offsetting most of the losses during the recession. However, the mix of production days has changed with long-term losses in the production of major feature films and TV drama series offset by larger gains in commercials, other kinds of TV filming and web-based and reality shows, which according to Film LA have lower dollar values per production day of activity. California approved a \$500 million tax credit program that has resulted in small increases in feature film production and is now considering extending and increasing the program. Many states are considering the merits of these incentive programs and whether to expand the incentives, reduce them or keep them the same.

California and the Six County Area are experiencing growth in both domestic and foreign visitors. Hotel rates and occupancy are increasing in the Six County and the same is true for employment in the hotel and amusement park sectors. Foreign travel to the region is outpacing domestic travel with large gains in visitors from China and India.

The positives for long-term economic growth include the strength of the region as a center for knowledge-based and creative activities and international trade, tourism and investment with the Pacific Rim. For example, the Six County Area does not have a large number of automotive industry production jobs, but nearly all large worldwide auto companies have a major design studio in the Six County Area.

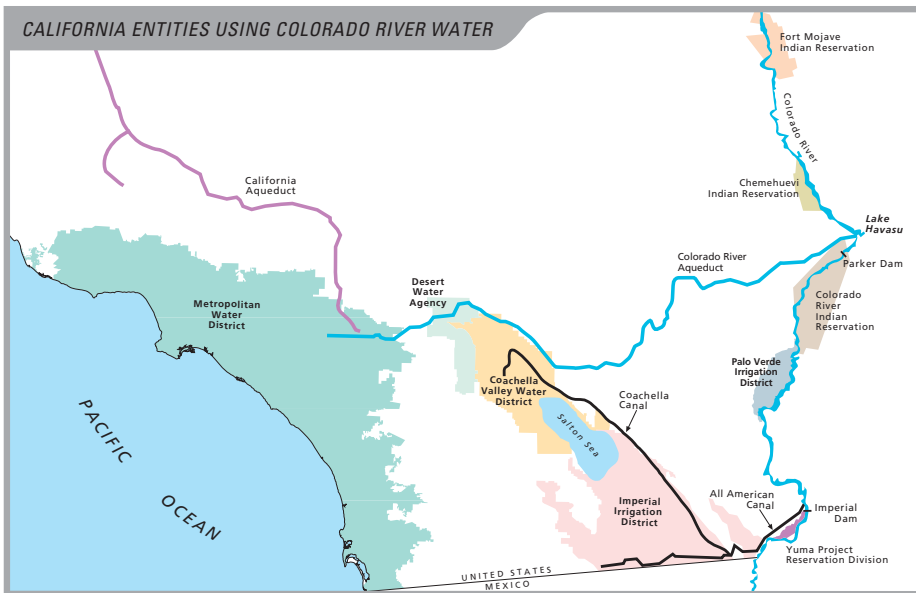


METROPOLITAN'S MEMBER AGENCIES

LEGEND

- Department of Water Resources' California Aqueduct
- Metropolitan's Colorado River Aqueduct
- Water Filtration Plants

CALIFORNIA ENTITIES USING COLORADO RIVER WATER



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Performance Measures

Performance Measure	Measurement Intent	FY 12/13 Performance	FY 13/14 Performance*	Target
Delta Milestones	Monitor progress toward implementation of Delta Habitat Conservation Plan.	95%	95%	90%
	Completion of a project finance and cost allocation plan.	95%	95%	100%
	Actions toward achieving emergency response and other short-term Delta solutions.	93%	95%	100%
Credit Rating	Enable Metropolitan to access capital markets at the lowest borrowing cost.	Moody's – Aa1 S&P – AAA Fitch – AA+	Moody's – Aa1 S&P – AAA Fitch – AA+	AA, Aa2 or better
Maintain Reserve Balances	Ensure financial strength by managing reserves to within Board-established policy.	\$466.0 M	\$859.5 M	≥ \$231.7 M
High Performance Workplace	Assess workplace climate as a means of identifying potential improvements.	-	Survey complete-Analysis underway	≥ 63%
Public and Media Awareness	Monitor awareness of critical water issues to gauge effectiveness of outreach efforts as a percent of organizations reached with Metropolitan's message.	Media - 89%; Legislative - 104%	Media - 96%; Legislative - 162%	≥85%
Implement Legislative Strategy	Measure passage of Metropolitan-supported legislation as a measure of the effectiveness of efforts in support of water policy issues.	86%	88%	≥85%
Member Agency Service Satisfaction	Monitor Member Agency Service Level Satisfaction Index as an indicator of value of Metropolitan services to our customers.	66%	63%	≥ 80% (rating of "5" or better)
Unexpected Outages	Monitor water system maintenance and operations reliability to ensure uninterrupted water service.	4	3	0
Meet All Scheduled Water Deliveries	Monitor reliability of water delivery as an indicator of effectiveness of maintenance activities and replacement and improvement projects.	100%	100%	100%

Performance Measures

Performance Measure	Measurement Intent	FY 12/13 Performance	FY 13/14 Performance*	Target
Prioritize Maintenance	Optimize maintenance processes to ensure timely completion of preventative maintenance (PM) work.	83.2%	91.0%	> 90% of all PMs > 99% of regulatory PMs
CRA Power	Secure economical power for CRA pumping needs.	100%	100%	100%
Electrical Reliability	Meet electrical reliability standards to pass all annual audits and inspections.	100%	100%	100%
Aqueduct Readiness	Maintain eight-pump flow readiness to ensure conveyance reliability	1,775 cfs	1,775 cfs	One stable test at eight-pump flow (1,750 cfs) annually.
Hydropower Generation	Optimize hydropower generation by minimizing power revenues lost to forced outages.	5.0%	6.6%	< 5% of power revenue lost
Cap and Trade	Develop procurement strategy for Cap-and-Trade allowances.	TBD	TBD	New Measure
Emergency Preparedness	Prepare for emergencies by conducting three emergency response exercises at all operational units annually.	25	27	≥ 27/yr
O&M Training	Ensure O&M employees complete training in accordance with training plans	85%	84%	≥ 90%
Apprenticeship Program	Ensure sufficient apprentices graduate to meet O&M needs.	9	0**	≥15 graduates annually
Compliance with Drinking Water Standards	Ensure that all state, federal, and local water quality standards are met or exceeded.	100%	100%	100%
Total Dissolved Solids (TDS) mg/l	Monitor water quality compliance with the Board of Directors' salinity goals.	458 mg/l	529 mg/l	≤ 500 mg/l
Water Quality Satisfaction	Strive to minimize the number of customer complaints reported from member agencies as an indicator of overall water quality satisfaction.	5	0	< 10 complaints annually
Water Quality Regulatory Process	Actively engage in providing written comments on all applicable water quality regulations and public health determinations.	100%	100%	100%

Performance Measures

Performance Measure	Measurement Intent	FY 12/13 Performance	FY 13/14 Performance*	Target
Source Water Quality	Actively protect source water quality by engaging stakeholders on each recommendation from the 2012 Colorado River sanitary survey.	70%	85%	75%
Environmental Compliance	Ensure compliance with all environmental permit requirements.	98.7%	98.5%	100%
Worker Safety	Ensure worker safety by enacting practices that minimize the injury/illness rate.	4.89	3.92	< 6.9 incidents/year/100 employees
Dry Year Storage	Maintain sufficient water in storage to withstand drought conditions.	2.74 MAF	2.4 MAF	≥ 2.3 MAF and ≤ 2.6 MAF
Resource Program Efficiency	Ensure timely payment of program invoices.	100%	100%	100%
Local Resource Program Efficiency	Ensure compliance with program requirements by obtaining member agency LRP certifications within six months of LRP production.	100%	100%	100%
Final Design Efficiency	Ensure costs are compatible with industry standards of similar agencies by measuring for cost efficiency and value-added features.	15.2%	16.9%	9% - 12% (Const. Costs > \$3 M)
		11.8%	13.2%	9% - 15% (Const. Costs ≤ \$3 M)
Construction Inspection Efficiency	Ensure that capital projects are completed on time, on budget, meet specifications, and meet customer needs at the lowest possible cost.	14%	12.0%	9% - 12% (Const. Costs > \$3 M)
		11.8%	13.4%	9% - 15% (Const. Costs ≤ \$3 M)
Completion of OPT Committee Milestones	Establish and meet expectations set by the Operations & Personnel Committee.	92%	88%	100%
Number of Leases Negotiated at or above FMV	Monitor number of existing leases and new leases negotiated at or above Fair Market Value.	93%	100%	100%
Revenue Generated from Real Property Activities	Track total revenue generated from all real property activities including but not limited to permits, licenses, leases, easements or other use fees.	\$7.9 M	\$5.0 M	\$7.2 M

Performance Measures

Performance Measure	Measurement Intent	FY 12/13 Performance	FY 13/14 Performance*	Target
Departmental O&M Budget Performance	Demonstrate financial control and accountability.	93.2%	97.7%	≤ 100%
Fixed Charge Coverage	Demonstrate sufficiency of revenues to cover fixed charges.	1.83	2.2	≥ 1.2
Significant External Audit Findings	Assess the quality of accounting processes and controls.	0	0	0

* Actual performance through March 2014.

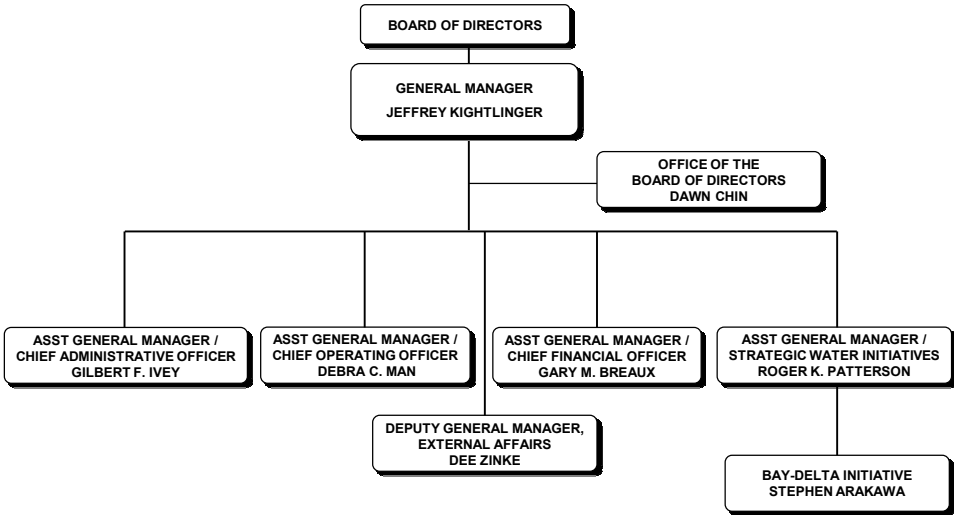
**Program length does not allow for any graduates for FY 2014.

Office of the General Manager

MISSION, ROLES, AND RESPONSIBILITIES

The Office of the General Manager is responsible for the management and administration of all Metropolitan activities except those functions specifically delegated by statutes and Board order to the General Counsel, General Auditor, or Ethics Officer. This includes the management of all matters

pertaining to the business of the Board and research on actions and policies of the Board by staff for directors, member agencies, and the public. The General Manager’s Business Plan outlines the strategic priorities that this office will focus on for the period covered by the biennial budget.



BUDGET ISSUES AND CONSTRAINTS

The General Manager’s Business Plan outlines the strategies that this office will use to accomplish the strategic and core priorities of

Metropolitan. The budget includes modest increases to promote key initiatives related to Bay Delta and Colorado River supplies.

Office of the General Manager

Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	11,739,400	12,854,200	14,482,400	14,676,600	1,628,200	194,200
% Change	—	—	—	—	12.7%	1.3%
Capital	0	215,200	0	0	(215,200)	0
% Change	—	—	—	—	(100.0%)	0.0%
Totals	11,739,400	13,069,400	14,482,400	14,676,600	1,413,000	194,200
% Change	—	—	—	—	10.8%	1.3%
Regular	36	40	41	41	1	0
Temporary	1	1	1	1	0	0
Total Personnel	37	41	42	42	1	0

Note – Totals may not foot due to rounding.

Program Expenditure Comparison



2013/14 ACCOMPLISHMENTS

Inspection Trips

Conducted 63 director-sponsored inspection trips with approximately 2,400 participants.

Board of Directors

Maintained open communication and accessibility between directors and executive staff.

Provided ongoing support for committee chairs and vice chairs to support the effectiveness of Board committees.

Bay Delta Initiatives

Continued working with key parties, including state and federal agencies, and other interests in the formulation of a public draft Bay Delta Conservation Plan (BDCP), which is targeted for release in June 2014.

Coordinated with other State Water Contractors and supported other Delta near-term activities, including Lower Yolo Restoration Project Environmental Impact Report, Tule Red property interests, and continued turbidity forecasting for the Delta Smelt.

Other accomplishments are noted within the respective groups.

OBJECTIVES FOR 2014/15 AND 2015/16

The Office of the General Manager will provide overall leadership and management of Metropolitan's mission. The General Manager's Business Plan outlines five strategic priorities to support the mission; they are:

Strategic Priority #1: Complete the Bay Delta Conservation Plan (BDCP) and the associated Environmental Impact Report/Statement

During Fiscal Year 2014/15, the goal will be to complete the environmental documentation and necessary financing agreements so that Metropolitan's Board of Directors can make a

sound business decision on participation in and implementation of a BDCP.

Interim steps in this process that will be completed during this time period include organizing and developing procedures and structures to handle the mechanics and logistics of managing a mega-construction project including but not limited to: establishing and staffing a construction office; developing appropriate specifications for equipment procurement, design and construction; establishing procedures for land acquisition and habitat development; creating approaches for interim and long-term project financing; and preparing all necessary permitting documentation.

In addition, staff will continue near-term efforts to provide greater reliability of State Water Project supplies. These actions include identifying and pursuing early-action habitat projects that satisfy current permit obligations that will also be compatible with the BDCP. Staff will also pursue implementation of new management techniques for species in the Delta including development of new models for species life cycles, turbidity monitoring and other approaches all designed to lead to better management of water supplies while enhancing protection for endangered species.

Finally, staff will work on implementation of the Delta Flood Emergency Preparedness, Response and Recovery Plan in the event of a catastrophic interruption of water supplies due to earthquake or flood damage.

Strategic Priority #2: Develop Water Supplies and Manage Water Reserves

Staff will work closely with the Board to manage Metropolitan's water supply reserves in the face of the unprecedented drought conditions in California and throughout the Southwest. The actions will include implementation of storage withdrawals, coordination of deliveries with the member agencies, close monitoring of drought conditions and possible allocation actions as part of the Water Surplus and Drought Management plan, and targeted outreach on conservation efforts.

Strategic Priority #3: Educate the Public and Stakeholders on Critical Water Supply Conditions and Critical Water Management Decisions.

The coming two years will be momentous years for the water industry in California. The current drought gripping California has caused unprecedented water conditions for much of California and led to dramatic response at the state and federal level. These conditions are likely to deepen at least through 2014 if not beyond. Additionally, indications are that key decisions may occur on a Bay Delta plan, a potential water bond, significant legislative proposals for statewide action and key Colorado River milestones. It will be essential to fully engage the public and key stakeholders in Metropolitan's service area and statewide on the importance of these issues, as decisions made over the next two years will be felt for a generation.

Strategic Priority #4: Employee Development

The proposed budget calls for Metropolitan to cease its managed attrition that has shrunk

Metropolitan from 2,400 full-time employee positions to a current workforce of approximately 1,750. Recruitment activity will be expanded to fully replace all retirements and actually add some positions to bring the workforce to 1,830 positions over the next two years. Increased employee cross-training and employee development efforts will be needed to meet the challenge of increased retirements brought about by an aging workforce.

Strategic Priority #5: Local Projects and Integrated Resources Plan Updates

Staff intends to review its Local Resources Program and conservation rebate programs during this drought period to review what new actions might be appropriate, learn from this experience as to how to improve our programs and work with the public and member agencies on expanding conservation efforts. Metropolitan's IRP was adopted in 2010 and will be updated in 2015 along with the state required Regional Urban Water Management Plan.

Performance Measures Summary – GM Business Plan

Performance Measure	Measurement Intent	FY 12/13 Performance	FY 13/14 Performance*	Target
Delta Milestones	Monitor progress toward implementation of Delta Habitat Conservation Plan.	95%	95%	90%
	Completion of a project finance and cost allocation plan.	95%	95%	100%
	Actions toward achieving emergency response and other short-term Delta solutions.	93%	95%	100%
Credit Rating	Enable Metropolitan to access capital markets at the lowest borrowing cost.	Moody's – Aa1 S&P – AAA Fitch – AA+	Moody's – Aa1 S&P – AAA Fitch – AA+	AA, Aa2 or better
Maintain Reserve Balances	Ensure financial strength by managing reserves to within Board-established policy.	\$466.0 M	\$859.5 M	≥ \$231.7 M
High Performance Workplace	Assess workplace climate as a means of identifying potential improvements.	-	Survey complete- Analysis underway	≥ 63%
Public and Media Awareness	Monitor awareness of critical water issues to gauge effectiveness of outreach efforts as a percent of organizations reached with Metropolitan's message.	Media - 89%; Legislative - 104%	Media - 96%; Legislative - 162%	≥85%
Implement Legislative Strategy	Measure passage of Metropolitan-supported legislation as a measure of the effectiveness of efforts in support of water policy issues.	86%	88%	≥85%
Member Agency Service Satisfaction	Monitor Member Agency Service Level Satisfaction Index as an indicator of value of Metropolitan services to our customers.	66%	63%	≥ 80% (rating of "5" or better)
Unexpected Outages	Monitor water system maintenance and operations reliability to ensure uninterrupted water service.	4	3	0
Meet All Scheduled Water Deliveries	Monitor reliability of water delivery as an indicator of effectiveness of maintenance activities and replacement and improvement projects.	100%	100%	100%
Prioritize Maintenance	Optimize maintenance processes to ensure timely completion of preventative maintenance (PM) work.	83.2%	91.0%	> 90% of all PMs > 99% of regulatory PMs
CRA Power	Secure economical power for CRA pumping needs.	100%	100%	100%
Electrical Reliability	Meet electrical reliability standards to pass all annual audits and inspections.	100%	100%	100%

Office of the General Manager

Performance Measure	Measurement Intent	FY 12/13 Performance	FY 13/14 Performance*	Target
Aqueduct Readiness	Maintain eight-pump flow readiness to ensure conveyance reliability	1,775 cfs	1,775 cfs	One stable test at eight-pump flow (1,750 cfs) annually.
Hydropower Generation	Optimize hydropower generation by minimizing power revenues lost to forced outages.	5.0%	6.6%	< 5% of power revenue lost
Cap and Trade	Develop procurement strategy for Cap-and-Trade allowances.	TBD	TBD	New Measure
Emergency Preparedness	Prepare for emergencies by conducting three emergency response exercises at all operational units annually.	25	27	≥ 27/yr
O&M Training	Ensure O&M employees complete training in accordance with training plans	85%	84%	≥ 90%
Apprenticeship Program	Ensure sufficient apprentices graduate to meet O&M needs.	9	0**	≥15 graduates annually
Compliance with Drinking Water Standards	Ensure that all state, federal, and local water quality standards are met or exceeded.	100%	100%	100%
Total Dissolved Solids (TDS) mg/l	Monitor water quality compliance with the Board of Directors' salinity goals.	458 mg/l	529 mg/l	≤ 500 mg/l
Water Quality Satisfaction	Strive to minimize the number of customer complaints reported from member agencies as an indicator of overall water quality satisfaction.	5	0	< 10 complaints annually
Water Quality Regulatory Process	Actively engage in providing written comments on all applicable water quality regulations and public health determinations.	100%	100%	100%
Source Water Quality	Actively protect source water quality by engaging stakeholders on each recommendation from the 2012 Colorado River sanitary survey.	70%	85%	75%
Environmental Compliance	Ensure compliance with all environmental permit requirements.	98.7%	98.5%	100%
Worker Safety	Ensure worker safety by enacting practices that minimize the injury/illness rate.	4.89	3.92	< 6.9 incidents/year/100 employees
Dry Year Storage	Maintain sufficient water in storage to withstand drought conditions.	2.74 MAF	2.4 MAF	≥ 2.3 MAF and ≤ 2.6 MAF
Resource Program Efficiency	Ensure timely payment of program invoices.	100%	100%	100%

Office of the General Manager

Performance Measure	Measurement Intent	FY 12/13 Performance	FY 13/14 Performance*	Target
Local Resource Program Efficiency	Ensure compliance with program requirements by obtaining member agency LRP certifications within six months of LRP production.	100%	100%	100%
Final Design Efficiency	Ensure costs are compatible with industry standards of similar agencies by measuring for cost efficiency and value-added features.	15.2%	16.9%	9% - 12% (Const. Costs > \$3 M)
		11.8%	13.2%	9% - 15% (Const. Costs ≤ \$3 M)
Construction Inspection Efficiency	Ensure that capital projects are completed on time, on budget, meet specifications, and meet customer needs at the lowest possible cost.	14%	12.0%	9% - 12% (Const. Costs > \$3 M)
		11.8%	13.4%	9% - 15% (Const. Costs ≤ \$3 M)
Completion of OPT Committee Milestones	Establish and meet expectations set by the Operations & Personnel Committee.	92%	88%	100%
Number of Leases Negotiated at or above FMV	Monitor number of existing leases and new leases negotiated at or above Fair Market Value.	93%	100%	100%
Revenue Generated from Real Property Activities	Track total revenue generated from all real property activities including but not limited to permits, licenses, leases, easements or other use fees.	\$7.9 M	\$5.0 M	\$7.2 M
Departmental O&M Budget Performance	Demonstrate financial control and accountability.	93.2%	97.7%	≤ 100%
Fixed Charge Coverage	Demonstrate sufficiency of revenues to cover fixed charges.	1.83	2.2	≥ 1.2
Significant External Audit Findings	Assess the quality of accounting processes and controls.	0	0	0

* Actual performance through March 2014.

**Program length does not allow for any graduates for FY 2014.

Office of the General Manager

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	8,051,600	8,663,200	10,063,000	10,197,900	1,399,800	134,900
Professional Services	1,971,600	2,580,000	2,580,000	2,580,000	0	0
Other						
Travel Expenses	1,335,500	1,228,600	1,598,400	1,654,200	369,800	55,800
Other Accounts	355,400	382,300	241,000	244,500	(141,300)	3,500
Totals	11,714,100	12,854,100	14,482,400	14,676,600	1,628,300	194,200
% Change	—	9.7%	12.7%	1.3%	—	—
Operating Equipment	25,200	0	0	0	0	0
Total O&M and Operating Equipment	11,739,300	12,854,100	14,482,400	14,676,600	1,628,300	194,200
% Change	—	9.5%	12.7%	1.3%	—	—
Regular	36	39	41	41	2	0
Temporary	1	1	1	1	0	0
Total Personnel	37	40	42	42	2	0

Note – Totals may not foot due to rounding.

Capital Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Salaries and Benefits	0	215,200	0	0
Totals	0	215,200	0	0
% Change	—	0.0%	(100.0%)	0.0%
Regular	0	1	0	0
Temporary	0	0	0	0
Total Personnel	0	1	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects the addition of a position within the Bay Delta Initiatives section, merit increases for qualified employees, and an increase in retirement-related benefit costs.

Travel Expenses – Reflects increase in travel to respond to and promote key initiatives, notably those related to the Bay Delta and Colorado River supplies.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

OFFICE OF THE GENERAL MANAGER

The Office of the General Manager is responsible for the management and administration of Metropolitan activities including the management of all matters

pertaining to the business of the Board and research on actions and policies of the Board by staff for directors, member agencies, and the public.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	2,990,800	3,292,200	3,752,800	3,778,100	460,600	25,300
Professional Services	215,300	50,000	50,000	50,000	0	0
Other	216,000	112,400	172,000	172,000	59,600	0
Totals	3,422,100	3,454,600	3,974,800	4,000,100	520,200	25,300
% Change	—	0.9%	15.1%	0.6%	—	—
Personnel	13	13	13	13	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects merit increases for qualified employees and an increase in retirement-related benefit costs.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

BAY DELTA INITIATIVES

In recognition of the increased importance of the Bay Delta to Southern California’s long-term water reliability goals and opportunities available to advance the long-term needs of the

Bay Delta, this organization was created to strategically spearhead efforts necessary to ensure a stable water supply from key sources in an environmentally responsible manner.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	3,353,100	3,597,400	4,400,500	4,491,300	803,100	90,800
Professional Services	1,740,400	2,310,000	2,310,000	2,310,000	0	0
Other	283,300	290,500	299,000	299,000	8,500	0
Totals	5,376,800	6,197,900	7,009,500	7,100,300	811,600	90,800
% Change	—	15.3%	13.1%	1.3%	—	—
Personnel	15	17	19	19	2	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects the addition of two positions, one transferred from the Office of the General Manager and the other transferred from Engineering Services, as well as merit increases for qualified employees and an increase in retirement-related benefit costs.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

BOARD OF DIRECTORS

The Board of Directors provides policy and direction as the governing body of the Metropolitan Water District. The Board Support Team provides administrative support to the business of the Board. The Inspection Trip

Team conducts field inspection trips to Metropolitan and related facilities for the purpose of providing business and community leaders with firsthand knowledge of Metropolitan’s operations.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	1,707,600	1,773,600	1,909,700	1,928,500	136,100	18,800
Professional Services	1,500	220,000	220,000	220,000	0	0
Other	1,182,700	1,208,000	1,368,500	1,427,700	160,500	59,200
Totals	2,891,800	3,201,600	3,498,200	3,576,200	296,600	78,000
% Change	—	10.7%	9.3%	2.2%	—	—
Personnel	10	10	10	10	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects merit increases for qualified employees and an increase in retirement-related benefit costs.

Other – Reflects an increase in travel expenses associated with inspection trips.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

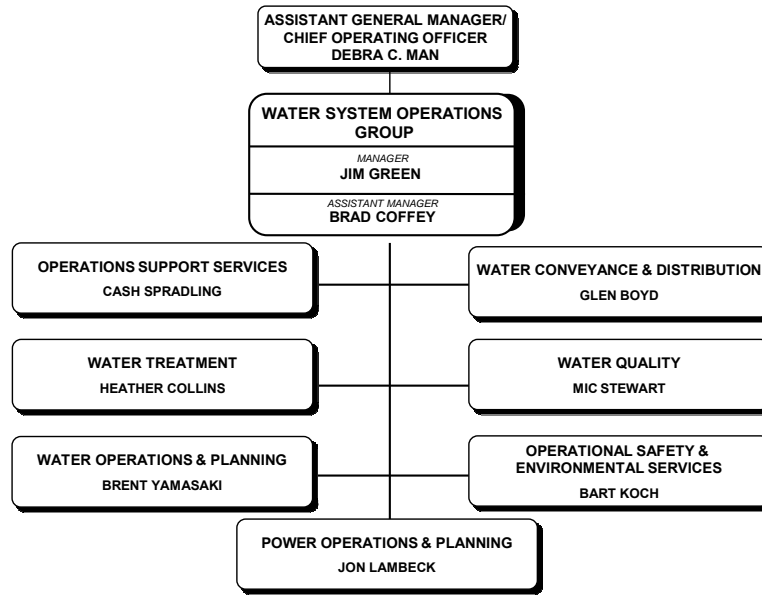
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Water System Operations

MISSION, ROLES, AND RESPONSIBILITIES

The Water System Operations (WSO) group reliably treats and delivers high-quality water to Metropolitan’s member agencies in an efficient, sustainable, and environmentally responsible manner. To accomplish this mission, more than

950 employees plan, operate, and maintain a vast and complex system extending approximately 5,200 square miles from the Colorado River to the Pacific Ocean and from Ventura County to the border with Mexico.



WSO treats and delivers water from the Colorado River and the State Water Project (SWP) through a raw water conveyance system, five treatment plants, and an extensive treated water distribution network. Water quality is paramount and all functions focus on producing and maintaining water that meets or exceeds drinking water standards.

Supporting these core functions, WSO:

- Operates and maintains Metropolitan’s water and power systems to assure reliability, balance supply and demand, and manage costs;
- Schedules and coordinates the delivery of imported supplies into the region and to the member agencies;
- Conducts applied research to understand source water changes and treatment processes necessary to meet future demands and regulations, or to reduce operational costs;
- Maintains vigilant security for the protection of employees, the public, and Metropolitan’s water system infrastructure;

- Provides technical advice and support to member agencies and other entities regarding water quality, operations, maintenance, water supply programs, environmental stewardship, construction, and emergency response;
- Provides manufacturing and fabrication services to support the infrastructure of Metropolitan, member agencies, the California Department of Water Resources (DWR), and other public agencies as requested and on a reimbursable basis;
- Assists in planning, design, construction, commissioning, and start-up of new facilities;
- Provides a safe work environment and adheres to environmental regulations. Delivers training needed to provide an effective and safe work environment;
- Responds to emergencies and restores service in the shortest time possible; and,
- Manages Metropolitan’s fleet of light duty vehicles and heavy equipment for optimal usage.

BUDGET ISSUES AND CONSTRAINTS

The biennial budget reflects an emphasis on infrastructure reliability, energy management, and workforce development. The proposed complement of regular employees will increase by three positions to reflect increased regulatory and contractual efforts in the energy area and to provide additional technical and planning support for invasive rehabilitation projects at the water treatment plants and distribution system.

The rate of chemical and energy costs are expected to rise faster than overall inflation. For chemicals, a strengthening economy is expected to raise commodity prices. Further, an increase in chlorination of raw water systems is needed along the Colorado River Aqueduct to control quagga mussels. Major electric utilities serving Metropolitan have projected rate increases of six to twelve percent per year due in part to costs associated with greater renewable supplies and loss of the San Onofre nuclear generating station.

The operating equipment budget has been maintained at a level which sustains the integrity of fleet assets. A high priority was placed on maintaining adequate heavy equipment for the emergency response goal of being able to respond to two major pipeline breaks simultaneously. The biennial budget includes funds to replace an aircraft used for patrolling in FY 2015/16.

Finally, the biennial budget reflects WSO's core priorities of reliable system operation, regulatory compliance, maintenance optimization, and supporting water supply programs. In these next two fiscal years, a priority has been placed on workforce development as the number of employees eligible to retire continues to increase. For workforce development, a new apprentice class will be added in FY 2015/16 and a management development initiative will train, develop, and encourage employees to become effective supervisors.

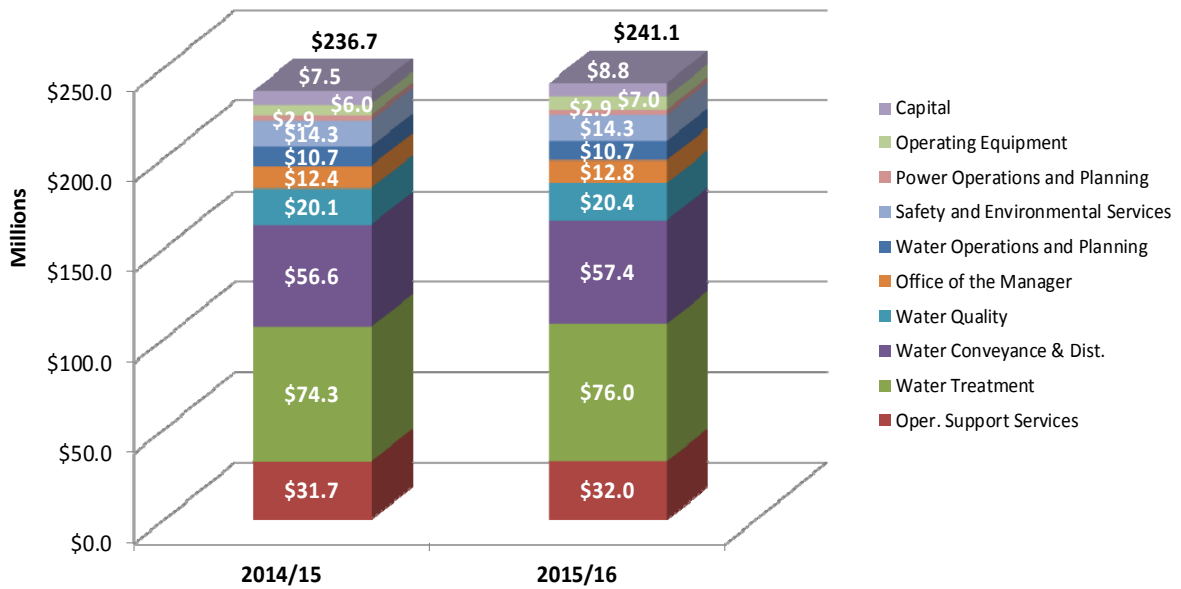
Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	205,127,200	219,908,200	229,183,500	233,480,200	9,275,300	4,296,700
% Change	—	—	—	—	4.2%	1.9%
Capital	11,223,100	7,775,700	7,531,400	7,635,400	(244,300)	104,000
% Change	—	—	—	—	(3.1%)	1.4%
Totals	216,350,300	227,683,900	236,714,900	241,115,600	9,031,000	4,400,700
% Change	—	—	—	—	4.0%	1.9%
Regular	857	946	949	949	3	0
Temporary	31	19	14	14	(5)	0
Total Personnel	888	965	963	963	(2)	0

Note – Totals may not foot due to rounding.

Water System Operations

Program Expenditure Comparison



2012/13 & 2013/14 ACCOMPLISHMENTS

Accomplishments reflect WSO’s core priorities to operate and maintain the water and power systems in a cost-effective and efficient manner to ensure reliable delivery of water supplies. In addition, WSO develops and implements comprehensive programs to ensure water deliveries that meet or exceed all water quality regulations and objectives.

System Reliability

WSO operates and maintains the water and power systems in a cost-effective and efficient manner to ensure reliable delivery of water supplies. Accomplishments during the biennium include:

- Operated and maintained Metropolitan’s conveyance, treatment, and distribution facilities while meeting all operational demands of our member agencies;
- Managed total water storage in calendar years 2012 and 2013. Though CY 2013 was the driest year on record in Los Angeles, the total amount of water in storage over the

two-year period remained stable at approximately 2.4 MAF;

In FY 2012/13, successfully completed 32 facility shutdowns for inspection, repair, or capital improvements. Key shutdowns were conducted to maintain Colorado River Aqueduct (CRA) reliability, and complete prestressed concrete cylindrical pipe (PCCP) repairs on several major feeders;

Supported SWP reliability through reimbursable shop- and technical- service agreements. In September 2012, a five-year, \$25 million dollar shop services agreement was established with the Department of Water Resources (DWR). The agreement leverages the unique capabilities of Metropolitan’s La Verne shops and staff to support the reliability of the SWP which is integral to Metropolitan’s water supply and operations;

Trained staff in the use of portable vibration monitoring equipment, and performed 70 vibration tests during FY 2012/13; a total of 12 potential problems were detected and corrected;

Increased the communications reliability for system operation by implementing a secure

Water System Operations

high-speed network between each treatment plant and the Operations Control Center in Eagle Rock;

Conducted 25 emergency response exercises in FY 2012/13 involving all operational units. Two of these exercises involved outside agencies and tested the planned response to major earthquakes in the region; Hosted a Department of Homeland Security and Federal Bureau of Investigation joint seminar on protection of chemical transportation via rail and highways. The seminar fostered working relationships between federal law enforcement agencies and utilities which receive chemicals for water treatment;

Effectively managed power resources to move 760 TAF (thousand acre-feet) on the CRA in FY 12/13. This included the sale of approximately 101,000 MWh of benefit energy from Southern California Edison; Worked with existing Hoover Dam power contractors to obtain passage of federal legislation that extended the power contractors' entitlement to Hoover Dam power after the present contract expires in 2017. Both houses of Congress approved the Hoover Power Act of 2013 and it was signed into law by the President; and

Graduated nine mechanical apprentices from Metropolitan's state-approved Apprenticeship Program in FY 2012/13. Recruited 20 new apprentices in early 2014, who will complete the program in 2018.

Water Quality, Environmental Protection, and Safety

WSO develops and implements comprehensive programs to ensure Metropolitan delivers water that meets or exceeds all water quality regulations and objectives. WSO also integrates effective safety and environmental practices to protect workers and the environment. These accomplishments include:

Maintained 100 percent compliance with primary water quality regulations at the water treatment plants and in the treated water distribution system;

During FY 2012/13, staff collected and analyzed nearly 48,000 samples and reported 263,000 water quality results;

Partnered with ACWA in providing technical comments on the Department of Public Health hexavalent chromium (chromium 6) proposed maximum contaminant level; Participated in stakeholder forums to ensure successful remediation of chromium 6 at the Pacific Gas and Electric (PG&E) Topock gas compressor site;

Conducted an external audit of WSO's safety program using a safety consultant. The audit evaluated the regulatory alignment, industry best practices and implementation for high-priority safety procedures such as asbestos management, confined space entry, and lockout/blockout procedures;

Responded to 84 regulatory inspections in FY 2012/13 across all operational functions;

Ensured worker safety by achieving an annual injury/illness rate (5.3 injuries per 100 employees), which was lower than the average California water utility rate (6.9 injuries per 100 employees); and

Continued source water quality protection activities along the Colorado River for uranium, perchlorate, and chromium 6. In coordination with other stakeholders, requested and received increased federal funding for more aggressive removal of the uranium mill tailings pile along the Colorado River near Moab, Utah.

OBJECTIVES FOR 2014/15 AND 2015/16

WSO's objectives for the next biennial period reflect the core priorities to safely operate and maintain the water and power system in order to meet or exceed all water quality regulations, water management objectives, and budgetary goals.

System Reliability

Meet regional water demands by ensuring capability to deliver water from the SWP, Metropolitan's facilities, and groundwater storage programs;

Water System Operations

Effectively plan and schedule imported deliveries on the SWP and CRA to meet demands, storage objectives, and water quality goals;

Maintain eight-pump flow readiness on the CRA and manage storage accounts to capture all available supplies for a potentially critically dry 2014 water year;

Plan, schedule, and execute the Annual Shutdown Plan to ensure reliable operation of the water delivery system, including a strategy to manage longer shutdowns to support increased refurbishment and replacement projects;

Support SWP reliability by contracting with DWR for up to \$5 million of reimbursable maintenance, engineering, and water quality services;

Improve training, maintenance, testing, and control systems to eliminate failures of the stationary emergency generators at critical facilities;

Maintain 100 percent compliance with the Transportation Security Administration's regulations governing chemical security deliveries and handling;

Continue to provide access control, surveillance, uninterrupted intrusion alarm, and incident monitoring and response for all critical infrastructure sites around the clock;

Obtain compensation or other accommodation for the cost of compliance with the California Greenhouse Gas Emission Cap-and-Trade Program;

Develop a strategy to secure a new agreement for the coordinated electrical operations of the Colorado River Aqueduct when the Edison

Service and Interchange Agreement expires in 2017;

Maximize run-time for hydroelectric plants to optimize power generation; and

Develop and implement a manager succession plan in coordination with Human Resources to maintain managerial capacity for workforce turnover expected within the next five years.

Water Quality, Environmental Protection, and Safety

Meet or surpass regulatory requirements for drinking water quality and ensure delivery of aesthetically pleasing water;

Continue to track and review regulatory developments for existing and emerging water quality constituents;

Continue to participate in stakeholder forums to ensure successful remediation of chromium 6 at PG&E's Topock gas compressor site;

Continue salinity management studies with the U.S. Bureau of Reclamation and Southern California Salinity Coalition to quantify and manage the effects of salinity;

Continue to monitor remedial efforts at the uranium mill tailings pile near Moab, Utah and advocate for additional funding to accelerate the cleanup;

Continue to implement quagga mussel control measures and prepare an action plan for the potential infestation of State Water Project facilities; and

Continue to provide safety and environmental services training to ensure safe work practices and adherence to environmental and workplace health and safety regulations.

Water System Operations

Performance Measures Summary

Performance Measure	Measurement Intent	FY 12/13 Performance	FY 13/14 Performance*	Target
Unexpected Outages	Minimize outages disrupting normal service.	4	3	0
Meet all Scheduled Water Deliveries	Ensure reliable delivery of water supplies.	100%	100%	100%
Prioritize Preventive Maintenance	Ensure timely completion of preventive maintenance work orders.	84%	91%	>90%
Complete Regulatory Maintenance	Ensure timely completion of regulatory preventive maintenance work orders.	93%	91%	>99%
Secure Power for CRA	Secure sufficient and economic power to satisfy CRA pumping requirements.	100%	100%	100%
Optimize Hydropower Generation	Minimize power revenue lost to forced outages.	5%	6.6%	<5%
Meet Electrical Reliability Standards	Ensure conformance with annual internal audit or agency inspection.	100%	100%	100%
Cap and Trade	Develop procurement strategy for cap-and-trade allowances.	On-going	On-going	Update energy management plan
Prepare for Emergencies	Ensure that operational units conduct three emergency response exercises per year.	25	27	>27 per year
Employee O&M Training	Ensure workforce skill competency by monitoring compliance with Safety and Environmental regulatory training.	85%	84%	>90%
Apprenticeship Program	Ensure a minimum number of graduates from the program in each fiscal year.	9	0**	>15 per year
Compliance with Drinking Water Standards	Deliver water that complies with all health-based water quality standards.	100%	100%	100%
Control Salinity	Deliver water that meets water quality goals for salinity.	449 mg/L	529 mg/l	< 500 mg/L
Water Quality Satisfaction	Monitor water quality complaints reported by member agencies as an indicator of consumer satisfaction.	5	0	< 10

Water System Operations

Performance Measure	Measurement Intent	FY 12/13 Performance	FY 13/14 Performance*	Target
Water Quality Regulatory Process	Proactively engage in water quality regulatory process and provide appropriate information on treatment, detection, and costs such that new standards include the best available scientific information.	100%	100%	100% (comment on WQ regs & public health determinations)
Engage on Source Water Protection	Engage stakeholders on each recommendation from the 2010 Colorado River Watershed Sanitary Survey to actively protect source water quality.	70%	85%	100% by 2015
Compliance with Environmental Permits	Monitor compliance with environmental laws and regulations.	98.7%	98.5%	100%
Ensure Worker Safety	Improve workplace safety by keeping the injury/illness rate below statewide averages.	5.3	3.9	<6.9 incidents/year/100 employees
Budget	Manage spending to within five percent of budget.	2% under	2% under	+/- 5% variance

* Actual performance through March 2014.

**Program length does not allow for any graduates for FY 2014.

Water System Operations

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	130,860,200	139,756,700	146,048,400	148,040,200	6,291,700	1,991,800
Professional Services	1,161,000	2,550,200	2,452,100	2,382,100	(98,100)	(70,000)
Other						
Materials & Supplies	36,150,400	37,818,600	39,004,800	39,339,000	1,186,200	334,200
Outside Services - Non Professional / Mainte	13,306,100	14,289,200	14,942,500	15,358,000	653,300	415,500
Utilities Charges	11,886,700	12,204,200	12,964,500	13,661,700	760,300	697,200
Other Accounts	5,977,200	7,372,500	7,773,300	7,679,400	400,800	(93,900)
Totals	199,341,600	213,991,400	223,185,600	226,460,400	9,194,200	3,274,800
% Change	—	7.3%	4.3%	1.5%	—	—
Operating Equipment	5,785,700	5,916,800	5,998,100	7,019,900	81,300	1,021,800
Total O&M and Operating Equipment	205,127,300	219,908,200	229,183,700	233,480,300	9,275,500	4,296,600
% Change	—	7.2%	4.2%	1.9%	—	—
Regular	830	909	906	903	(3)	(3)
Temporary	30	16	14	14	(2)	0
Total Personnel	859	925	920	917	(5)	(3)

Note – Totals may not foot due to rounding.

Capital Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Salaries and Benefits	5,818,100	7,588,600	6,636,400	7,222,700
Professional Services	187,400	92,100	725,600	243,000
Construction	44,100	0	0	0
Other	5,173,600	95,000	169,400	169,700
Totals	11,223,200	7,775,700	7,531,400	7,635,400
% Change	—	(30.7%)	(3.1%)	1.4%
Regular	27	37	43	46
Temporary	2	3	0	0
Total Personnel	29	40	43	46

Note – Totals may not foot due to rounding.

*** Reimbursable expenses included above are offset by a similar amount of revenue.

REASONS FOR CHANGES

2013/14 vs 2014/15

O&M

Salaries and Benefits – Reflects merit increases for qualified employees and an increase in retirement-related benefit costs.

Materials & Supplies – Reflects an overall increase in chemical commodity prices, increased chlorination of raw water supplies to control quagga mussels, and procurement of valves and electrical equipment to maintain the distribution system.

Outside Service-Non Professional/Maintenance – Reflects increased cost for security guard contract, lead/asbestos abatement, and weed control on right-of-ways.

Utilities – Reflects higher electricity rates.

Capital

Reflects overall decrease in budgeted CIP spending that occurs with the completion of large projects such as Skinner and Diemer oxidation retrofit programs.

2014/15 vs 2015/16

O&M

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Materials & Supplies – Reflects inflationary pressure anticipated on chemical commodity prices and other materials and supplies.

Outside Service-Non Professional/Maintenance – Reflects increased cost for security guard contract and lead/asbestos abatement.

Utilities – Reflects higher electricity rates.

Operating Equipment – Includes the replacement of an airplane.

Capital

Reflects overall CIP spending that will increase with the start or continuation of several major programs including the Weymouth ozone retrofit program, the PCCP replacement program, and the Diemer Water Treatment Plant Improvement Program.

Water System Operations

OFFICE OF MANAGER

The Office of the Group Manager provides day-to-day operational management as well as strategic and organizational leadership, directing all initiatives and core business efforts of WSO. Additionally, the office provides support

functions such as budget, administration, and security. The Security Team ensures that Metropolitan's employees, water infrastructure, and equipment are adequately protected.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	3,323,400	4,879,800	3,938,200	3,954,600	(941,600)	16,400
Professional Services	42,100	135,000	115,000	65,000	(20,000)	(50,000)
Other	7,812,600	9,322,300	8,387,700	8,749,700	(934,600)	362,000
Totals	11,178,100	14,337,100	12,440,900	12,769,300	(1,896,200)	328,400
% Change	—	28.3%	(13.2%)	2.6%	—	—
Personnel	17	23	20	20	(3)	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects reassignment of previously unallocated budget for overtime and District temporary student interns to specific sections as well as the transfer of vacant administrative positions to field units, offset by merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services – Reflects revised spending expectations for various professional services contracts.

Other – Reflects an increase in the security guard contract offset by reassignment of previously unallocated budget for materials and supplies to specific sections.

Personnel – Reflects transfer of vacant administrative positions to field units.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Other – Primarily reflects an increase in the security guard contract.

Water System Operations

OPERATIONS SUPPORT SERVICES

The section provides a diverse range of support to Metropolitan's core operational reliability functions and, on a reimbursable basis, to public entities such as DWR and member agencies. The Manufacturing unit performs fabrication, machining, coating, valve and pump testing, equipment refurbishment, underwater maintenance, diving inspections, and crane safety and certification. Construction Services performs general construction, large equipment transportation, equipment installation, and emergency response. The Fleet Services unit

handles vehicle acquisition, maintenance, and specialized vehicle services. The Power & Equipment Reliability unit provides maintenance services which include: predictive, preventive, and corrective maintenance analysis for critical equipment, including all hydroelectric power plants, pressure control structures, high voltage equipment, and heating, ventilation, and air conditioning (HVAC) systems. Additionally, the section responds to Member Agency's service connection requests.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	20,767,800	21,902,300	22,808,800	23,055,200	906,500	246,400
Professional Services	1,500	65,000	100,000	100,000	35,000	0
Other	7,748,100	8,849,000	8,820,000	8,816,900	(29,000)	(3,100)
Totals	28,517,400	30,816,300	31,728,800	31,972,100	912,500	243,300
% Change	—	8.1%	3.0%	0.8%	—	—
Personnel	134	154	153	153	(1)	(0)

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs.

Other – Reflects a reduction in outside repair, maintenance and non-professional services.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Water System Operations

WATER TREATMENT

The section operates and maintains five water treatment plants with a combined capacity of over 2.6 billion gallons per day. The section oversees treatment processes to ensure high-quality water is reliably produced that complies with or surpasses all primary drinking water quality regulations. All five treatment facilities are staffed and operated 24 hours a day, seven

days a week. The Weymouth plant uses chlorine as their primary disinfectant while the other four treatment plants (Jensen, Mills, Skinner and Diemer) have been retrofitted with ozone disinfection. Construction is underway at the Weymouth water treatment plant to complete the ozone retrofit program.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	37,771,100	39,067,700	42,451,300	43,048,700	3,383,600	597,400
Professional Services	0	0	25,000	25,000	25,000	0
Other	28,424,900	30,433,700	31,831,700	32,902,300	1,398,000	1,070,600
Totals	66,196,000	69,501,400	74,308,000	75,976,000	4,806,600	1,668,000
% Change	—	5.0%	6.9%	2.2%	—	—
Personnel	258	269	277	275	8	(2)

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects the addition of a new position to provide technical support for repair and rehabilitation projects, the addition of part-time student interns, a shift in personnel between capital and O&M work, merit increases for qualified employees, and an increase in retirement-related benefit costs.

Other – Reflects primarily an increase in chemical commodity prices, electricity rates, and an increasing need for electrical/electronic materials and supplies to support the treatment plants and distribution system.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Other – Reflects inflationary pressure on chemical commodity prices and electricity rates.

WATER CONVEYANCE AND DISTRIBUTION

The section meets delivery requirements of member agencies by moving water throughout Metropolitan’s 5,200 square mile service area and performing a wide range of operations and maintenance activities to ensure system reliability. The conveyance system consists primarily of the Colorado River Aqueduct system and five pumping plants. The

distribution system consists of about 820 miles of pipelines, approximately 350 service connections to member agencies, 16 hydroelectric plants, including the DVL pumping plant, and 9 storage and regulatory reservoirs that help Metropolitan meet peak flow periods.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	35,932,600	37,411,200	39,610,900	40,491,100	2,199,700	880,200
Professional Services	10,800	128,000	5,000	5,000	(123,000)	0
Other	17,114,900	15,288,900	17,021,300	16,860,300	1,732,400	(161,000)
Totals	53,058,300	52,828,100	56,637,200	57,356,400	3,809,100	719,200
% Change	—	(0.4%)	7.2%	1.3%	—	—
Personnel	264	279	267	267	(12)	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects the addition of one new position to provide technical support for repair and rehabilitation projects, the transfer of the Maintenance Engineering team to the Operations Support Services section, merit increases for qualified employees, and an increase in retirement-related benefit costs.

Professional Services – Reflects transfer of certain environmental monitoring contracts to Engineering Services group.

Other – Reflects an increase in valves and pumps needed to retrofit aging distribution system.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Other – Reflects decrease due to infrequent purchase of valves and pumps in the prior fiscal year.

Water System Operations

WATER QUALITY

The section ensures that Metropolitan provides safe water that meets or exceeds regulatory standards through the following activities: conducting chemical and biological analyses; optimizing existing treatment processes; testing

new technologies to assure compliance with pending and future regulations; and providing technical expertise, laboratory services, and troubleshooting of water quality issues for Metropolitan and its member agencies.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	14,056,100	15,052,900	15,587,900	15,767,100	535,000	179,200
Professional Services	279,700	825,500	812,000	812,000	(13,500)	0
Other	2,629,600	3,625,700	3,723,900	3,830,300	98,200	106,400
Totals	16,965,400	19,504,100	20,123,800	20,409,400	619,700	285,600
% Change	—	15.0%	3.2%	1.4%	—	—
Personnel	89	93	95	95	2	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs.

Other – Reflects an increase in the electrical costs of operating the Water Quality Laboratory.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Other – Reflects an increase in the electrical costs of operating the Water Quality laboratory and increased costs for laboratory supplies and gasses.

Water System Operations

WATER OPERATIONS AND PLANNING

The section plans and implements the movement and use of water resources. These plans incorporate infrastructure and supply limitations, agency demands, changing water quality requirements, and storage program economics. Operational scenarios that encompass a broad range of potential supplies and demands are developed and refined on a weekly basis throughout the year. This process prepares WSO for a wide variety of possible outcomes as the year develops while maintaining reliable

deliveries and balancing water storage reserves at reasonable cost.

In addition, the section is responsible for programming and software and hardware support for Metropolitan's control system, known as Supervisory Control and Data Acquisition (SCADA) and is also responsible for emergency response management and providing emergency response training to employees.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	8,327,500	9,234,500	9,329,200	9,311,200	94,700	(18,000)
Professional Services	30,100	49,000	40,000	40,000	(9,000)	0
Other	920,200	1,071,000	1,321,700	1,340,100	250,700	18,400
Totals	9,277,800	10,354,500	10,690,900	10,691,300	336,400	400
% Change	—	11.6%	3.2%	0.0%	—	—
Personnel	41	44	43	43	(1)	(0)

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs.

Other – Reflects an increase in materials and supplies for software licensing & computer hardware for supporting the SCADA system.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

SAFETY AND ENVIRONMENTAL SERVICES

The section is responsible for ensuring a safe working environment for employees through programs and training, ensuring business operations are conducted in an environmentally responsible way, and complying with all environmental and occupational health and safety rules and regulations. The section provides responsive leadership to integrate effective environmental, health, and safety practices into Metropolitan’s operations and culture. The goal is to achieve a safe work place

and minimize the number and extent of environmental incidents. The section provides environmental and occupational health and safety program expertise through program and policy development, training curriculum, monitoring, planning, and coordination with regulatory agencies to respond to present and future needs. The Environmental, Health, and Safety Site Support teams provide local expertise and services at all facilities.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	8,537,400	10,055,500	9,931,200	10,009,800	(124,300)	78,600
Professional Services	795,400	1,227,100	1,234,500	1,214,500	7,400	(20,000)
Other	2,341,600	2,634,400	3,159,700	3,118,400	525,300	(41,300)
Totals	11,674,400	13,917,000	14,325,400	14,342,700	408,400	17,300
% Change	—	19.2%	2.9%	0.1%	—	—
Personnel	47	53	54	54	1	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – The decrease reflects the changeover of staff as new positions are being filled at a lower level providing for future upward mobility.

Other – Reflects an increase due to the addition of lead and asbestos assessments and the costs for the annual servicing of all fire protection systems.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

POWER OPERATIONS AND PLANNING

The section plans, acquires and accounts for the energy required to operate the Colorado River Aqueduct (CRA). This activity requires daily energy transactions for future needs with regional and national electric utilities and marketers. The section also negotiates and manages the contracts and energy accounting of Renewable Energy Credits and Greenhouse Gas Allowances for 16 small hydroelectric power plants and the CRA. The above responsibilities account for \$50-100 million of costs and revenues annually (budgeted separately).

In addition, the section is generally responsible for most wholesale energy activities including: evaluation of proposed energy-related regulations and legislation; analysis of state and regional transmission plans and impacts to the CRA transmission system; and reporting on compliance with regional and national electric reliability standards.

Finally, the section works closely with energy staff at DWR on energy and transmission issues for the SWP. This collaboration strives to optimize the energy operations of the SWP and effectively manage power costs.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	2,144,300	2,152,900	2,391,000	2,402,600	238,100	11,600
Professional Services	1,500	120,600	120,600	120,600	0	0
Other	324,400	459,500	419,000	420,000	(40,500)	1,000
Totals	2,470,200	2,733,000	2,930,600	2,943,200	197,600	12,600
% Change	—	10.6%	7.2%	0.4%	—	—
Personnel	10	10	11	11	1	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects addition of one new position, merit increases for qualified employees and an increase in retirement-related benefit costs.

Other – Reflects a decrease in taxes and permits associated with the Western Electric Coordinating Council (WECC).

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Water System Operations

Detail of Operating Equipment

2014/15

Operations Support Services Section

BIN	Description	Qty	New	Replace	Total
15-00997-001	DS12 - 3/4 Ton 4 WD ext. cab PU, w/short bed-6 ft	2		66,074	
15-00997-002	3/4 Ton 4x4 Crew Cab w/6' Short bed Pickup	1		54,875	
15-00997-003	DS14 - 3/4 Ton 4WD, ext Cab & Chassis w/98 UT body	1		38,318	
15-00997-004	DS06 - Standard Window Van (8 passenger)	1		27,943	
15-00997-005	DS26 - 1.5 Ton 2WD ext cab & chassis w/132 UT body	1		62,389	
15-00998-001	DS02 - Hybrid Compact Sedan	1		31,097	
15-00998-002	19,500 GVW Crew cab Pickup w/108" Utility Body	1		71,338	
15-00998-003	26,000 GVW 4x4 Gasoline Powered Coating Truck.	1		241,450	
15-01041-001	DS21ns 1 ton 4WD, 4dr ext cab & chassis w/108" UT	1	44,723		
15-01115-001	DS02 - Hybrid Compact Sedan	9		278,169	
15-01115-002	DS06 - Standard Window Van (8 passenger)	1		27,943	
15-01176-001	Portable welder/generator/compressor	2	22,660		
15-01180-001	Circuit Breaker Motion Analyzer	1		30,928	
15-01180-002	Milliohmeter	1		8,365	
15-01294-001	Portable Vibration Data Collector	5	54,853		
15-01294-002	MDO4000 Mixed Domain Oscilloscope	1	18,658		
15-01294-003	Portable Laser Alignment Kit	1	18,109		
Section Totals			159,003	938,889	1,097,891

Safety and Environmental Services

BIN	Description	Qty	New	Replace	Total
15-01165-001	Respirator fit test device- TSI Portacount	4	9,788	29,633	
15-01165-002	DS04 - Mini-Window Van (7 passenger)	1		27,766	
15-01262-001	PLC Training Station	3	61,678		
15-01267-001	Noise Dosimeter	2	18,658		
15-01267-002	Respirator fit test device- TSI Portacount	2	19,575		
Section Totals			109,698	57,399	167,097

Water Conveyance and Distribution Section

BIN	Description	Qty	New	Replace	Total
15-01010-001	Trailer, Emergency Response/Dispatch	1		153,650	
15-01031-001	DS18 - 1 Ton crew cab w/98 stake bd & pwr lift gate	1	52,371		
15-01032-001	Sandblast Booth - 22' x 14' x 9'	1	34,023		
15-01042-001	DS20 - 1 Ton 2WD ext Cab & Chassis w/108" UT Body	1		42,681	
15-01209-001	Pneumatic Torque Impact Gun	2	15,694		

Water System Operations

Detail of Operating Equipment

2014/15

15-01209-002	DS23 - 1.5 Ton 4WD ext cab & chassis 132" crane bd	1		86,146
15-01211-001	Trailer, Deck-Over Tilt	1	16,847	
15-01212-001	Suspended personnel platform	1		9,214
15-01212-002	Dump trailer	1		7,929
15-01212-003	125 KW trailer mounted generator	1		93,288
15-01212-004	DS23 - 1.5 Ton 4WD ext cab & chassis 132" crane bd	1		86,146
15-01213-001	Portable Generator	1		26,889
15-01213-002	6" submersible pump	1		21,950
15-01213-003	DS12 - 3/4 Ton 4 WD ext. cab PU, w/short bed-6 ft	1		33,188
15-01213-004	DS06 - Standard Window Van (8 passenger)	1		27,689
15-01215-001	DS08 NS - 1/2 ton 4dr 4WD mid-size crew cab PU	1		30,770
15-01215-002	DS12 - 3/4 Ton 4 WD ext. cab PU, w/short bed-6 ft	1		32,886
15-01216-001	Pneumatic Torque Impact Gun -25GX	1	7,847	
15-01216-002	Pneumatic Torque Impact Gun	1	7,628	
15-01216-003	Box Trailer- 8' 5" x 24'	1	10,975	
15-01216-004	4" Submersible pump	2	7,217	7,151
15-01216-005	6" submersible pump	2	9,876	9,876
15-01216-006	DS08 NS - 1/2 ton 4dr 4WD mid-size crew cab PU	2	29,617	29,617
15-01216-007	DS08 - 1/2 ton 4dr 4WD mid-size crew cab PU	1		28,532
15-01216-008	DS23 - 1.5 Ton 4WD ext cab & chassis 132" crane bd	3		258,439
15-01218-001	Pneumatic Torque Impact Gun	1	7,381	
15-01218-002	Portable welder/generator/compressor	2		12,074
15-01218-003	DS23 - 1.5 Ton 4WD ext cab & chassis 132" crane bd	1		86,146
15-01219-001	DS35 - Forklift, medium duty (gasoline/propane)	1	31,837	
15-01219-002	Pneumatic Torque Impact Gun	1	7,628	
15-01219-003	Pneumatic Torque Impact Gun-25GX	1	7,847	
15-01219-004	65 ton Iron worker	1	22,499	
15-01219-005	DS12 - 3/4 Ton 4 WD ext. cab PU, w/short bed-6 ft	1		32,886
15-01219-006	DS23 - 1.5 Ton 4WD ext cab & chassis 132" crane bd	2		172,293
15-01223-001	65 Ton Crane	1		698,782
15-01223-002	Pin-N-Go Attachment for 65Ton Crane	1	87,800	
15-01223-003	Asphalt maintenance broom	1		63,655
15-01225-001	Boring Bar Machine	1	195,812	
15-01225-002	Pneumatic Torque Impact Gun	2	17,999	
15-01225-003	Portable welder/generator/compressor	1		37,315

Water System Operations

Detail of Operating Equipment

2014/15

15-01225-004	Extraction System	1		37,315	
15-01226-001	Non Standard DS12	1		38,413	
15-01227-001	FLIR Systems High definition ThermaCAM P640	1		43,900	
15-01227-002	CMC 356 Universal Package V 2.x	1		62,558	
15-01228-001	DS12 - 3/4 Ton 4 WD ext. cab PU, w/short bed-6 ft	2	32,886	33,188	
15-01228-002	DS14 - 3/4 Ton 4WD, ext Cab & Chassis w/98 UT body	1	38,318		
15-01229-001	500kW Trailer Mounted Diesel Generator Set	1		203,038	
15-01229-002	DS39 - Utility Vehicle - Gasoline powered	1		21,603	
Section Totals			642,101	2,529,205	3,171,306

Water Operations and Planning Section

BIN	Description	Qty	New	Replace	Total
15-01155-001	Microsoft Intel Class Servers	2		32,625	32,625

Water Quality Section

BIN	Description	Qty	New	Replace	Total
15-01234-001	Filamatic media dispenser	1		7,353	
15-01235-001	Biological Safety Cabinet	1		14,213	
15-01235-002	Ultra-low temperature freezer	1		11,853	
15-01235-003	Microplate Reader	1	9,932		
15-01236-001	Benchtop Orbital Shaker	1	8,012		
15-01238-001	DS04 - Mini-Window Van (7 passenger)	1		27,766	
15-01239-001	12" Magnetic Flowmeter	2		12,852	
15-01239-002	Ozone Generator	1		184,490	
15-01241-001	Gas Chromatograph	1		41,705	
15-01242-001	GC-MS	1		200,000	
15-01242-002	Nitrogen Generator	1		27,438	
15-01242-003	Solid-Phase Extraction Unit	1		44,998	
15-01244-001	Lab water purification unit	1		8,375	
15-01305-001	DS04 - Mini-Window Van (7 passenger)	2		55,532	
Section Totals			17,944	636,574	654,518

Water Treatment Section

BIN	Description	Qty	New	Replace	Total
15-01006-001	DS01 - Compact Sedan	1		20,577	
15-01007-001	DS01 - Compact Sedan	1		20,577	
15-01008-001	DS03 - Mid-Size Sedan	1		24,110	
15-01191-001	Turbine Field Calibration Apparatus	1	6,201		
15-01195-001	DS05 - Cargo Minivan	1	32,108		

Water System Operations

Detail of Operating Equipment

2014/15

15-01272-001	55-Ton Electric Hydraulic Press	1		8,341	
15-01272-002	Forklift, Heavy-Duty, Gasoline	1		49,854	
15-01272-003	4" Submersible pump	1	7,217		
15-01273-001	Electric Conduit Bender	1		6,707	
15-01273-002	Battery Load Bank with Monitoring	1	18,652		
15-01275-001	MASTER PULLER TOOL SET	1	7,683		
15-01275-002	DS15 NON STD 2WD REG CAB W/98 INCH UTILITY BODY	5		208,525	
15-01276-001	Portable Generator	1		118,538	
15-01276-002	Generator Load Bank - 100kW	1	11,874		
15-01276-003	Enclosed equipment trailer - 16'	1	8,780		
15-01278-001	DS15 - 3/4 Ton 2WD ext cab & Chassis w/98 UT body	3	109,197		
15-01279-001	Battery Load Bank with Monitoring	1	18,482		
15-01279-002	Generator Load Bank	1	11,984		
15-01279-003	Battery In-Line Tester	1	8,089		
15-01279-004	Engraver	1	5,704		
15-01279-005	DS20 - 1 Ton 2WD ext Cab & Chassis w/108" UT Body	4	171,509		
Section Totals			417,479	457,228	874,707
2014/15 Totals for Water System Operations			1,346,225	4,651,919	5,998,145

Water System Operations

Detail of Operating Equipment

2015/16

Operations Support Services Section

BIN	Description	Qty	New	Replace	Total
16-01180-001	DS05 - Cargo Minivan	1		34,024	
16-01294-001	Portable Laser Alignment Kit	2	37,315		
Section Totals			37,315	34,024	71,339

Water Conveyance and Distribution Section

BIN	Description	Qty	New	Replace	Total
16-01223-001	Broom Bear Street Sweeper or District Equivalent	1	245,925		
16-01223-002	Aggregate Screening Plant	1	173,954		
16-01225-001	Diesel Engine-Driven Welder/AC Generator/ Air Comp	1		37,315	
16-01229-001	DS12 - 3/4 Ton 4 WD ext. cab PU, w/short bed-6 ft	1		34,848	
Section Totals			419,879	72,163	492,042

Water Operations and Planning Section

BIN	Description	Qty	New	Replace	Total
16-01155-001	Microsoft Intel Class Servers	2		32,925	32,625

Water System Operations, Office of Manager

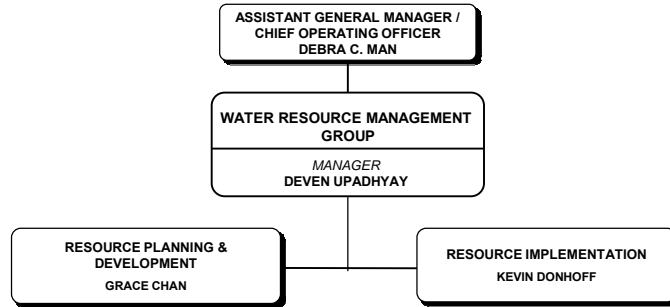
BIN	Description	Qty	New	Replace	Total
16-00920-001	WSO - unidentified OE Construction FYE 2016	1		500,000	
16-00920-002	WSO - unidentified operating equipment FYE 2016	1		450,000	
16-00920-003	WSO - unidentified OE Automobiles FYE 2016	1		500,000	
16-00920-004	WSO - unidentified OE Trucks FYE 2016	1		1,473,640	
16-00920-005	WSO - unidentified OE Heavy Equip FYE 2016	1		1,500,000	
16-00920-006	Aircraft	1		1,500,000	
16-00920-007	WSO - unidentified OE Lab Equip FYE 2016	1		500,000	
Section Totals				6,423,640	6,423,640
2015/16 Totals for Water System Operations			457,194	6,562,751	7,019,945

Water Resource Management

MISSION, ROLES, AND RESPONSIBILITIES

The mission of the Water Resource Management (WRM) group is to plan, secure, and manage water resources that Metropolitan supplies to its

member agencies in a reliable, cost-effective, and environmentally responsible manner.



Principal roles and responsibilities to achieve that mission include:

- Protect and optimally manage imported water quantity and quality;
- Advance water-use efficiency;
- Provide supply and demand forecasts that are the foundation for resource planning;
- Develop and implement timely resource programs and projects;

- Assist member agencies in optimizing their use of local resources to benefit the entire Metropolitan service area;
- Receive a fair return on contractual investments in local and imported resources; and
- Develop and maintain staff expertise needed to accomplish the mission.

BUDGET ISSUES AND CONSTRAINTS

Succession planning is a priority during the biennial budget period. WRM is developing staff expertise in critical areas to prepare for future employee retirements or departures. The

budget reflects additional expenses for training and travel to develop knowledge necessary to replace staff retiring in the future.

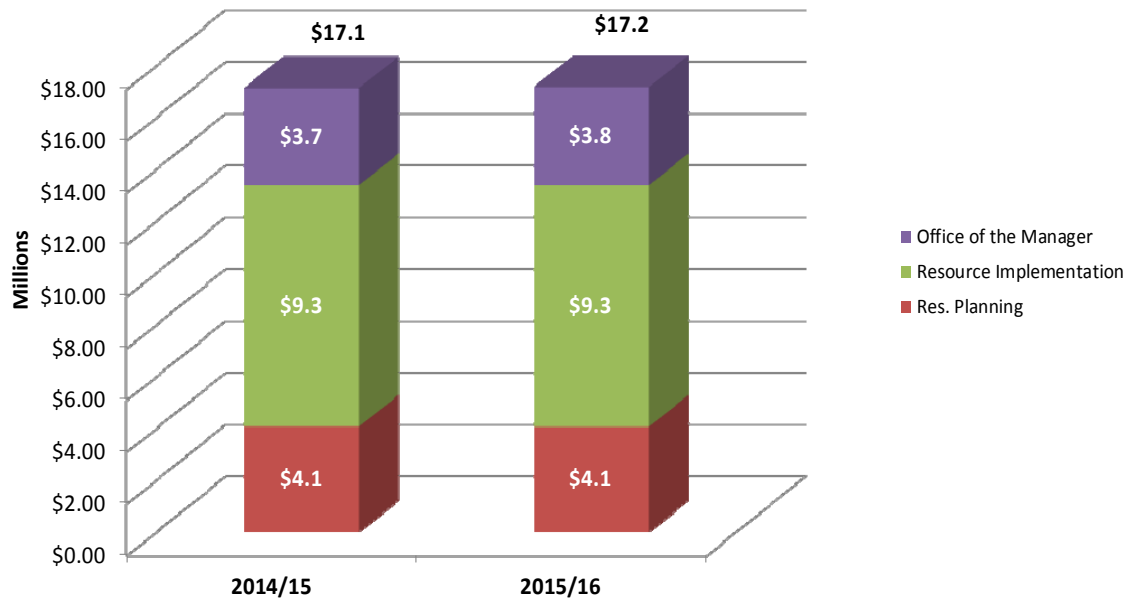
Water Resource Management

Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	12,830,400	15,272,800	17,120,700	17,157,900	1,847,900	37,200
% Change	—	—	—	—	12.1%	0.2%
Capital	1,300	0	0	0	0	0
% Change	—	—	—	—	0.0%	0.0%
Totals	12,831,700	15,272,800	17,120,700	17,157,900	1,847,900	37,200
% Change	—	—	—	—	12.1%	0.2%
Regular	59	68	68	68	0	0
Temporary	0	0	0	0	0	0
Total Personnel	59	68	68	68	0	0

Note – Totals may not foot due to rounding.

Program Expenditure Comparison



2013/14 ACCOMPLISHMENTS

Colorado River

Managed supply programs supporting CRA deliveries while adjusting to Metropolitan financial needs, and administered interstate supply arrangements and short-term water exchanges.

Groundwater Storage Program

Continued administration of the nine approved conjunctive use programs; and initiated discussions to reframe the Chino Basin Conjunctive Use Program.

Facilitated dialogue among agencies in groundwater management, recycled water production, stormwater and flood management to enhance groundwater basin recharge.

Legislative Review

Provided technical assistance and analysis of proposed legislation related to various water resources issues.

Regional Resources and Water Conservation

Obtained Board authorization and implemented new conservation program initiatives, including Water Savings Performance Program, California Friendly Landscape Training Program, Landscape Irrigation Survey Program, Public Agency Landscape Program, and Fitness Center Program.

Transitioned separate regional residential and commercial rebate programs into the SoCal WaterSmart Program administered by a single vendor, resulting in improved program efficiency and reduced administrative fees.

Received \$500,000 USBR WaterSmart grant to enhance incentive for high efficiency clothes washer retrofits. Completed \$1 million federal and \$2 million state grant funded turf removal programs in concert with member and retail agencies.

Implemented competitive 2013 Innovative Conservation Program and executed agreements for selected projects. Received supplemental funds totaling \$200,000 from the USBR, Southern Nevada Water Authority, and Central

Arizona Project to implement the 2013 Innovative Conservation Program.

Implemented research program for conservation and completed studies on smart controllers, waterless urinals, and turf removal.

Obtained Board authorization and implemented new initiatives to support development of local resource projects. Received Board approval for six water recycling and groundwater recovery projects and executed seven new agreements under the Local Resources Program (LRP).

Seawater Desalination

Assisted in forming CalDesal, a state-wide organization dedicated to advocating for seawater desalination, and actively participated in CalDesal's executive Board and other committees.

Pursued balanced, science-based regulatory development in the update of the State's Ocean Plan and the Ocean Protection Council's draft Strategic Action Plan in partnership with CalDesal and the member agencies.

Initiated a joint study with West Basin MWD of the potential for integrating desalinated seawater supplies produced in West Basin's service area into Metropolitan's regional distribution system, and developed draft technical memorandum related to the study.

Completed a survey of international seawater desalination projects to identify potential system integration management issues related to introducing desalinated supplies into existing distribution systems.

State Water Project (SWP)

Completed audit and analysis of the SWP Statement of Charges for the calendar year, resolved certain errors and deficiencies, and processed SWP billings.

Successfully secured the return of \$22 million in excess Water Revenue Bond reserves. Worked with SWP banking partners to manage surplus water supply and improve existing agreements. This resulted in saving between \$1 million and \$4 million this fiscal year as a result of these enhancements.

Worked with other SWP contractors to execute a settlement agreement on the Area of Origin litigation, limiting potential water supply and cost impacts from increased water use of contractors in the “area of origin.”

Water Supply and System Planning

Completed the annual SB 60 report on Metropolitan’s water resource strategy and accomplishments in conservation, recycling, and groundwater recharge.

Continued implementation of the Water Supply Demand Management (WSDM) Plan to provide short-term planning strategies for managing Metropolitan’s portfolio of water resource programs.

Completed the IRP Implementation Report to inform the Board on its progress.

Foundational Action Program

Successfully implemented the Foundational Action Funding Program to fund innovative water studies that will advance the knowledge of new technologies in groundwater, recycling, stormwater, and desalination. Metropolitan’s Board approved \$3.3 million to fund 16 studies.

Participated and provided technical information to the Integrated Regional Water Management Groups, when requested, to complete their plan updates and develop local resources.

Water Transfers and Exchanges Program

Worked with DWR and other SWP contractors to develop a Multi-Year Demonstration Pool, which allows SWP supplies to be sold between individual SWP contractors. In the first year, Metropolitan purchased 30,000 AF.

OBJECTIVES FOR 2014/15 AND 2015/16

Colorado River

Evaluate continuing challenges to the Quantification Settlement Agreement (QSA) and develop strategies to respond to changed conditions.

Protect Colorado River resources, Metropolitan’s Colorado River rights, and

optimize the use of available Colorado River water.

Facilitate salinity management projects and other actions that protect and improve source water quality.

Partner with other Colorado River water delivery contractors to develop new Metropolitan supplies, including cross-border water supply programs.

Administer Imperial Irrigation District (IID) and Palo Verde Irrigation District (PVID) agricultural conservation programs.

Work with representatives of the International Boundary and Water Commission and USBR to continue implementation of Minute 319 and coordinate emergency deliveries for Tijuana.

Continue participation in the Colorado River Basin Water Supply and Demand Study.

Groundwater Storage Program

Continue management of nine approved conjunctive use programs to store water for dry-year yield.

Continue facilitation of dialogue among agencies in groundwater management, recycled water production, and stormwater and flood management to enhance groundwater basin recharge.

Continue to monitor and inform member agencies and groundwater managers of proposed legislation and regulations that potentially affect groundwater recharge or management.

Legislative Review

Continue to provide review and comments on proposed state and federal legislation on water resources issues related to Metropolitan’s mission and WRM functions.

Regional Resources and Water Conservation

Implement Long-Term Water Conservation Plan and new LRP initiatives to meet 20x2020 urban water use reduction target.

Pursue grant funding to supplement implementation of regional water conservation program initiatives.

Participate in activities leading to expanded use of recycled water and increased water use efficiency through the WaterReuse Association, Alliance for Water Efficiency, and California Urban Water Conservation Council (CUWCC).

Administer agreements that provide incentives for conservation, recycled water, and recovered groundwater production, and support development of local resource development projects.

Conduct research to advance local resource and conservation program effectiveness.

Seawater Desalination

Continue to develop and actively participate in CalDesal and support its regulatory and legislative initiatives with the State's Ocean Plan and the Ocean Protection Council's draft Strategic Action Plan.

State Water Project

Renegotiate the SWP contract, extending the contract term, and adjust cost repayment provisions to reflect longer term supply and repayment needs.

Ensure accurate billings and influence sound financial decisions by DWR, including effective DWR energy management practices with regard to renewable energy, emissions reductions, transmission strategies, and energy acquisitions.

Protect SWP water, power, and financial positions under the Oroville Federal Energy Regulatory Commission (FERC) relicensing process as well as associated litigation and upcoming FERC relicensing of several DWR facilities in Southern California.

Support Metropolitan's interests in any SWP-related litigation.

Coordinate major rehabilitations and new SWP capital improvements to ensure cost-effective and reliable water supply, energy generation, and use.

Promote water quality monitoring and forecasting activities and raise awareness of potential water quality impacts from operational decisions.

Develop and implement strategies to access SWP conveyance facilities to optimize use of Metropolitan water transfer and banking programs in light of scheduled and forced infrastructure outages.

Water Supply and System Planning

Complete annual progress reports on IRP implementation and Metropolitan's water supplies and achievements in conservation, recycling, and groundwater recharge (SB 60 report).

Complete the annual forecast of Metropolitan sales to support revenue requirements and budget processes.

Explore potential partnerships with member agencies and other entities for development of regional seawater desalination, recycling, and groundwater replenishment facilities.

Upgrade and enhance planning tools, such as computer models for demand forecasting, resource program evaluation, and distribution system.

Continue work with the Water Utility Climate Alliance to perform case studies on climate data applications to water resources planning.

Foundational Action Program

Monitor the progress of the 16 studies approved by its Board under the Foundational Action Funding Program. Staff will also consider other foundational actions if deemed necessary.

Continue participation in the Southern California Water Committee Stormwater Task Force to identify opportunities and remove obstacles to increases in stormwater capture and infiltration for measurable groundwater yield.

Water Transfers and Exchanges Program

Continue to manage existing water transfer, exchange, and storage programs along the California Aqueduct and Colorado River Aqueduct and implement approved water transfers.

Pursue additional water transfers and exchanges as needed.

Work with other State Water Contractors on a long-term water transfer permitting process.

Water Resource Management

Performance Measures Summary

Performance Measure	Measurement Intent	FY 12/13 Baseline Information	FY 13/14 Performance*	Target
Identify and manage supplies and programs	Identify and manage supplies and programs sufficient to meet demands.	New measure	New measure	100%
Manage SWP, supply programs and demand management program expenditures	Manage SWP supply programs, and demand management program expenditures within FY budget.	New measure	New measure	100%
Manage storage resources	Manage storage resources to capture or deliver all available contractual imported supplies.	New measure	New measure	100%
Invoices paid on time	100% of valid invoices paid on time and in accordance with contract.	New measure	New measure	100%

* Actual performance through March 2014.

Water Resource Management

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	11,098,500	12,601,100	14,080,100	14,157,500	1,479,000	77,400
Professional Services	1,268,600	1,845,000	2,181,300	2,113,200	336,300	(68,100)
Other						
Memberships & Subscriptions	141,400	151,300	183,600	185,700	32,300	2,100
Travel Expenses	103,200	137,000	158,500	156,500	21,500	(2,000)
Grant / Donation Expense	81,800	125,000	125,000	125,000	0	0
Graphics & Reprographics	12,500	76,400	72,900	79,900	(3,500)	7,000
Materials & Supplies	37,100	93,300	62,300	82,300	(31,000)	20,000
Contract Payments	21,000	59,500	59,500	59,800	0	300
Communication Expenses	4,000	49,700	47,000	47,000	(2,700)	0
Training & Seminars Costs	12,100	43,200	46,000	46,000	2,800	0
Other Accounts	50,200	91,300	104,500	105,000	13,200	500
Totals	12,830,400	15,272,800	17,120,700	17,157,900	1,847,900	37,200
% Change	—	19.0%	12.1%	0.2%	—	—
Regular	59	68	68	68	0	0
Temporary	0	0	0	0	0	0
Total Personnel	59	68	68	68	0	0

Note – Totals may not foot due to rounding.

Capital Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Salaries and Benefits	1,300	0	0	0
Totals	1,300	0	0	0
% Change	—	(100.0%)	0.0%	0.0%
Regular	0	0	0	0
Temporary	0	0	0	0
Total Personnel	0	0	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects merit increases for qualified employees; section reorganization and succession planning; and an increase in retirement-related benefit costs.

Professional Services – Reflects costs for technical studies for resource planning, increase in consulting services for SWP and IID conservation program audits, and water use investigations.

Memberships and Subscriptions – Reflects membership cost for Alliance for Water Use Efficiency.

Materials & Supplies – Reflects deferred purchase for demographic, household water use, and lot size data.

Travel and Other Accounts – Reflects increase in GIS database training and travel for work related to CRA, SWP and Conservation Program.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Professional Services – Reflects completion of IID conservation program audit and the Integrated Resources Planning Simulation Model source code and platform evaluation.

Materials and Supplies – Reflects increase for purchase of Southern California of Governments Regional Transportation Plan demographic forecast.

Water Resource Management

OFFICE OF MANAGER

The Office of the Manager provides management and direction of the group's efforts in planning, securing, and managing Metropolitan's water resources; monitoring and

tracking of the group's business plan, financial, and budgetary initiatives; and administrative and business processes support.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	1,748,300	2,165,400	3,550,800	3,587,600	1,385,400	36,800
Professional Services	0	25,000	25,000	25,000	0	0
Other	64,900	167,100	168,900	168,900	1,800	0
Totals	1,813,200	2,357,500	3,744,700	3,781,500	1,387,200	36,800
% Change	—	30.0%	58.8%	1.0%	—	—
Personnel	11	14	19	19	5	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects five positions transferred from other sections within the group, merit increases for qualified employees, and an increase in retirement-related benefit costs.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

RESOURCE PLANNING & DEVELOPMENT

The section is responsible for providing an integrated water supply and demand forecast that will meet the needs of member agencies and reflect their long-range planning efforts for local supplies, and setting the foundation for Metropolitan’s resource mix and local supplies needed to meet demands. The section also supports the development of resource programs, projects, and infrastructure to meet projected

resource targets; administers the planning process; defines strategies for meeting service area water needs, including the IRP and WSDM; and develops resource options, such as groundwater conjunctive use, as well as alternatives for short-range planning and implementation through joint action with Water System Operations.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	3,864,600	4,290,900	3,366,800	3,386,300	(924,100)	19,500
Professional Services	132,400	520,000	460,000	410,000	(60,000)	(50,000)
Other	122,000	263,200	231,100	258,100	(32,100)	27,000
Totals	4,119,000	5,074,100	4,057,900	4,054,400	(1,016,200)	(3,500)
% Change	—	23.2%	(20.0%)	(0.1%)	—	—
Personnel	19	22	15	15	(7)	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects section reorganization and succession planning with seven positions transferred out, merit increases for qualified employees; and an increase in retirement-related benefit costs.

Professional Services – Reflects the transfer of consulting services for the State Water Project aqueduct modeling and CALSIM II project supply modeling supports to the Implementation Section.

Other – Reflects deferred purchase of demographic, household water use, and lost size data.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Professional Services – Reflects decrease for completion of the Integrated Resources Planning Simulation Model source code and platform evaluation.

Other – Reflects increase for purchase of Southern California of Governments – Regional Transportation Plan demographic forecast.

RESOURCE IMPLEMENTATION

The section develops and administers water resource programs and contracts, and pursues application of new technologies and innovation for the Colorado River, State Water Project, water recycling, groundwater recovery, conservation, and seawater desalination. This

section also monitors and responds to regulatory, legislative, and operational activities that may influence Metropolitan’s rights and benefits related to the quality, reliability, and cost of water.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	5,485,600	6,144,800	7,162,500	7,183,600	1,017,700	21,100
Professional Services	1,135,400	1,300,000	1,696,300	1,678,200	396,300	(18,100)
Other	276,300	396,400	459,300	460,200	62,900	900
Totals	6,897,300	7,841,200	9,318,100	9,322,000	1,476,900	3,900
% Change	—	13.7%	18.8%	0.0%	—	—
Personnel	29	32	34	34	2	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects section reorganization and succession planning with three positions transferred from the Planning Section and one position to the Office of Group Manager, merit increases for qualified employees; and an increase in retirement-related benefit costs.

Professional Services – Reflects costs for IID conservation program audit and conservation water saving device studies, consulting services transferred from the planning section, and an increase in consulting services for Colorado River water use study investigations.

Other – Reflects net increase in travel and training related to CRA and SWP Programs.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

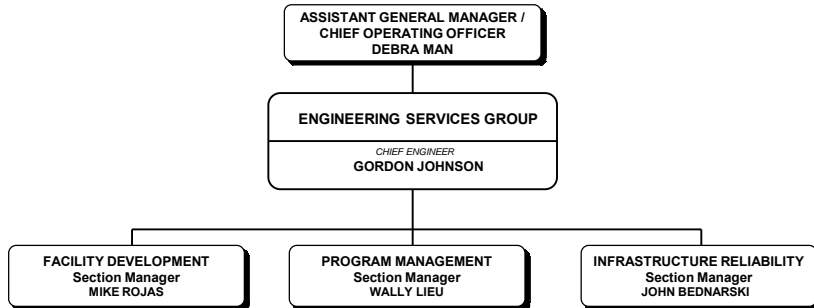
Professional Services – Reflects completion of the IID conservation program audit.

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MISSION, ROLES, AND RESPONSIBILITIES

The Engineering Services group provides innovative, high-quality, and cost-effective solutions to meet our customers’ needs and to ensure the long-term reliability and successful operation of Metropolitan’s infrastructure. Specifically, Engineering Services performs

project management, design, construction management, environmental planning, infrastructure protection monitoring, and water-related facility planning, and manages Metropolitan’s Capital Investment Plan (CIP).



BUDGET ISSUES AND CONSTRAINTS

Staff continues to provide core O&M technical support and dedicate efforts to major O&M activities including the Bay Delta Conservation Plan (BDCP). Additional technical support has been planned to comply with new regulations and to provide support to the DWR on the reliability of the SWP facilities and infrastructure.

As we continue to face workforce challenges that include an aging workforce and increasing retirements of key staff, Engineering Services continues to operate as a highly responsive full-service engineering organization that is dedicated to meet the needs of its customers in a cost-effective manner.

For fiscal years 2014/15 and 2015/16, Engineering Service’s net personnel levels remain consistent with last year’s overall personnel with a focus on major O&M activities

that include technical support of Metropolitan’s Bay Delta Initiatives office and DWR’s SWP facilities and infrastructure, and additional efforts to comply with new regulations. The operating equipment budget for fiscal years 2014/15 and 2015/16 reflects ongoing replacement of essential equipment to perform work and maintain technical support to customers.

Annually, Engineering Services continues to review all programs and projects in Metropolitan’s CIP as part of the budget process. For fiscal years 2014/15 and 2015/16, the timing and urgency of projects, aging infrastructure, updated service demand projections, and regulatory requirements have all been considered in the overall planning of expenditures.

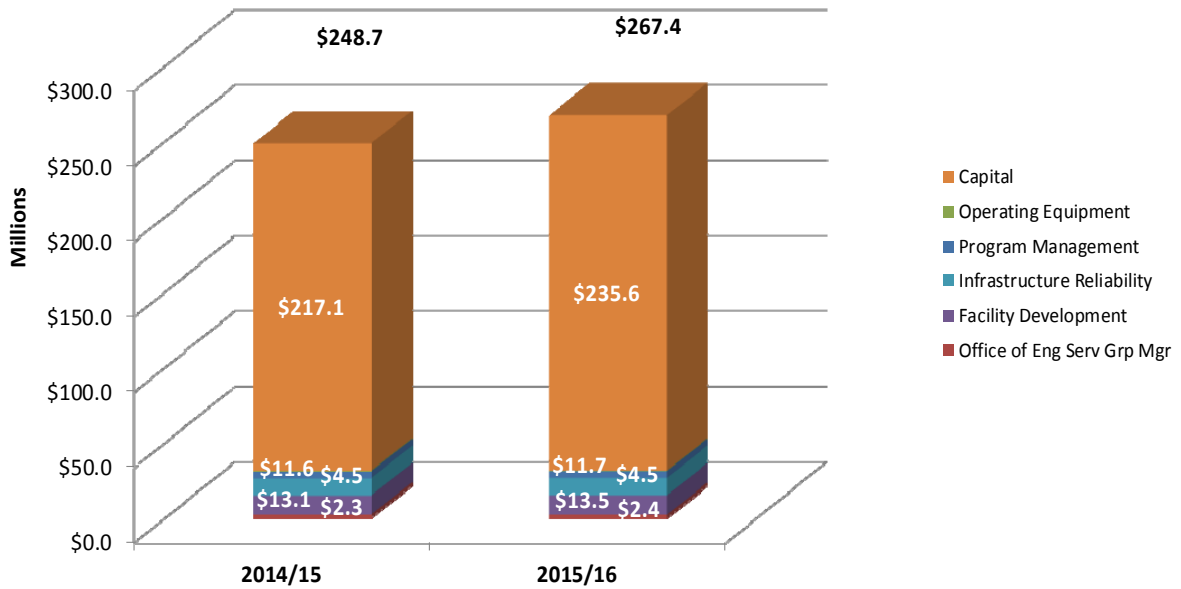
Engineering Services

Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	25,778,300	26,724,200	31,664,800	31,863,300	4,940,600	198,500
% Change	—	—	—	—	18.5%	0.6%
Capital	113,599,200	253,755,900	217,060,300	235,559,800	(36,695,600)	18,499,500
% Change	—	—	—	—	(14.5%)	8.5%
Totals	139,377,500	280,480,100	248,725,100	267,423,100	(31,755,000)	18,698,000
% Change	—	—	—	—	(11.3%)	7.5%
Regular	342	372	371	371	(1)	0
Temporary	2	0	0	0	0	0
Total Personnel	344	372	371	371	(1)	0

Note – Totals may not foot due to rounding.

Program Expenditure Comparison



2013/14 ACCOMPLISHMENTS

During the fiscal year, Engineering Services continued to focus on the General Manager's Business Plan objectives of ensuring adequate water supply, system reliability, water quality excellence, and cost-efficient business processes.

Significant milestones were reached on long-term capital programs. The final chapter of the Inland Feeder Program was successfully brought to a close, when Metropolitan negotiated and secured a 50-year operating permit from the US Forest Service for the Arrowhead Tunnels. The decade-long effort to survey and record title documents for Metropolitan's Colorado River Aqueduct (CRA) properties was concluded; the Cross Connection Prevention Program to protect water quality throughout the distribution system was completed; and the final project in the Chlorine Containment Program commenced construction.

Primary construction of ozonation facilities at the Diemer plant was also completed, allowing start-up and testing activities to commence. The Diemer plant will soon join the Mills, Jensen, and Skinner plants in enjoying the water quality benefits of ozone with disinfection and taste-and-odor control. Metropolitan's final facility to be retrofitted with ozone, the Weymouth plant, is currently nearing the mid-point of construction. After receiving Board authorization, Engineering Services successfully negotiated and executed a change order with the contractor to expand the Weymouth ozone system to match the plant's full hydraulic capacity. This step took advantage of extremely favorable pricing for the additional ozone capacity, and represented Metropolitan's last major action on the 24-year-long Oxidation Retrofit Program (ORP).

Engineering Services initiated a new long-term comprehensive program to refurbish 100 miles of Metropolitan's 163 miles of Prestressed Concrete Cylinder Pipe (PCCP) lines. The first pipeline to be addressed under this program is the Second Lower Feeder. Two initial PCCP repair projects have been completed to date, while a third repair is scheduled for the next shutdown season. Preliminary design and preparation of environmental documentation are

underway for full-scale repairs of the Second Lower Feeder, and a hydraulic model of Metropolitan's entire distribution system is being developed as a tool to minimize hydraulic impacts on member agencies and the overall repair costs.

A second comprehensive program was initiated to protect access rights, minimize erosion, and secure programmatic environmental permits along all of Metropolitan's feeders within the distribution system. This effort will enable planned rehabilitation work and operational activities to continue over the long-term with a minimum of delays, and provide relief from escalating permitting costs.

Metropolitan's CIP has been re-structured to better prioritize and plan infrastructure reliability projects at all five water treatment plants, along the CRA, and within the distribution system. As a result, improved planning of rehabilitation needs will support Metropolitan's long-term financial planning and rate setting process.

During the fiscal year, Engineering Services continued to provide key technical support to the BDCP in support of Metropolitan's Bay Delta initiatives office, the State Water Contractors, and the state Department of Water Resources. This support included development of technical information for the EIR/EIS, and leading the planning efforts for overall project management and engineering of the conveyance portion of the BDCP. This support resulted in significant optimization of the conveyance system to contain costs and better address stakeholder needs.

Engineering Services continued to conduct seismic assessments of Metropolitan's facilities to maintain reliable water deliveries and meet current seismic design codes and practices. During the year, seismic upgrade projects moved forward at three treatment plants, the CRA pumping plants, and several reservoirs. In addition, a seismic assessment of the Union Station Headquarters Building was completed and a plan for proceeding with the upgrades was developed.

Scheduled inspections and ongoing monitoring continued throughout the year of critical facilities such as dams, reservoirs, pipelines, and chemical tanks, to assess their condition and

ensure facilities are operating efficiently. Engineering Services also continued to provide technical support to internal customers to efficiently operate the treatment plants and distribution system.

In response to the current state-wide drought and historically low allocation of State Water Project supplies, a series of urgent projects was initiated to expand the areas within Metropolitan's distribution system that can receive Colorado River water. Studies were also initiated of methods to supply water from Diamond Valley Lake to the Rialto Feeder and the Mills plant.

OBJECTIVES FOR 2014/15 AND 2015/16

During the next two fiscal years, Engineering Services will continue to support internal customers and manage the CIP consistent with the General Manager's Business Plan. The primary emphasis will be on providing technical support for Bay Delta efforts, maintaining key O&M initiatives in water delivery reliability and infrastructure protection, and managing capital programs, the majority of which involve refurbishment and replacement of aging infrastructure.

Among major capital programs, Engineering Services will continue to manage construction of the final stages of the ORP at the Weymouth plant, and will complete commissioning of the

Diemer ozone system. Critical rehabilitation projects at both plants will also move forward, focusing on the aging filters and treatment basins.

Within the distribution system, full-scale repairs will commence to replace the lining in the Etiwanda Pipeline, Orange County Feeder, and Lakeview Pipeline. Drought response projects at the Greg Avenue Pumping Station and the Lakeview Pipeline/Inland Feeder Intertie will be completed, and rehabilitation of the PCCP portions of the Second Lower Feeder will commence. In addition, environmental documentation for the rehabilitation of four additional PCCP feeders will be initiated, and a long-term staging plan for the 20-year PCCP program will be developed. On the CRA, an electrical master plan will be finalized and a series of electrical upgrade projects will move forward to modernize the 75-year-old power systems at the pumping plants.

Engineering Services will continue to support Metropolitan's Bay Delta initiatives, and will provide technical support to DWR as the environmental review process for the BDCP concludes.

Staff will continue to perform seismic assessments and manage structural upgrade projects, including the strengthening of Metropolitan's Union Station Headquarters building.

Engineering Services

Performance Measures Summary

Engineering Services will continue its mission to provide services that support Metropolitan's core business in an efficient and cost-effective manner.

Performance Measure	Measurement Intent	FY 12/13 Baseline Information	FY 13/14 Performance*	Target
Final Design Cost as a percentage of Construction Cost	Ensure costs are comparable to industry standards of similar agencies.	9.7%	16.9%**	9% - 12% (Construction Costs > \$3 million)
		12.1%	13.2%	9% - 15% (Construction Costs ≤ \$3 million)
Construction Inspection Cost as a percentage of Construction Cost	Ensure costs are comparable to industry standards of similar agencies.	14.7%	12.0%	9% - 12% (Construction Costs > \$3 million)
		12.0%	13.4%	9% - 15% (Construction costs ≤ \$3 million)
O&M Budget Performance	Monitor how Engineering Services is meeting its fiscal year O&M plan.	100.8%	97.2%	≤ 100% of FY Budget

* Actual performance through March 2014

** Result primarily based on the Diemer Electrical Upgrades contract, whose low bid amount was significantly below the engineer's estimate due to a highly competitive bidding environment.

Engineering Services

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	22,769,600	23,712,800	26,642,700	26,916,000	2,929,900	273,300
Professional Services	997,700	1,051,700	2,567,800	2,631,400	1,516,100	63,600
Other	0	0	0	0	0	0
Materials & Supplies	385,600	446,600	438,000	448,800	(8,600)	10,800
Taxes & Permits	251,500	272,100	302,000	302,000	29,900	0
Travel Expenses	141,800	175,100	259,500	261,900	84,400	2,400
Utilities Charges	146,100	100,000	240,000	240,000	140,000	0
Memberships & Subscriptions	62,600	93,600	147,900	146,700	54,300	(1,200)
Communication Expenses	106,900	125,000	130,000	130,000	5,000	0
Other Accounts	209,700	312,800	397,400	380,200	84,600	(17,200)
Totals	25,071,500	26,289,700	31,125,300	31,457,000	4,835,600	331,700
% Change	—	4.9%	18.4%	1.1%	—	—
Operating Equipment	706,900	434,500	539,500	406,300	105,000	(133,200)
Total O&M and Operating Equipment	25,778,400	26,724,200	31,664,800	31,863,300	4,940,600	198,500
% Change	—	3.7%	18.5%	0.6%	—	—
Regular	136	134	146	146	12	0
Temporary	0	0	0	0	0	0
Total Personnel	136	134	146	146	12	0

Note – Totals may not foot due to rounding.

Capital Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Salaries and Benefits	35,081,200	46,010,800	41,486,700	41,895,500
Professional Services	7,134,500	9,603,300	7,456,100	5,678,400
Property Acquisition	(400)	440,100	1,008,300	641,400
Construction	54,515,100	191,013,800	138,520,800	157,986,700
Other	16,868,700	7,687,400	28,588,400	29,357,700
Totals	113,599,100	253,755,400	217,060,300	235,559,700
% Change	—	123.4%	(14.5%)	8.5%
Regular	206	238	225	225
Temporary	2	0	0	0
Total Personnel	208	238	225	225

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

O&M

Salaries and Benefits – Reflects an increase of efforts in support of the BDCP, and preparation of Emergency Action Plans for dams per the state Division of Safety of Dams (DSOD), as well as merit increases for qualified employees and an increase in retirement-related benefit costs, partially offset by a vacancy factor.

Professional Services – Reflects additional efforts in environmental-related documentation for O&M activities within the distribution system, and technical support to DWR for the reliability of SWP facilities.

Taxes and Permits – Reflects increasing quantity and complexity of environmental permits.

Travel – Reflects increases in support of BDCP activities.

Utilities Charges – Reflects higher power costs associated with a new Southern California Edison substation and maintenance agreement at La Verne.

Memberships & Subscriptions – Reflects increases in subscription prices.

Other – Reflects increases for technical training for design and dam inundation analyses, and for rollout of the new project control and cost

reporting system. Additional increases are due to new copiers and printers, and to increased monthly lease and maintenance costs.

Operating Equipment – Reflects increases due to higher quantity of vehicles requiring replacement.

Capital

Planned capital expenditures for fiscal year 2014/15 are approximately \$36.6 million less than in fiscal year 2013/14. This decrease in planned expenditures reflects a readjustment of project budgets and schedules as a result of some very favorable bids on construction contracts, and to optimize facility shutdowns. Actual expenditures in fiscal year 2013/14 are projected to be about \$100 million less than budgeted. Therefore, planned expenditures in fiscal year 2014/15 of \$217.1 million reflect an increase from actual expenditures in 2013/14. This increase reflects initiation of construction on several projects where design activities had been extended. Examples include chlorine containment at the Chemical Unloading Facility, rehabilitation of PCCP portions of the Second Lower Feeder, rehabilitation of Palos Verdes Reservoir, refurbishment of the treatment basins and replacement of filter valves at the Diemer plant, and replacement of the CRA pumping plant wastewater systems.

Engineering Services

2014/15 vs 2015/16

O&M

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Professional Services – Reflects ongoing level of support for environmental-related activities and technical support to DWR for the reliability of SWP facilities.

Materials & Supplies – Reflects increases for Computed Aided Design (CAD) maintenance costs.

Other – Reflects decrease in training for the project control and cost reporting system, and for dam inundation analyses.

Operating Equipment – Reflects reduction in the number of replacement vehicles as compared to the prior fiscal year.

Capital

Planned capital expenditures for fiscal year 2015/16 are approximately \$18.5 million more than in fiscal year 2014/15. This increase is due to a ramp-up of contractor payments on the Diemer basin rehabilitation and filter valve replacement, chlorine containment at the Chemical Unloading Facility, Second Lower Feeder PCCP repairs, and rehabilitation of the filters at the Weymouth plant. Additionally, construction is anticipated to commence on relining of the Lakeview Pipeline, electrical system upgrades at the Jensen plant, filter valve replacement at the Weymouth plant, and relining of the Orange County Feeder.

Engineering Services

OFFICE OF THE MANAGER

The Office of the Group Manager oversees the management of the Engineering Services Group by providing strategic leadership on engineering

initiatives and core business efforts with special management of Metropolitan's CIP.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	1,330,700	1,335,600	1,399,500	1,414,500	63,900	15,000
Professional Services	31,000	360,000	360,000	360,000	0	0
Other	212,100	371,300	578,500	580,900	207,200	2,400
Totals	1,573,800	2,066,900	2,338,000	2,355,400	271,100	17,400
% Change	—	31.3%	13.1%	0.7%	—	—
Personnel	8	8	8	8	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs.

Other – Reflects higher electrical costs associated with a new substation and maintenance agreement, increased travel in support of the BDCP, and an increase in monthly lease and maintenance costs for copiers.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Engineering Services

FACILITY DEVELOPMENT

The section is comprised of the units responsible for providing design, environmental planning, and local and

regional water-related facility planning services to ensure the continued reliability and quality of water deliveries.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	8,491,700	8,728,500	10,062,600	10,195,200	1,334,100	132,600
Professional Services	943,000	585,000	2,126,500	2,186,100	1,541,500	59,600
Other	300,100	372,400	560,500	559,500	188,100	(1,000)
Totals	9,734,800	9,685,900	12,749,600	12,940,800	3,063,700	191,200
% Change	—	(0.5%)	31.6%	1.5%	—	—
Personnel	51	48	55	55	7	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects additional efforts in support of the BDCP, merit increases for qualified employees, and an increase in retirement-related benefit costs, which is partially offset by a vacancy factor.

Professional Services – Reflects additional efforts for environmental related services and technical support to the DWR for the reliability of SWP facilities and infrastructures.

Other – Reflects increases due to technical training for design and dam inundation analysis, on-line subscription services, and increasing level of projects requiring more environmental permits.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Professional Services – Reflects ongoing level of services for environmental related consultants and technical support to the DWR for the reliability of SWP facilities and infrastructures.

Engineering Services

INFRASTRUCTURE RELIABILITY

The section is comprised of the units responsible for construction management and infrastructure

protection to ensure the continued reliability and quality of water deliveries.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	8,485,300	9,595,300	10,824,700	10,915,300	1,229,400	90,600
Professional Services	22,400	105,200	81,300	85,300	(23,900)	4,000
Other	557,300	671,300	657,800	659,100	(13,500)	1,300
Totals	9,065,000	10,371,800	11,563,800	11,659,700	1,192,000	95,900
% Change	—	14.4%	11.5%	0.8%	—	—
Personnel	55	57	60	60	3	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects additional efforts in support of the BDCP and the Division of Safety of Dams Emergency Action Plan, merit increases for qualified employees and an increase in retirement-related benefit costs, which is partially offset by a vacancy factor.

Professional Services – Reflects decrease in consultant usage in geodetics and mapping.

Other – Reflects lower level of planned expenditures for materials & supplies.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Engineering Services

PROGRAM MANAGEMENT

The section is comprised of the units responsible for providing project management and CIP implementation to ensure the continued reliability and quality of water deliveries.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	4,461,900	4,053,400	4,355,900	4,390,900	302,500	35,000
Professional Services	1,200	1,500	0	0	(1,500)	0
Other	234,600	110,200	118,000	110,100	7,800	(7,900)
Totals	4,697,700	4,165,100	4,473,900	4,501,000	308,800	27,100
% Change	—	(11.3%)	7.4%	0.6%	—	—
Personnel	23	21	23	23	2	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects additional technical support for the conveyance and distribution systems, merit increases for qualified employees, and an increase in retirement-related benefit costs, which is partially offset by a vacancy factor.

Professional Services – Reflects a decrease in consultant usage for Primavera project control and cost reporting related services.

Other – Reflects training required for the Primavera project control and cost reporting system.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Other – Reflects a decrease in training for the Primavera project control and cost reporting system.

Engineering Services

Detail of Operating Equipment

2014/15

Facility Development Section

BIN	Description	Qty	New	Replace	Total
15-01025-001	DS08 - 1/2 ton 4dr 4WD mid-size crew cab PU	1		28,532	28,532

Infrastructure Reliability Section

BIN	Description	Qty	New	Replace	Total
15-00985-001	DS08ns w/toolbox	2		58,964	
15-00985-002	DS08ns2 w/snugtop	1		30,440	
15-00985-003	Nuclear Moisture Density Gauge	3		22,838	
15-01040-001	Robotic total station	1		81,563	
15-01040-002	GPS RTK System	1		60,900	
15-01040-003	GIS Workstation	1		14,138	
15-01040-004	DS12ns w/4 add-ons - 3/4 Ton 4 WD PU	1		39,773	
15-01137-001	UT Flaw Detector	1		9,244	
15-01137-002	DS12ns w/2 add-ons - 3/4 Ton 4 WD PU	1		36,481	
15-01259-001	DS14 - 3/4 Ton 4WD, ext Cab & Chassis w/98 UT body	1		37,969	
Section Totals				392,309	392,309

Program Management Section

BIN	Description	Qty	New	Replace	Total
15-00984-001	DS02 - Hybrid Compact Sedan	2		61,626	
15-00984-002	DS08 - 1/2 ton 4dr 4WD mid-size crew cab PU	2		57,063	
Section Totals				118,690	118,690
2014/15 Totals for Engineering Services				539,531	539,531

2015/16

Infrastructure Reliability Section

BIN	Description	Qty	New	Replace	Total
16-00985-001	DS08nsx w/tool box	1		31,057	
16-00985-002	DS12ns w/toolbox	1		35,671	
16-01137-001	High Humidity Cabinet	1		31,389	
16-01138-001	DS14 - 3/4 Ton 4WD, ext Cab & Chassis w/98 UT body	1		40,234	
16-01138-002	DS13ns w/ladder rack	1		30,440	
16-01259-001	Robotic Total Station	2		164,625	
16-01259-002	DS14 - 3/4 Ton 4WD, ext Cab & Chassis w/98 UT body	1		40,234	
Section Totals				373,650	373,650

Office of the Group Mgr - Engineering Services

BIN	Description	Qty	New	Replace	Total
16-00932-001	DS02 - Hybrid Compact Sedan	1		32,652	32,652
2015/16 Totals for Engineering Services				406,302	406,302

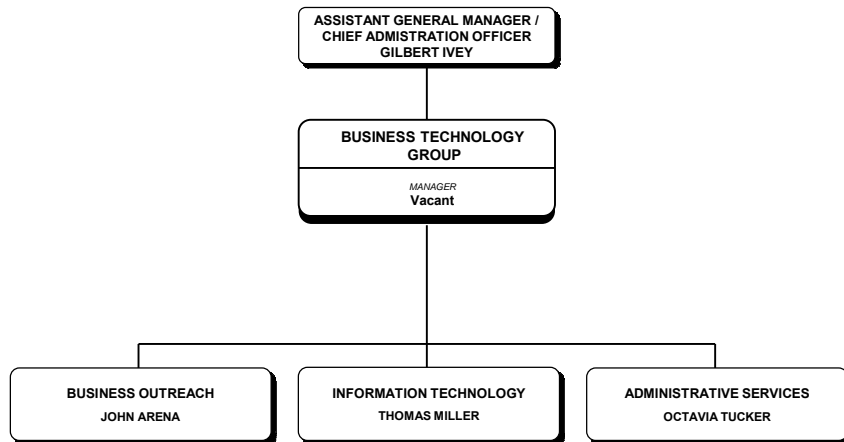
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Business Technology

MISSION, ROLES, AND RESPONSIBILITIES

The Business Technology group (BTG) is comprised of four sections: Administrative Services, Information Technology, Business Outreach, and the Office of the Group Manager. Administrative Services provides a range of services including procurement, contracting, warehousing, inventory management, investment recovery, graphics, reprographics, videography, document services and management of the Union Station Headquarters building and DVL Visitors Center. Information Technology delivers comprehensive technology services and solutions in business applications (e.g., laboratory information management system, financial and human resource systems,

maintenance management system, etc.), geographic information systems, telecommunications/networks, SCADA, programming, and computer hardware and software. Business Outreach is responsible for advancing Metropolitan’s policy of encouraging participation of small and disabled veteran owned business in construction, professional services, and equipment and material/supply contracts. The Office of the Group Manager oversees Metropolitan’s Grant Management program and annexation functions along with the group’s business planning, budget development, performance management, strategic initiatives, and workforce development.



BUDGET ISSUES AND CONSTRAINTS

The group has aggressively managed its budget over the past several years due to fiscal constraints. To ensure critical functions were met, all work was re-prioritized to address urgent and critical projects only; staffing levels were reduced and needed equipment to maintain the IT infrastructure was deferred.

This biennial budget reflects the need to move forward with needed rehabilitation and upgrades of IT facilities in support of the Water System Operations and Engineering Services groups. These include upgrades to the DVL Controls and the Wadsworth Pumping Plant, the Emergency 2-way Radio system, the SCADA Master Plan, and a system hydraulic study.

The group is eliminating a full-time regular position bringing the total regular staff to 241. BTG group management continues to prioritize vacancies facilitating workforce succession planning and budget management.

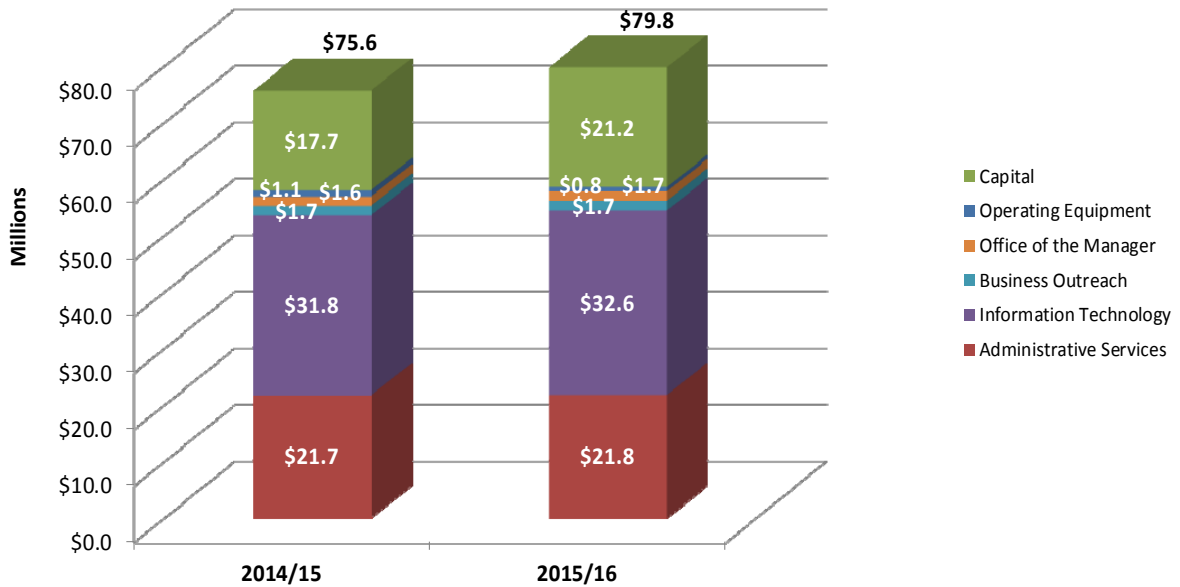
Operating equipment for the biennial budget reflects the critical needs for items that were deferred and includes equipment such as vehicles identified by Fleet Administration as requiring replacement for reasons of reliability or safety; replacement of end-of-life IT servers, network communication hardware, and storage devices used for Metropolitan applications; and replacement of aging equipment at the Union Station facility.

Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	48,256,300	53,941,200	57,951,400	58,540,700	4,010,200	589,300
% Change	—	—	—	—	7.4%	1.0%
Capital	2,115,000	10,747,900	17,651,100	21,209,200	6,903,200	3,558,100
% Change	—	—	—	—	64.2%	20.2%
Totals	50,371,300	64,689,100	75,602,500	79,749,900	10,913,400	4,147,400
% Change	—	—	—	—	16.9%	5.5%
Regular	222	242	241	241	(1)	0
Temporary	1	0	0	0	0	0
Total Personnel	223	242	241	241	(1)	0

Note – Totals may not foot due to rounding.

Program Expenditure Comparison



2013/14 ACCOMPLISHMENTS

Administrative Services

Hosted the 7th Annual Spring Green Expo and Innovator’s Showcase 2014 attended by approximately 800 people. There were over 65 green exhibits, three workshops on sustainability, and 20 Southern California university exhibits.

Ensured Metropolitan’s Rideshare Program remained compliant with South Coast Air Quality Management District’s regulatory requirements with employee participation in excess of forty percent.

Completed a replacement of printer/copier/fax/scanning equipment throughout Metropolitan. The all-in-one strategy will reduce costs, improve productivity and decrease energy usage.

Performed numerous preventive maintenance procedures to building equipment and systems at Metropolitan’s Union Station headquarters and the DVL Visitor Center, grounds, and solar generation facilities.

Initiated an energy management/usage audit of Union Station and identified potential projects to ensure lowest life-cycle operating costs in concert with the principles of effective and sustainable facility management.

Completed the installation of LED lighting throughout Union Station conference rooms, elevators, cafeteria, and the outside perimeter of the building to reduce energy usage and save costs.

Partnered with the Real Property Development and Management Group to support the effort of leasing office space to new tenants.

Information Technology

During the year Metropolitan embarked on an update of its Information Technology Strategic Plan (ITSP) that will carry over into the next biennial period. Metropolitan’s ITSP provides a roadmap to guide the investment and deployment of information technology at Metropolitan over the next three to five years. The goal of the plan is to leverage information technology investments to increase long-term reliability while improving Metropolitan’s

Business Technology

overall efficiency and effectiveness. Oversight of IT investments is provided by the IT Guidance Committee, consisting of senior management and the CIP Evaluation team as part of the CIP planning process. Significant accomplishments of the existing plan include:

Completed deployment of computers throughout Metropolitan to replace existing end-of-life personal computers as part of the PC Replacement program;

Completed the Water System Control Master Planning effort to fully coordinate the operational and business needs of Metropolitan's Supervisory Control and Data Acquisition (SCADA) Systems. BTG continues to collaborate with Water Systems Operations (WSO) to develop a tactical plan for implementation that will result in additional CIP projects;

Completed RFP and awarded contract for the Communication Infrastructure Reliability Upgrade project based upon Voice over Internet Protocol (VoIP) technology. VoIP will improve the reliability of the communication system, reduce downtime and equipment failures, and add unified communications capabilities to the telephone system;

Completed the Wide Area Network (WAN) upgrades to enhance communication reliability;

Completed prototype testing and started final design for rehabilitation and upgrades of end-of-life control and electrical protection systems at the Hiram Wadsworth Pumping Plant;

Enabled secure remote access for mobile devices connecting to Metropolitan's networks for managers to approve employee timesheets and approval of purchase requisitions;

Completed WSO requested enhancements to the MAXIMO system to improve, streamline and enhance use ability of mobile hand held units for field/maintenance staff;

Continued implementation of the new emergency two-way radio system to improve the coverage, reliability, ease of use and durability during emergencies;

Continued on-going cyber security efforts aimed at protecting Metropolitan's computing environment by implementing tools to protect against evolving cyber threats;

Partnered with External Affairs to support Metropolitan's Web Redesign project to improve the look and functionality of the current website; and

Initiated Business Application Upgrade projects for PeopleSoft and Oracle Financial eBusiness Suite and started an Accounts Payable Imaging project to streamline Finance's management of A/P invoices.

Business Outreach Program

Continued to maintain an effective Business Outreach Program for regional, small businesses, and veterans to ensure broad participation and competitive costs. Staff surpassed the Board's Small Business Program goal of 18 percent by achieving 33% small business participation in business contracting.

Hosted the 8th Annual California Construction Expo with other California government agencies to present the increasing opportunities available in public works programs to contractors, designers, and construction professionals. There were over 2,200 attendees, 150 exhibitors, 40 public agencies, 250 subcontractors, 25 large primes, and \$10 billion in construction projects.

Supported the Water Resource Management Group to promote Metropolitan's Long-Term Conservation Plan and the Innovative Water Conservation Plan.

Partnered with member agencies to host Connect 2 Met business opportunity forums, educating local business on how to do business with public agencies and their purchasing departments.

Partnered with public agencies to develop a uniform online Small Business Certification System to increase access to government contracts for regional and small businesses.

Partnered with member agencies, water agencies and Isle Utilities to form a Technology Approval Group to identify, develop, and commercialize emerging water technologies. Staff also hosted the H2O Techconnect website to accelerate connections in water technology.

Office of Group Manager

Completed annexations as requested by member agencies levying appropriate charges.
Completed revised Service Area Boundary maps, and supported development of the annual annexation fee update.

Continued to conduct leadership forums to provide managers with up-to-date information regarding Metropolitan-wide issues and initiatives and to develop plans and programs for performance improvements.

Completed the comprehensive Workforce Skills Assessment and Succession Plan within BTG to identify skill gaps and develop strategies to fill these gaps. BTG has closed over 50 percent of the total identified gaps through training and non-training strategies including employee recruitment, employee transfers, internal and external training courses, cross training, job rotation, and re-organization.

Partnered with Human Resources to develop and implement within BTG an Admin/Analyst Training Program designed to maximize the competitiveness of Metropolitan's Administrative Assistants and Analyst families by providing a road map for career success;

Refilled nearly 50 percent of all managerial positions throughout the group that became vacant due to retirements.

Submitted grant applications to the Safe Drinking Water State Revolving Fund for Metropolitan's Prestressed Concrete Cylinder Pipe Rehabilitation Project, Installation of Chlorine Evaporators at Weymouth Ozone Facilities, and to Modify Mills Ammonia and Chlorine systems.

Completed the Grant Funding policy and procedures manual.

OBJECTIVES FOR 2014/15 AND 2015/16

Administrative Services

Implement a managed print/copier environment based on the results of a study to reduce costs associated with printing/coping/faxing and scanning.

Implement where appropriate novel procurement strategies to lower cost and improve turnaround times such as Reverse Auction Procurement strategy.

Partner with Engineering Services group to expand the current use of the digital signature process for engineering design drawings to the procurement contract process with the goal of reducing purchase order life cycle costs.

Continue to evaluate emerging technology advancements in the business environment to determine their application for Metropolitan. Completion of mobile approval applications for Worktech timekeeping, Oracle requisitions and MWD e-forms are planned during the biennium.

Continue with innovative sustainability efforts in business practices and employee education by hosting Metropolitan's Annual Spring Green Expo and Innovators Showcase, Metropolitan's Rideshare Program to reduce travel emission, and the Our Legacy e-Newsletter for employees.

Continue to optimize the cost of maintaining Metropolitan's headquarters building and DVL Visitors Center while supporting Metropolitan's sustainability initiatives and the guidelines and benchmarks established by the Building Owners and Managers Association.

Continue with rehabilitation of Union Station Headquarters as the facility ages beyond 15 years old. Carpet replacement will continue in common areas, equipment replacement in the cafeteria will commence, and repainting will occur.

Begin implementation of findings from an energy management/usage audit of Union Station designed to reduce energy costs and improve operational efficiency.

Continue to partner with Real Property Development and Management to effectively utilize space and to support leasing space for revenue generation.

Information Technology

Implement projects in support of the Information Strategic Plan update. Expected initiatives include additional migration to mobile technology for transactions and implementation of cloud solutions to reduce costs;

Continue with the development of the Water System Control Master Plan to fully coordinate and further protect the operational and business investments of Metropolitan's SCADA systems;

Partner with Engineering Services and WSO to begin development of a Water Systems Asset Information Program that will effectively support ongoing and future planning, engineering, operations, maintenance and asset management. The program will leverage and consolidate several different and separate computer applications currently in use for water systems operations;

Complete deployment of the emergency two-way radio system to improve its coverage, reliability, ease of use and durability during emergencies;

Complete board authorized SCADA cyber security upgrades and enhancements to ensure protection against evolving cyber threats;

Complete final design and commence upgrading the control and electrical protection systems at the Wadsworth Pumping Plant to ensure continued reliability of the facility;

Continue to monitor and participate in local and national efforts aimed at enhancing security capabilities for water utilities;

Complete replacement of large Hewlett-Packard enterprise servers that run UNIX operating systems and Oracle database management systems that have reached the end of their life cycle;

Complete upgrades of Business Applications for Oracle eBusiness Suite and A/P Imaging to support the CFO's business operations and an upgrade of the PeopleSoft HR, Payroll, and Enterprise Learning Management. These upgrades are necessary to improve performance and continue vendor support; and

Initiate an Enterprise Content Management system to satisfy existing and future compliance of electronic records information. Currently, Metropolitan has a fully developed model for physical records. However a model is required to capture,

classify, and dispose of electronic records according to fiscal, legal, and regulatory requirements.

Business Outreach Program

Continue to maintain an effective Business Outreach Program for regional, small businesses, and veterans to ensure broad participation and competitive costs while achieving board-adopted goals of 18% or better for contracting dollars to small business.

Continue to participate as a host of the 9th Annual California Construction Expo 2014 where Metropolitan and other state agencies present the increasing public works construction opportunities to contractors and suppliers in the construction industry.

Continue to partner with the Water Resource Management Group to promote best business practices including sustainable business development strategies to achieve goals identified in Metropolitan's Long-Term Conservation Plan.

Continue to partner with member agencies in hosting "Connect 2 Met" business opportunity forums in order to educate local business on how to conduct business with public agencies and their purchasing departments.

Continue collaboration with member agencies, water agencies and Isle Utilities to maintain a Technology Approval Group to identify, develop, and commercialize emerging water technologies. The goal is to better connect start-up companies with end-users and investors in the water utility sector.

Office of Group Manager

Continue to serve member agencies and cities requests for annexation and levying appropriate charges to provide water service;

Continue to conduct leadership forums to provide managers with up-to-date information regarding Metropolitan-wide issues and initiatives and to develop plans and programs for performance improvements; and

Continue to reassess and update the group's comprehensive succession planning efforts including identification of key positions, skillset needs, and strategies for filling skill gaps in the near and long term.

Business Technology

Performance Measures Summary

The group will continue its mission to provide services that support Metropolitan's core business in an efficient and cost-effective manner. Using the General Manager's Business

Plan, we will monitor key performance measures that align organizational strategies and focus on services.

Performance Measure	Measurement Intent	FY 12/13 Baseline Information	FY 13/14 Performance*	Target
Business Outreach Participation	Achieve board-adopted goals of contracting dollars to small business.	30 % (\$77 million)	TBD	≥ 18 %
O&M Budget Performance	Monitor how the Group is meeting its fiscal year O&M plan.	98%	93%	≤ 100%

* Actual performance through March 2014.

Business Technology

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	35,223,200	39,957,300	42,496,500	42,872,700	2,539,200	376,200
Professional Services	234,500	336,100	503,200	452,700	167,100	(50,500)
Other						
Materials & Supplies	4,560,700	4,615,600	4,783,300	5,334,600	167,700	551,300
Outside Services - Non Professional / Mainte	2,600,600	2,603,100	2,871,200	2,867,100	268,100	(4,100)
Communication Expenses	1,351,300	1,583,300	1,591,100	1,594,200	7,800	3,100
Repairs & Maintenance - Outside Services	1,203,500	1,257,300	1,500,500	1,511,800	243,200	11,300
Utilities Charges	1,199,500	1,319,800	1,388,600	1,461,400	68,800	72,800
Rent & Leases	617,400	770,300	810,100	818,600	39,800	8,500
Other Accounts	704,600	725,200	903,700	863,600	178,500	(40,100)
Totals	47,695,300	53,168,000	56,848,200	57,776,700	3,680,200	928,500
% Change	—	11.5%	6.9%	1.6%	—	—
Operating Equipment	561,100	773,400	1,103,200	764,000	329,800	(339,200)
Total O&M and Operating Equipment	48,256,400	53,941,400	57,951,400	58,540,700	4,010,000	589,300
% Change	—	11.8%	7.4%	1.0%	—	—
Regular	219	237	236	236	(1)	0
Temporary	1	0	0	0	0	0
Total Personnel	220	237	236	236	(1)	0

Note – Totals may not foot due to rounding.

Capital Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Salaries and Benefits	485,600	1,032,700	975,300	966,100
Professional Services	1,160,300	1,562,000	9,056,600	8,464,400
Construction	0	8,600	444,100	202,200
Other	469,100	1,281,200	7,175,100	11,576,500
Totals	2,115,000	3,884,500	17,651,100	21,209,200
% Change	—	83.7%	354.4%	20.2%
Regular	2	5	5	5
Temporary	0	0	0	0
Total Personnel	2	5	5	5

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

O&M

Salaries and Benefits – Reflects merit increases for qualified employees and an increase in retirement-related benefit costs. Increases are offset by the elimination of one position.

Professional Services – Reflects increases for IT support in the areas of the mwdh2o.com website, GIS infrastructure, Board Document Management System, and the upgrades for on-line Contract Administrator training modules used district-wide.

Materials and Supplies – Reflects increases for new software licensing/support agreements covering Accounts Payable Imaging, Microsoft Enterprise Cloud software, Info Security and Board Document Management System.

Outside Services Non Professional – Reflects contractual increases for Union Station and DVL Visitor Center service contracts such as building engineers, janitorial, elevator, and landscape maintenance services. In addition, replacement of carpeting in Union Station headquarters common areas such as the cafeteria is planned.

Repairs & Maintenance – Outside Services – Reflects increases for Union Station and DVL Visitor building maintenance. Also, increases are for new maintenance agreements covering IT Servers and equipment coming off 3-year warranty periods.

Other – Reflects changes in nearly 20 other smaller accounts. The most significant account increases are building utility costs for Union Station and DVL Visitor Center, lease costs for new reprographic equipment that reached end of life, and additional training costs in support of workforce succession planning.

Operating Equipment

Reflects the critical replacement needs of vehicles identified by Fleet Administration as requiring replacement for reasons of reliability or safety; replacement of IT servers, routers, and

storage devices used for Metropolitan applications; and replacement of Union Station headquarters equipment at end of life.

Capital

Increase reflects IT projects that support mission critical upgrades to aging IT Infrastructure in support of Water System Operations and Engineering. These projects include upgrades to the DVL Controls at the Wadsworth Pumping Plant, the Emergency Two-way Radio system, the Water Asset Information System, Distribution System Hydraulic Modeling, the Water Systems Control Master Plan and the Communications Infrastructure Upgrade projects.

2014/15 vs 2015/16

O&M

Salaries and Benefits – Reflects merit increases for qualified employees and an increase O&M work with a reduction in capital work.

Materials and Supplies – Reflects increases for new software licensing/support agreements for CIP Project Controls and Corporate Reporting.

Operating Equipment

Reflects decreases in the replacement of critically needed IT equipment such as network servers, storage devices, and vehicle replacements. The largest decrease reflects fewer replacements of vehicles from the prior fiscal period.

Capital

Increases reflect a continuation of upgrades to IT Infrastructure in support of Water System Operations and Engineering Services groups. During this fiscal year, three projects/plans contributing to the increase are continued upgrades to the DVL Controls at the Wadsworth Pumping Plant, the Communications Infrastructure Upgrade, and the Water Systems Control Master Plan.

Business Technology

OFFICE OF THE MANAGER

The Office of the Manager oversees the management of the group's three sections: Administrative Services, Business Outreach,

and Information Technology, as well as Metropolitan's grant management and development program and annexation function.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	1,087,800	1,171,100	1,587,800	1,601,300	416,700	13,500
Other	50,800	45,200	57,000	58,900	11,800	1,900
Totals	1,138,600	1,216,300	1,644,800	1,660,200	428,500	15,400
% Change	—	6.8%	35.2%	0.9%	—	—
Personnel	5	5	7	7	2	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects the transfer of two positions from the Administrative Services section as part of the group's workforce succession planning and support to annexations workload as well as merit increases for qualified employees and an increase in retirement-related benefit costs.

Other Costs – Reflects increase associated with printer/copier multifunction devices and employee development and training.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

ADMINISTRATIVE SERVICES

The section is comprised of three units and eleven teams that work collaboratively to support a broad range of Metropolitan’s business needs in the areas of contracting, procurement, inventory management, warehousing, graphics, videography and

photography, technical writing, records management, facilities management for Union Station and the DVL Visitor Center, and administration of Metropolitan's Rideshare programs.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	12,541,900	15,251,100	15,131,700	15,322,100	(119,400)	190,400
Professional Services	90,500	98,500	79,000	36,500	(19,500)	(42,500)
Other	5,324,800	5,894,700	6,475,900	6,419,200	581,200	(56,700)
Totals	17,957,200	21,244,300	21,686,600	21,777,800	442,300	91,200
% Change	—	18.3%	2.1%	0.4%	—	—
Personnel	91	101	98	98	(3)	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects a decrease created by transferring two positions to Office of the Group and the elimination of a third position. These changes offset merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services – Reflects change in scope for consultant services for warehouse inventory barcoding processes.

Other – Reflects an increase in contractual costs at Union Station Headquarters building for janitorial and building engineering services, as well as an increase associated with offsite records management storage of both hard copy and electronic records.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Professional Services – Reflects completion of a document capture solution of business documentation that can be migrated to the enterprise content management system.

Other – Reflects a decrease due to completion of O&M projects with some offset associated with increases in contractual costs at Union Station headquarters building for janitorial and building engineering services.

INFORMATION TECHNOLOGY

The section is comprised of five units that work collaboratively to deliver information technology options, services, and solutions in the areas of enterprise and business applications,

Engineering and WSO applications, mobile/wireless computing, telecommunications, network services, desktop & laptop computers, and information security.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	20,219,000	22,122,300	24,285,200	24,447,800	2,162,900	162,600
Professional Services	143,900	237,600	397,200	388,200	159,600	(9,000)
Other	6,685,600	6,719,500	7,119,000	7,772,500	399,500	653,500
Totals	27,048,500	29,079,400	31,801,400	32,608,500	2,722,000	807,100
% Change	—	7.5%	9.4%	2.5%	—	—
Personnel	117	124	124	124	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services – Reflects increase to support External Affairs with the mwdh2o.com site, additional support on the Board Document Management System, Sharepoint collaboration software support, and support for GIS Infrastructure upgrades.

Other – Reflects increases in software licensing for A/P imaging, maintenance agreements for IT servers no longer covered by 3-year warranty periods, and additional workforce succession training.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Other – Reflects contractual cost increases for existing software maintenance for CIP Controls Reporting.

BUSINESS OUTREACH

Metropolitan is committed to creating an environment that affords all individuals and businesses open access to the business opportunities it makes available within the regional service area in a manner that reflects its diversity. It is Metropolitan’s policy to actively encourage participation in the solicitation and

procurement of all construction contracts, professional service contracts, equipment, and other materials and supplies by all individuals and businesses, including but not limited to small, locally owned, women-owned, minority-owned, and veteran and economically disadvantaged business enterprises.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	1,368,700	1,412,700	1,491,800	1,501,500	79,100	9,700
Professional Services	0	0	27,000	28,000	27,000	1,000
Other	171,700	215,100	196,700	200,800	(18,400)	4,100
Totals	1,540,400	1,627,800	1,715,500	1,730,300	87,700	14,800
% Change	—	5.7%	5.4%	0.9%	—	—
Personnel	7	7	7	7	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services – Reflects an increase for the Technology Approval Group and identification of emerging water technologies.

Other – Reflects a decrease to partially offset the use of professional services identified above.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Business Technology

Detail of Operating Equipment

2014/15

Administrative Services

BIN	Description	Qty	New	Replace	Total
15-00981-001	Video camera	1		7,902	
15-00981-002	Video Editing System	1		7,683	
15-01036-001	Exercise treadmill	1		5,547	
15-01116-001	Steam injection double stacked oven	1		34,023	
Section Totals				55,154	55,154

Information Technology

BIN	Description	Qty	New	Replace	Total
15-00990-001	Audio-Video conferencing system	2		65,850	
15-01043-001	HP Multifunction Plotter	1		9,274	
15-01043-002	High definition B & W Plotter with scanner	1		52,411	
15-01043-003	Wide Format Plotter	1		17,555	
15-01149-001	Small Storage Area Network appliance	2	72,435		
15-01149-002	Test/Certification equipment - Copper/Fiber cable	1	34,626		
15-01149-003	Fiber Optic test equipment	1		21,401	
15-01149-004	DS08 - 1/2 ton 4dr 4WD mid-size crew cab PU	2		57,063	
15-01149-005	DS14 - 3/4 Ton 4WD, ext Cab & Chassis w/98 UT body	2		75,938	
15-01152-001	Microsoft Intel Class Servers	31	230,475	279,863	
15-01152-002	Network Storage - for Centralized Backup	2	15,365		
15-01152-003	Network Storage - Video Project	1	10,975		
15-01156-001	High-volume, workgroup color laser printer	11	72,435		
15-01156-002	DS05 - Cargo Minivan	1		32,404	
Section Totals			436,311	611,758	1,048,069
2014/15 Totals Business Technology Group			436,311	666,912	1,103,223

Business Technology

Detail of Operating Equipment

2015/16

Administrative Services

BIN	Description	Qty	New	Replace	Total
16-00981-001	Video Editing System	1		8,780	
16-01036-001	Wellness Center Replacement Equipment	2		14,268	
16-01036-002	Wellness Center Elliptical Equipment	2		12,623	
16-01116-001	Stacked Convection double Oven	1		31,828	
Section Totals				55,154	55,154

Information Technology

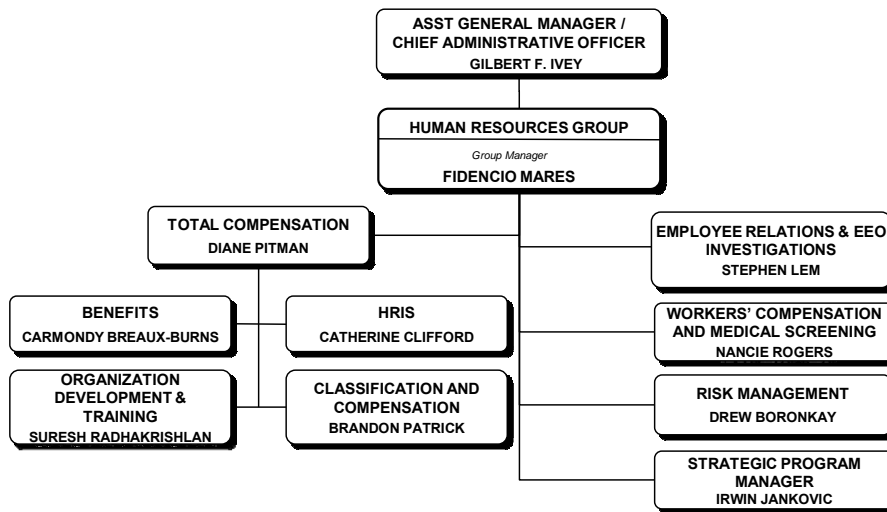
BIN	Description	Qty	New	Replace	Total
16-01043-001	Wide format color plotter with scanner	1		71,338	
16-01043-002	High definition 60 inch plotter	1		17,555	
16-01149-001	DS14 - 3/4 Ton 4WD, ext Cab & Chassis w/98 UT body	1		40,234	
16-01152-001	SUN/Oracle class servers	4		30,730	
16-01152-002	Network Storage - for GIS/Bay Delta	1	10,975		
16-01152-003	Network Storage - for Centralized backup	2	15,365		
16-01152-004	Microsoft Intel Class Servers	31	181,088	329,250	
Section Totals			207,428	489,106	696,534
2015/16 Totals for Business Technology Group			207,428	556,605	764,032

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MISSION, ROLES, AND RESPONSIBILITIES

The mission of Human Resources (HR) is to strategically, and cost-effectively, recruit, retain, motivate, reward, and develop Metropolitan’s employees. HR’s focus is to foster a high performance workplace, management excellence, financial responsibility, integrated talent management, and human resources excellence. Services include employee and labor relations, recruitment and selection, equal

employment opportunity (EEO), benefits, retirement, leave administration, classification and compensation administration, workers’ compensation administration, medical screening, training, organizational development, career development, and Metropolitan’s casualty insurance and risk management programs to minimize exposure to loss.



Human Resources

BUDGET ISSUES AND CONSTRAINTS

Overall group staffing has been adjusted to reflect the elimination of two positions during the biennium. Increases were necessary in labor, subsidies and incentives, and in professional

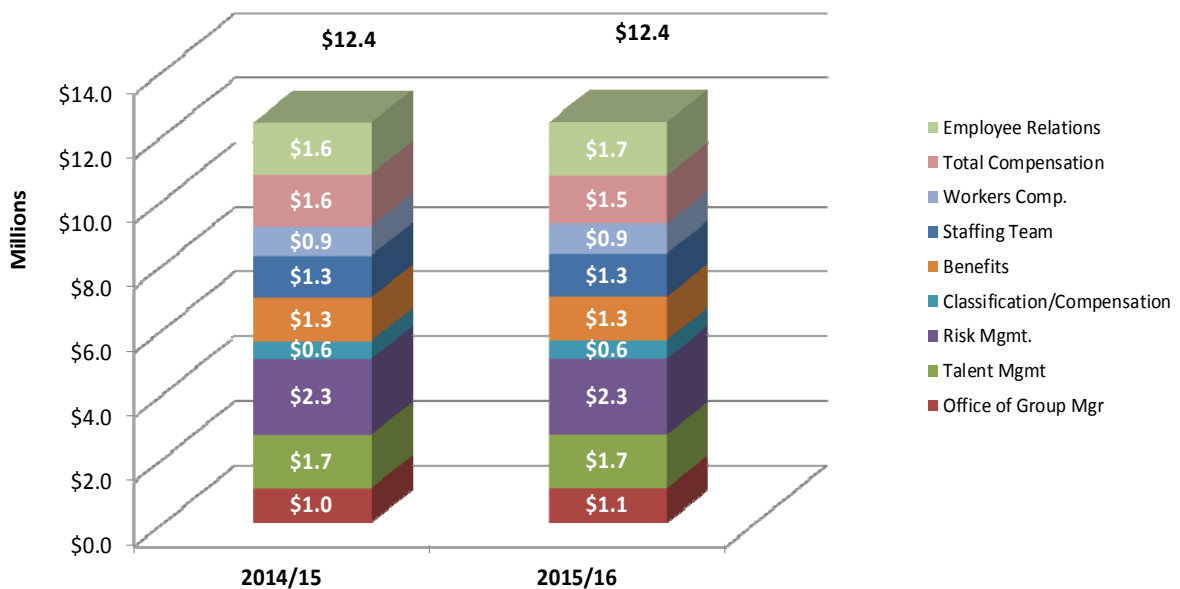
services for the management forum. Overall replacement of personnel throughout Metropolitan has increased the recruitment advertising costs.

Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	10,968,600	11,865,200	12,364,700	12,380,600	499,500	15,900
% Change	—	—	—	—	4.2%	0.1%
Capital	3,200	0	0	0	0	0
% Change	—	—	—	—	0.0%	0.0%
Totals	10,971,800	11,865,200	12,364,700	12,380,600	499,500	15,900
% Change	—	—	—	—	4.2%	0.1%
Regular	42	43	42	41	(1)	(1)
Temporary	2	0	0	0	0	0
Total Personnel	44	43	42	41	(1)	(1)

Note – Totals may not foot due to rounding.

Program Expenditure Comparison



2013/14 ACCOMPLISHMENTS

Strategic Human Resources

Continued efforts to reduce costs and streamline HR processes and staff utilization by using new technologies to enable real-time employee and manager self-service.

Continued reorganizing internal management structure and staff redeployment to improve internal skill alignment and enhance customer service including the integration of the Equal Opportunity Office into the Employee Relations section.

Worked closely with the Organization, Personnel and Technology Committee and management on workforce and succession strategies, using workforce data analyses as well as other EEO and diversity reports to support expanded recruitment outreach and other workforce development initiatives.

Facilitated the Direct Report Performance Evaluation process which achieved 89 percent participation by the Board and also provided market compensation comparisons for Board review.

Transitioned to common date MyPerformance Evaluation process to increase goal and performance management processes alignment with Metropolitan business cycles.

Launched preparations for a Management Forum for all managers and for the Voices 2014 employee survey to assess progress in maintaining a high performance workplace.

Briefed the Board and management on potential impacts of the Affordable Care Act on Metropolitan benefit programs and strategies.

Continued revisions to Administrative Code HR series to streamline organization approval processes.

Continued initiatives to enhance management effectiveness with coaching support and expanded training on team-building, strategic planning, and employee relations to reinforce Metropolitan's focus on management excellence and effective people management. Initiated planning for an all-manager forum in 2014 to

improve management alignment and clarify expectations on future initiatives.

Prepared the annual Affirmative Action Plan for Veterans and Persons with Disabilities and advanced plan initiatives and completed the filing of the required state and federal EEO related reports.

Core HR

Issued an RFP to upgrade PeopleSoft 9.2 in order to maintain compliance to tax and benefit requirement as well as to offer improved tools for effective people management.

Maintained compliance with various CalPERS and regulatory requirements. The benefits area conducted the benefits open enrollments and provided a variety of retirement and financial planning programs for employees during each year of the biennium. All employees were provided each year of the biennium with a Total Compensation Statement.

HR launched new internal HR Fitness 101 education series to ensure all HR staff are aligned and up-to-date about current HR practices and strategies.

Continued aligning training and development initiatives with key performance competencies used in MyPerformance Evaluations. Additionally, the MyLearning learning management system was used to offer expanded online access to learning content that addresses a wide-range of learning requirements requested by management in an all-manager survey of training needs.

Compliance with mandatory requirements for Sexual Harassment and Drug and Alcohol Awareness training were satisfied by more than 95 percent of the workforce.

Conducted ongoing Education Fairs at various Metropolitan locations and partnered with local universities and colleges examine opportunities for on-site courses and degree programs to broaden career development opportunities.

Continued specialized management development offering by current thought leaders with the Institute of Management Studies Program and briefings by the law firm of Liebert, Cassidy and Whitmore on personnel matters. Provided

coaching support, as needed, to address more challenging management issues.

The New Manager Orientation saw increased utilization as new management positions were filled to replace retiring managers. Training also continued offering tiered-management development programs to enhance skills of current managers.

Organizational Development continued supporting various group initiatives on strategic planning, collaboration, career, workforce development and succession as well as skill-building communication, teamwork, performance management, and other topics. These efforts also supported Engineering Service's rollout of career development and mentoring programs, WSO's management development program, WRM's change management initiative and Business Technology's strategic planning as well as various management and employee all-hands sessions throughout Metropolitan.

Managed recruitment processes to fill internal transfers, promotional opportunities, and external recruitments. Expanded diversity outreach efforts, and continued streamlining the flow of applicants through the recruiting process.

Employee Relations successfully resolved a Public Employees Relations Board (PERB) charge filed by American Federation of State County and Municipal Employees and Management and Professional Association regarding the MyPerformance process and was able to maintain its commitment to meet agreed-to timeframes on grievance filings.

A new HR web-page on the intranet improved employee access to HR information and the Manager Self-Service added capabilities for quick access to team information by managers.

Continued providing best-practice workers' compensation claim and medical program results, conducted commercial driver and respirator evaluations, and administered the hearing conservation and Department of Transportation (DOT) drug and alcohol testing programs.

Participated in a successful audit review of the Workers' Compensation Program.

Completed risk assessments on professional services agreements, construction contracts, permits, easements, events, and business processes within prescribed time periods. Reviewed and assessed Metropolitan's excess and specialty insurance program and renewed coverages, with Board approval within budget. Managed Metropolitan's self-insured liability and property claims programs to minimize financial liability and unnecessary litigation.

Coordinated Employee Assistance Program (EAP) activities to support a wide range of employee needs arising from employee or family deaths, illnesses, and other life issues affecting employee well-being and performance.

OBJECTIVES FOR 2014/15 AND 2015/16

Based on current workforce demographics, it is a certainty that Metropolitan will face increasing staff turnover over the next decade, although it is difficult to predict precisely when. Human Resources objective must focus on preparing for the future workforce changes and challenges by focusing on four key areas:

Ensuring Metropolitan leadership is prepared to address the business, cultural and people challenges that it will face in the future;

Expanding the capabilities, adaptability and readiness of the workforce to step up to these challenges while continuing to view Metropolitan as a desirable place to work;

Serving our stakeholders by providing a workforce committed to the highest standards of talent and performance; and

Providing efficient and highly effective human resource practices that provide management with the right tools for effectively managing the host of people issues that arise in complex organizations.

Leadership Development

Continue efforts to align organization skills around core leadership competencies.

Define critical leadership capabilities and experience required for success in senior leadership positions.

Provide focused development opportunities for employees, preparing internal talent to fill future leadership openings.

Expand leadership development approaches and cross-training opportunities to all levels of management.

Integrate critical leadership capabilities, experiences and competencies into hiring and promotional processes.

Address workforce diversity wherever opportunities occur.

Invest in preparing the entire management team to excel in effective management and development of people as well as best management practices in various business functions.

Workforce Development

Expand efforts to prepare for increased workforce turnover due to retirements and increased competition for scarce talent.

Increase transparency of critical skills, competencies and work experiences required for future roles.

Continue to expand the availability of learning and development opportunities to: develop effective training programs to resolve any identified critical competency or skill gaps; expand use of non-classroom development approaches such as job rotations, mentoring, action learning and other approaches that prepare employees for future roles at Metropolitan; expand the availability of in-house learning opportunities, including the use of local university and college programs at the worksite; improve administrative processes for enrolling in training programs; pilot the use of social media learning communities to energize peer-to-peer learning; increase value-received from Tuition Reimbursement investments in the workforce; and implement tools for individual development discussion.

Increase the use of knowledge sharing tools.

Develop a strategy to encourage both technical and professional career development and growth while building a commitment to Metropolitan as an employer of choice.

Foster a High Performance Culture

Assess and recommend optimizations of Metropolitan organizational structure to improve efficiency, productivity and accountability.

Provide management with new tools to improve alignment and quality of goal setting in support of objectives.

Increase business, financial and operational understanding of the workforce to increase employee engagement and alignment with Metropolitan business goals.

Develop methods to provide management with tools to recognize and encourage high performance.

Improve management tools to encourage financial and personal responsibility and accountability, employee empowerment, as well as to address low performance.

Continue to use the feedback from the Voices 2014 survey to address improvement opportunities.

Core Human Resources

Enlist greater senior management and Board support for HR group initiatives and long-term HR strategic direction.

Develop a new five-year strategic HR plan.

Prepare for 2016 labor negotiations.

Update HR systems of record (e.g., PeopleSoft) to ensure compliance with laws and regulations and offer improved services to management and employee.

Improve HR partnerships and communications with management and bargaining units.

Reexamine key talent management processes to ensure Metropolitan is positioned with the capabilities to competitively hire and retain high quality talent.

Maintain best practices in Workers' Compensation and Risk Management.

Continue to simplify HR policies, processes, and procedures to reduce the costs of HR administration.

Human Resources

Develop metrics to compare HR performance with best-in-class organizations in and outside of the public sector.

Strengthen HR/customer partnerships to identify areas for improvement in HR products, services, support and communications.

Performance Measures Summary

The performance measures listed below serve as operational guidelines to monitor the success of the Human Resources Group in supporting the key strategy, Competent and Effective Workforce, of the GM's Business Plan for Metropolitan.

Performance Measure	Measurement Intent	FY 12/13 Baseline Information	FY 13/14 Performance*	Target
High Performance Workplace / Climate Survey (Voices 2014)	Assess conditions supporting a High Performance Workplace	N/A	Survey complete- Analysis in progress	63% Favorable -- maintain or improve rating over Voice 2009 baseline
Completion of OP&T Committee Deliverables	Achievement of commitments to OP&T Committee.	--	88% Completed on Track	100% per agreed to dates
Recruitment Effectiveness	Monitor effectiveness of efforts to reduce time to recruit.	Prior year information not applicable due to reassessment.	≥ 90% internals within 60 calendar days ≥ 90% externals within 90 calendar days	Reassessment of this metric is underway
Percent grievance resolution within MOU timeframes	HR grievances handling effectiveness.	100%	100%	100%
On-time Employee Evaluation Completion Rate	Ensure timely Employee Evaluation feedback.	99.9% Completed 89% On time	99.9% Completed 68% On time	≥ 95% Completed ≥ 95% On time
HR Mandatory Training Completion	Completion of required HR training.	90%	92%	>/95%
EEO Mandatory Training Compliance	Compliance with mandatory harassment training.	99.0%	98.7%	100%
Injury and Illness Rate	Measures of occupational injury/illness	5.34	3.9	<4.9
Contract Risk Assessments Completion	Completion of risk management evaluations within 7 day timeframe.	100%	100%	100%

* Actual performance through March 2014.

Human Resources

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	7,761,800	7,793,600	8,237,500	8,254,300	443,900	16,800
Professional Services	939,800	1,260,500	1,283,600	1,279,600	23,100	(4,000)
Other						
Insurance Premiums	1,041,900	1,425,000	1,300,000	1,300,000	(125,000)	0
Subsidies & Incentives	693,700	633,700	680,000	680,000	46,300	0
Outside Services - Non Professional / Mainte	87,000	265,000	276,000	277,000	11,000	1,000
Advertising	123,000	120,000	150,000	165,000	30,000	15,000
Other Accounts	321,500	367,400	437,600	424,800	70,200	(12,800)
Totals	10,968,700	11,865,200	12,364,700	12,380,700	499,500	16,000
% Change	—	8.2%	4.2%	0.1%	—	—
Regular	42	43	42	41	(1)	(1)
Temporary	2	0	0	0	0	0
Total Personnel	44	43	42	41	(1)	(1)

Note – Totals may not foot due to rounding.

Capital Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Other	3,200	0	0	0
Totals	3,200	0	0	0
% Change	—	(100.0%)	0.0%	0.0%
Regular	0	0	0	0
Temporary	0	0	0	0
Total Personnel	0	0	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects the elimination of one position partially offset by merit increases for qualified employees and an increase in retirement-related benefits as well as using a district temporary position for backfilling.

Professional Services – Reflects increase for a management forum.

Insurance Premiums – Reflects anticipated decrease in insurance premiums.

Subsidies and Incentives – Reflects an increase in Tuition Reimbursement costs.

Advertising – Reflects an anticipated increase due to replacement of personal due associated with retirements.

Other Accounts – Reflects increases in materials and supplies, district validated parking, equipment expensed, employee sponsored programs, reference books, training and seminar costs, outside non-professional services, and graphics/reprographics.

Human Resources

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees partially offset by the elimination of one regular position and

the elimination of agency and district temporary services.

Advertising – Reflects an increase due to anticipated replacement of personal associated with retirements.

Human Resources

OFFICE OF HUMAN RESOURCES GROUP MGR

The Office of the Human Resources Group Manager provides strategic leadership and direction for Metropolitan's Human Resources

functions. Organizations reporting directly to it include Risk Management and Workers' Compensation and Medical Screening.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	3,980,600	3,904,900	3,868,300	3,919,400	(36,600)	51,100
Professional Services	928,100	1,047,500	1,039,600	1,039,600	(7,900)	0
Other	1,861,600	2,349,400	2,342,000	2,344,600	(7,400)	2,600
Totals	6,770,300	7,301,800	7,249,900	7,303,600	(51,900)	53,700
% Change	—	7.9%	(0.7%)	0.7%	—	—
Personnel	22	20	19	19	(1)	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects the transfer of a position to the Employee Relations section, merit increases for qualified employees and an increase in retirement-related benefit costs.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

EMPLOYEE RELATIONS

The section is responsible for fostering harmonious labor relations between Metropolitan and its four certified bargaining units, and plays a key role in contract negotiations, including working as a partner with senior management in developing Metropolitan’s collective bargaining strategy. Staff also serve as a resource to managers and supervisors on such matters as grievances, disciplinary actions, and workplace conflicts.

Finally, it provides ongoing training to managers on all facets of employer-employee relations.

The section also has responsibility for investigating internal complaints of unlawful discrimination. EEO investigations staff meets with complainants, interviews witnesses, and issues findings as to whether allegations of unlawful discrimination can be substantiated. This work is critical in ensuring that Metropolitan maintains a workplace free of discrimination and harassment.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	1,098,200	1,099,600	1,486,800	1,535,800	387,200	49,000
Professional Services	5,200	0	84,000	84,000	84,000	0
Other	13,000	19,600	30,400	30,400	10,800	0
Totals	1,116,400	1,119,200	1,601,200	1,650,200	482,000	49,000
% Change	—	0.3%	43.1%	3.1%	—	—
Personnel	6	6	7	7	1	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects a position transfer from the Office of the Group Manager as well as merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services – Reflects an increase for consultant services for preparation of the Non-discrimination plans as well as the mandatory sexual harassment and discriminatory courses and for the EAP.

Other – Reflects increase due to combining Employee Relations and EEO budgets.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Human Resources

TOTAL COMPENSATION

The section is responsible for the strategic design and implementation of Metropolitan's compensation, benefits, and the Human Resources Information Systems programs. It leads and participates in continuous process improvement and cost optimization studies for

all plans. Responsibilities include job analysis, market assessments, active employee and retiree benefit program administration, responding to union requests, and maintaining the Total Compensation program.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	2,683,000	2,789,200	2,882,500	2,799,000	93,300	(83,500)
Professional Services	3,200	213,000	160,000	156,000	(53,000)	(4,000)
Other	392,200	442,000	471,200	471,800	29,200	600
Totals	3,078,400	3,444,200	3,513,700	3,426,800	69,500	(86,900)
% Change	—	11.9%	2.0%	(2.5%)	—	—
Personnel	16	17	16	15	(1)	(1)

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects the elimination of a position, merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services – Reflects the reduction of Class/Comp consulting dollars.

Other – Reflects increase in memberships & subscriptions, training & seminars, conference & meetings, outside services – non professional, and graphics and reprographics.

2014/15 vs 2015/16

Salaries and Benefits – Reflects the elimination of a position partially offset by merit increases for qualified employees and a change in retirement-related benefit costs.

Professional Services – Reflects the reduction of benefits consulting dollars.

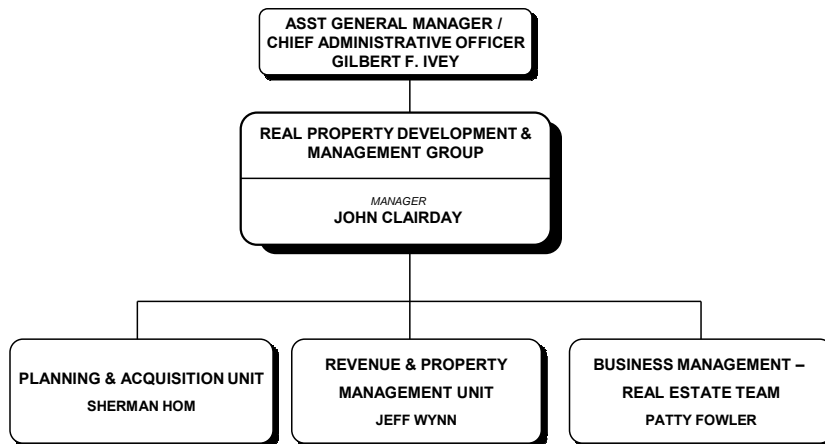
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Real Property Development & Management

MISSION, ROLES, AND RESPONSIBILITIES

The Real Property Development and Management (RPDM) group is responsible for managing Metropolitan's real property assets. The group focuses on enhancing revenue from real property assets, while ensuring that Metropolitan's core business is protected. The functions within the group are aligned to accommodate this goal and to enhance the group's overall effectiveness. The group is composed of two units (Planning & Acquisition and Revenue & Property Management) and one team (Business Management – Real Estate). Planning & Acquisition manages acquisition of property and property rights for capital projects

and acquisition of BDCP conveyance and conservation lands. Revenue & Property Management proactively seeks to generate significant ongoing revenue from Metropolitan's real property assets and handle surplus property dispositions and requests from third parties to use Metropolitan real property through leases, licenses, entry permits, and easements. Business Management – Real Estate handles property tax and lease payments, Board letter and report coordination, and supports the group in administrative functions, including the maintenance of documents, database records and files.



BUDGET ISSUES AND CONSTRAINTS

The proposed 2014/15 O&M budget reflects a nearly \$800,000 increase from the 2013/14 O&M budget. Three regular positions remained unfunded to partially offset the increased additive rate, anticipated merit increases, and increase in temporary labor supporting BDCP efforts. The proposed 2014/15 budget supports RPDM priorities of providing right of way and acquisition support to the BDCP conveyance and habitat restoration efforts and Distribution System Infrastructure Protection Program. RPDM will continue to focus on DVL management, including exploring new marina opportunities, expanding lease revenues, and improving trail access and public use. Other

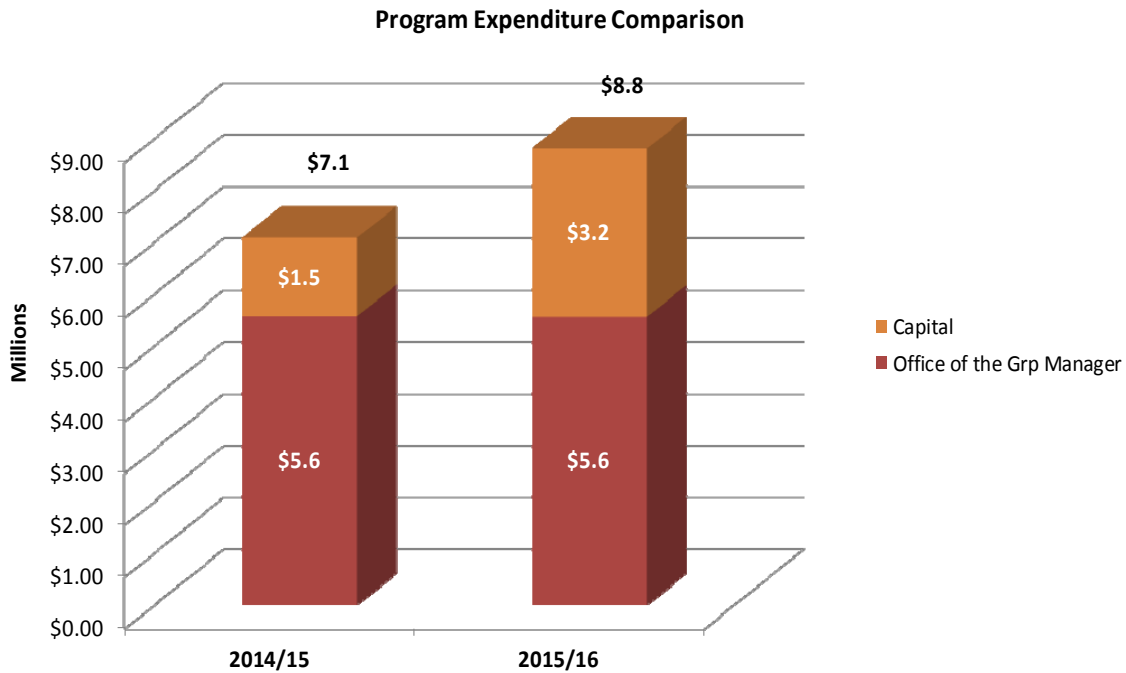
priorities include managing Metropolitan’s real estate assets appropriately to increase total revenue and reduce real property liabilities and obligations.

The group continues to work on efforts to generate property related income, though increases to its O&M budget are realized while developing these opportunities for sustainable revenue enhancement strategies. The group is filling only critically needed vacancies with required real estate skill sets, employing temporaries to support current staff, and continuing to pursue leases for renewable energy, telecommunications, and filming.

Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	4,645,700	4,797,500	5,564,500	5,554,300	767,000	(10,200)
% Change	—	—	—	—	16.0%	(0.2%)
Capital	244,000	217,700	1,513,800	3,245,500	1,296,100	1,731,700
% Change	—	—	—	—	595.4%	114.4%
Totals	4,889,700	5,015,200	7,078,300	8,799,800	2,063,100	1,721,500
% Change	—	—	—	—	41.1%	24.3%
Regular	23	31	28	28	(3)	0
Temporary	0	0	3	3	3	0
Total Personnel	23	31	31	31	0	0

Note – Totals may not foot due to rounding.



2013/14 ACCOMPLISHMENTS

Continued implementing revenue enhancement strategies for Metropolitan’s real property assets. Generated \$9.3 million in revenue through leases and sale of surplus property, completing the sale of the Mentone and Sunset Garage properties.

Completed necessary preparation for implementation of new real property management software.

Executed 69 agreements for compatible third-party uses of Metropolitan-owned land through March 2014. These agreements (licenses and leases) are a moderate revenue source for Metropolitan that helps to reduce rate increases.

Assembled and delivered possessory interest reports for approximately 250 agreements and submitted and paid property tax filings in excess of \$600,000 for more than 400 Metropolitan parcels to Ventura, Los Angeles, Orange, San Diego, Riverside, San Bernardino, and Imperial counties in California and Mojave County in Arizona.

Executed 21 conveyance transactions for easements and permits complementing projects involving public works, utility installations, land development, service connections, pipeline relocations, and roadway construction through March 2014.

Continued administration of farm leases for 9,300 acres of leased lands in the ongoing Forbearance and Fallowing Program involving PVID and Metropolitan.

Responded to trespasses, dumping, brush clearance citations, and encroachments onto Metropolitan right-of-way within all counties of Metropolitan’s operations. This was done in collaboration with WSO-security, and Legal.

Sold a 17,820 acre portion of an Inland Feeder parcel in the unincorporated community of Mentone to Suncor Care, Inc. Metropolitan retained 1.56 acres for maintenance and operational measure in fee for the north portal and 4,226 acres in permanent easement for the pipeline.

Completed annual site inspections on 210 leased property sites through March 2014.

Administered lessee's compliance with lease agreements (e.g., invoicing, insurance coverage, and rents receivable).

Monitored timeliness of rental payments and collections in collaboration with the Office of the CFO and Legal department.

Administered 74 filming and parking permits through March 2014.

Continued to manage the operations and maintenance of the existing recreational facilities at DVL and Lake Skinner with no adverse impact to water quality and supply reliability.

Retained Keyser Marston Associates to perform an economic strategy and market demand report for Metropolitan's excess land holdings at DVL. The proposed scope of work includes a real estate market analysis, renewable energy evaluation, highest and best use analysis, access and infrastructure evaluation, recommended lease versus sale scenarios, and recommended timing and strategy for potential surplus disposition.

Relocated RPDM group and the Inspection unit to other areas in the Headquarters building to accommodate leasing of the remainder of the third floor low rise.

As part of Metropolitan's two-way radio upgrade capital project, Metropolitan obtained an amendment with New Cingular PCS and an agreement with SBA Structures, LLC. This allowed installation, modification, expansion and maintenance of telecommunication equipment in Nevada.

Two easements were acquired in relation to Metropolitan's service connections. One was acquired from Eastern Municipal Water District for Service Connection EM-24 on the Perris Valley Pipeline. The other was acquired from the Orange County Transportation Authority to restore access to Metropolitan's OC-28 Service Connection located on the East Orange County Feeder.

Various activities were provided to support the infrastructure repairs to the Second Lower Feeder Pipeline in the city of Long Beach. These included acquisition of an excavation permit, an environmental health permit, and a Temporary

Use License. Three valuation studies were also prepared evaluating land costs.

A 3-year temporary construction easement was acquired in support of anticipated infrastructure repairs to Metropolitan's Etiwanda Pipeline project in the city of Rancho Cucamonga.

A perpetual pipeline license with a one-year construction term was acquired from BNSF Railway Company for the relocation of a segment of the Orange County Feeder. This relocation was required by the city of Fullerton for its Raymond Ave. Grade Separation Project.

In support of infrastructure rehabilitation and reliability projects, staff acquired two entry permits for the Inland Feeder Well Closure Project and the Santa Ana Cross Feeder Seismic Retrofit Project.

Three appraisals were completed in support of Bay Delta activities. The appraisals were for land costs, an access easement, and mineral rights.

An appraisal was prepared for the potential acquisition of a property for groundwater monitoring.

OBJECTIVES FOR 2014/15 AND 2015/16

Continue to implement revenue enhancement strategies and opportunities for Metropolitan's real property assets.

Continue to meet and negotiate with State and local agencies and other compatible tenants seeking to lease space at Metropolitan's headquarters building.

Continue efforts to improve procedures, tools, technologies, and practices for public sector real property management in light of current and future trends.

Continue review of the comprehensive inventory of Metropolitan-owned real property to identify excess property and consider leasing opportunities based on compatible third-party and secondary-use requests.

Protect rights-of-way and facilities for optimal operating conditions and promote stewardship and sustainability of real property assets.

Real Property Development & Management

Revise right-of-way operating policies to reflect modernized best practices.

Improve land security practices to further decrease incidences of trespass.

Continue efforts to detect and address right-of-way encroachments in a timely manner.

Complete annual site inspections of leased property.

Make property tax payments and file possessory tax reports to appropriate counties on time.

Make timely and suitable responses to adjacent projects, land developments, legislation, and environmental proceedings.

Monitor compliance with terms of licensing and leasing agreements (e.g., invoicing, insurance coverage, fee and rent receivables).

Provide property planning, research, and valuation in support of the Bay Delta Conservation Plan and the DHCCP.

Provide acquisition, appraisal, negotiations, and cost analysis services for O&M and capital projects.

Acquire the necessary property and rights-of-way in support of the Distribution System Infrastructure Protection program.

Monitor legislation regarding eminent domain, relocation assistance, and public agency real estate acquisition and appraisal practices.

Replace the current Asset Information Management System (AIMS) with new and improved real property management system software.

Expand knowledge, skills, and abilities of staff through training, succession planning, and educational workshops.

Rebuild the group's performance measurement system to better reflect the new group structure.

Performance Measures Summary

Current performance measures are being assessed and new ones will be developed that better reflect the initiatives and outcomes of the group and are better aligned with the initiatives

of the Board and executive management. Specific projects will be tracked by budget and schedule.

Performance Measure	Measurement Intent	FY 12/13 Baseline Information	FY 13/14 Performance*	Target
Number of Leases Negotiated at or above FMV	Monitor number of existing leases and new leases negotiated at or above Fair Market Value.	93%	100%	100%
Revenue Generated from Real Property Activities	Track total revenue generated from all real property activities including but not limited to permits, licenses, leases, easements or other use fees.	\$7.9 million	\$5.0 million	\$10.4 million

* Projected performance for FY13/14; Revenue Generated includes anticipated sales of Mentone and Sunset Garage surplus properties.

Real Property Development & Management

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	3,842,900	3,816,100	4,501,800	4,561,600	685,700	59,800
Professional Services	304,500	325,000	432,000	372,000	107,000	(60,000)
Other						
Outside Services - Non Professional / Mainte	325,000	390,200	320,000	320,000	(70,200)	0
Memberships & Subscriptions	34,100	64,300	65,500	65,500	1,200	0
Taxes & Permits	100	0	60,000	50,000	60,000	(10,000)
Materials & Supplies	35,000	50,300	50,000	50,000	(300)	0
Travel Expenses	11,800	44,100	39,700	39,700	(4,400)	0
Other Accounts	92,700	107,400	95,600	95,600	(11,800)	0
Totals	4,646,100	4,797,400	5,564,600	5,554,400	767,200	(10,200)
% Change	—	3.3%	16.0%	(0.2%)	—	—
Regular	22	29	25	25	(4)	0
Temporary	0	0	3	3	3	0
Total Personnel	22	29	28	28	(1)	0

Note – Totals may not foot due to rounding.

Capital Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Salaries and Benefits	166,300	217,100	292,600	289,800
Professional Services	9,600	0	187,100	787,900
Property Acquisition	2,500	0	0	0
Construction	0	0	0	1,500,000
Other	65,600	0	1,034,100	667,900
Totals	244,000	217,100	1,513,800	3,245,600
% Change	—	(10.8%)	595.4%	114.4%
Regular	1	2	3	3
Temporary	0	0	0	0
Total Personnel	1	2	3	3

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

O&M

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs, the addition of three District temporary employees, and the unfunding of three regular vacant positions.

Professional Services – Reflects one-time implementation of an acquisition module for the property management database and redistribution of budget between Professional Services and Non Professional.

Taxes and Permits – Reflects required participation fee for the Western Riverside County Agricultural Coalition, formed to inform and educate agricultural producers about regulatory issues and to coordinate with county and state regulatory agencies.

Capital

Increase reflects continued focus on Distribution System Infrastructure Protection Program and right-of-way protection efforts.

2014/15 vs 2015/16

O&M

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Capital

Increase reflects continued focus on right-of-way protection efforts.

REAL PROPERTY DEVELOPMENT AND MANAGEMENT GROUP

The Office of RPDM Group Manager includes the Planning & Acquisition and Revenue & Property Management Units and the Business Management – Real Estate Team. Planning & Acquisition manages acquisition of property and property rights for capital projects and acquisition of Bay Delta conservation lands. Revenue & Property Management proactively seeks to generate significant ongoing revenue from Metropolitan's real property assets and handle surplus property dispositions and third-

party uses of Metropolitan real property through leases, licenses, entry permits, and easements. Business Management – Real Estate handles property tax and lease payments, Board letter and report coordination, and supports the group in administrative functions, including the maintenance of documents, database records and files. In addition to managing the group, the Office of the Group Manager develops real property policies and strategies.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	3,853,900	3,816,100	4,501,800	4,561,600	685,700	59,800
Professional Services	304,000	325,000	432,000	372,000	107,000	(60,000)
Other	498,400	656,300	630,700	620,700	(25,600)	(10,000)
Totals	4,656,300	4,797,400	5,564,500	5,554,300	767,100	(10,200)
% Change	—	3.0%	16.0%	(0.2%)	—	—
Personnel	22	29	28	28	(1)	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services – Reflects one-time implementation of an acquisition module for the property management database.

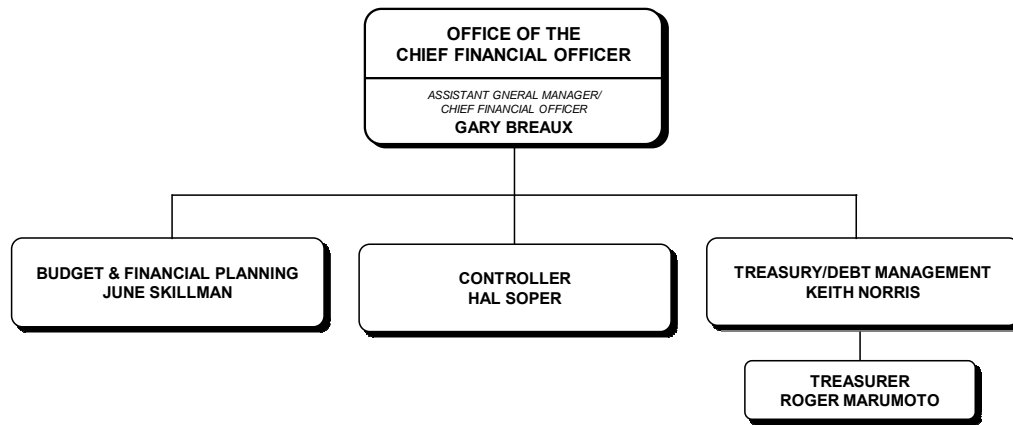
2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

MISSION, ROLES, AND RESPONSIBILITIES

The Office of the Chief Financial Officer (CFO) is responsible for providing innovative, proactive, and strategic financial direction in support of the mission of Metropolitan, the Board of Directors, management, and employees. These 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.



The Office of the CFO’s roles and responsibilities include:

- Maintain effective financial and internal controls to safeguard assets;
- Record and report Metropolitan’s financial transactions and results, and process payments to the Board, management, employees, vendors, and bondholders;
- Oversee the development and management of Metropolitan’s budget and support Metropolitan’s business planning and performance measurement programs;
- Provide innovative and proactive financial analyses, planning, and management services, including developing the revenue requirements, cost-of-service study, and recommended water rates and charges;
- Issue debt to efficiently fund Metropolitan’s CIP at the lowest possible cost and manage Metropolitan’s debt program by prudently refinancing debt to minimize debt service costs, utilizing interest rate swaps and asset liability management techniques;
- Manage Metropolitan’s investment portfolio;

- Account for cash receipts and disbursements, and determine the availability of funds for investment;
- Monitor and manage outside investment managers;
- Develop and maintain accounting policies and guidelines for timely and accurate financial reporting and control;
- Provide monitoring and reporting services, coordinate collection of information from the various counties to aid in the preparation of the annual tax levy and annexation fee calculations, and administer rates and charges;
- Collect, invest, safe-keep, and disburse Metropolitan’s funds in accordance with Board policies;
- Manage Metropolitan’s Business Continuity Program to ensure critical business processes can be restored in the event of a disaster; and
- Support Metropolitan’s management team during labor negotiations with all of Metropolitan’s bargaining units.

BUDGET ISSUES AND CONSTRAINTS

There will be several principle areas of focus for the Office of the CFO in this biennium. First, the Office of the CFO will provide the Board with various analyses to manage financial performance for long-term rate stability, given the future potential implementation of the BDCP. The Office of the CFO will also be analyzing the underfunding of financial obligations that have accrued over the past several years.

Second, Metropolitan will be replacing expiring bank liquidity facilities during calendar year 2014 in support of its variable rate debt program. Metropolitan will consider all alternative variable rate products in order to minimize debt service costs and mitigate any near term

financial impact the expirations will have on water rates and charges.

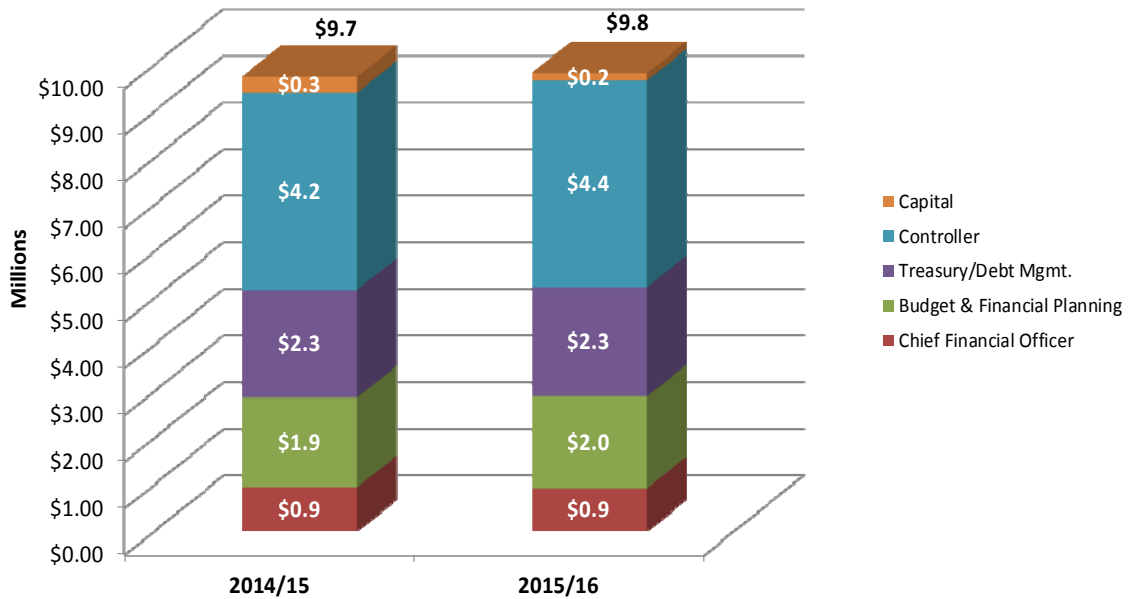
Finally, staff will continue to examine and consider challenges associated with succession planning and future staffing requirements. Although staffing levels in the Office of the CFO have stabilized, the composition and age of the workforce will require a focus on succession planning, employee development, and potential reallocation of resources. This follows the elimination of five positions through the last several budget cycles. The impacts are manageable but may lead to longer response times for ad hoc accounting and financial analysis support.

Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	8,446,900	8,901,400	9,390,700	9,646,800	489,300	256,100
% Change	—	—	—	—	5.5%	2.7%
Capital	0	125,300	336,600	157,600	211,300	(179,000)
% Change	—	—	—	—	168.6%	(53.2%)
Totals	8,446,900	9,026,700	9,727,300	9,804,400	700,600	77,100
% Change	—	—	—	—	7.8%	0.8%
Regular	44	46	46	46	0	0
Temporary	0	0	0	0	0	0
Total Personnel	44	46	46	46	0	0

Note – Totals may not foot due to rounding.

Program Expenditure Comparison



2013/14 ACCOMPLISHMENTS

Continued to accurately record and report Metropolitan’s financial activities in a timely manner, ensuring sufficient financial controls to protect Metropolitan’s assets.

Continued to document and test internal controls over financial reporting.

Provided accurate, timely, and transparent financial reports to the Board and member agencies.

Submitted application for the GFOA Award of Excellence for FY 2012/13 financial reporting.

Completed the external audit receiving an unqualified (i.e., “clean”) opinion on Metropolitan’s FY 2012/13 financial statements.

Achieved ratings of generally satisfactory or higher and no major findings on various financial audits conducted by Metropolitan’s General Auditor.

Maintained S&P long-term water revenue bond ratings of AAA; Moody’s of Aa1; and Fitch ratings of AA+.

In September 2013, Metropolitan closed the \$157.1 million Water Revenue Refunding Bonds, 2013 Series C at a true interest cost of 3.15 percent to refund certain maturities from the Water Revenue Bonds, 2003 Authorization, Series B-1, B-2, and B3. The refunding will provide \$11.8 million of net present value savings over the next 25 years, or cash flow savings of approximately \$740,000 per year.

Successfully repriced the 2011 Series A-1, 2011 Series A-2, 2013 Series A-1, and the 2013 Series A-3 SIFMA (Securities Industry and Financial Markets Association) Index Notes.

Renewed liquidity requirements for the 2000 Series B-3, 2000 Series B-4, 1999 Series B, and 1999 Series C variable rate water revenue bonds.

Continued to adhere to accounting cycle time requirements, including the processing of bi-weekly payroll, matching and approving invoices for payment, calculating the tax levy, and completing the monthly closing of cash and the accrual general ledger.

Maintained non-DWR accounts receivable 90-day past due accounts to below \$600,000.

Funded \$150 million for asset replacement and refurbishment from the R&R Fund.

Managed net interest exposure within Board-approved parameters.

Continued to meet all liquidity requirements and managed Metropolitan's investment portfolio in compliance with the California Government Code and Metropolitan's investment policy. The goal for the management of the short and long term portfolios is to meet their respective benchmarks. This will be a significant challenge as portfolio valuations and returns will likely be negatively impacted as a result of the volatility in the fixed income market caused by rapidly changing yields of Treasury and other securities during the year.

Conducted a Business Recovery Exercise with Information Technology, activating the Disaster Recovery Facility and successfully testing Metropolitan's ability to recover critical business systems in the event of a major regional disaster.

OBJECTIVES FOR 2014/15 AND 2015/16

Complete the annual cost-of-service analysis for rates and charges for calendar year 2017 and 2018.

Provide an updated 10-year financial forecast in the biennial budget.

Complete the annual annexation calculation and tax levy assessment.

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

Continue to record and report the financial activities of Metropolitan in a timely and transparent manner to the Board and member agencies.

Continue to ensure that internal controls are in place to provide assurance that assets are safeguarded and financial information is fairly stated.

Update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities, ensure cost-

effective access to capital markets, and maintain long-term bond ratings of AA or better.

Prudently invest Metropolitan's funds with the objective of safety of principal, liquidity, and yield.

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

Continue to manage debt service to mitigate the volatility of debt service payments over time and reduce debt service costs through re-financings and the prudent use of interest rate swaps, in accordance with Metropolitan's interest rate swap policy.

Maintain relationships with the financial community and bond rating agencies to maintain Metropolitan's high credit ratings and access to various aspects of the financial markets to maximize financial flexibility.

Secure liquidity requirements, issue fixed rate refunding bonds, or use other variable rate type products to replace more than \$800 million of liquidity facilities set to expire in FY 2014/15 and FY 2015/16 in support of Metropolitan's variable rate debt program.

Manage the short term portfolio to provide the necessary liquidity to fund in excess of \$1.2 billion in expenditures for Operations and Maintenance, debt service, and construction projects.

Work with Metropolitan's underwriting team, financial advisors, and swap advisors to identify financing opportunities to prudently manage the overall cost of financing Metropolitan's capital investment program.

Continue to improve communications of financial information to the Board, member agencies, management, and the financial community.

Manage outside portfolio managers to ensure compliance with Metropolitan's investment policy, and to monitor investment performance.

Measure the performance of the short-term portfolio, and manage the portfolio to meet or exceed the short-term benchmark consistent with established investment codes and policy.

Office of Chief Financial Officer

Work with each section within the Office of the CFO to establish staff back-up responsibilities for various work processes.

Refine the Business Continuity Plan and Program in accordance with the results of the updated Business Impact Analysis and internal

audit recommendations, working with IT Disaster Recovery to identify actions required to mitigate the risks identified, and conduct exercises to test the program's capabilities to recover Metropolitan's business functions in the event of a significant regional disaster.

Performance Measures Summary

Performance measures serve as operational guidelines to monitor the success of the Office of the CFO in supporting key strategies of the General Manager’s Business Plan for Metropolitan. The performance measures listed

below focus on quality, business processes, and cycle times, and monitor overall indicators of financial condition important to the General Manager’s Business Plan.

Performance Measure	Measurement Intent	FY 12/13 Baseline Information	FY 13/14 Performance*	Target
Credit Rating	Enable Metropolitan to access capital markets at the lowest borrowing cost.	Moody's – Aa1 S&P - AAA Fitch - AA+	Moody's – Aa1 S&P - AAA Fitch – AA+	AA, Aa2 or better
Reserve Balances	Maintain financial reserves within Board policy objectives.	\$536.0 M	\$859.5 M	≥ \$231.7 M
Revenue Bond Debt Service Coverage (cash basis)	Communicate financial strength and responsibility to investors and capital market. One fundamental indicator of credit quality and Metropolitan’s ability to make debt service payments.	2.38	2.77	> 2.0
Fixed Charge Coverage	Demonstrate sufficiency of revenues to cover fixed charges.	1.83	2.20	≥ 1.2
Revenue Bond Debt to Equity	Ensure balance sheet strength and ability to issue bonds to finance CIP.	69.1%	63.5%	< 100%
Significant External Audit Findings	Assess the quality of accounting processes and controls.	1	0	0
Departmental O&M Budget Performance	Demonstrate financial control and accountability for departmental O&M costs.	104.8%	97.7%	≤ 100%
Total District Budget Performance (O&M & Capital)	Demonstrate financial control and accountability for Board-approved budgets.	79.0%	85.4%	≤ 100%
Timely Financial Reporting	Demonstrate timely financial reporting.	100%	100%	100%
Financial Reporting Accuracy	Demonstrate accurate financial reporting.	100%	100%	100%
Invoice Payment Process Efficiency	Ensure invoices are paid in a timely manner to maintain good relations with suppliers and the public.	85%	88%	≥ 85%

* Actual performance through March 2014.

Office of Chief Financial Officer

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	7,434,700	7,722,500	8,230,100	8,446,700	507,600	216,600
Professional Services	855,200	974,900	968,800	984,400	(6,100)	15,600
Other						
Memberships & Subscriptions	39,700	51,600	47,400	49,000	(4,200)	1,600
Materials & Supplies	33,200	43,500	43,800	44,600	300	800
Travel Expenses	32,200	25,200	35,900	36,900	10,700	1,000
Training & Seminars Costs	7,600	15,300	19,000	19,000	3,700	0
Subsidies & Incentives	14,300	15,800	14,600	14,700	(1,200)	100
Graphics & Reprographics	12,300	23,300	12,300	22,800	(11,000)	10,500
Other Accounts	17,700	29,400	18,800	28,800	(10,600)	10,000
Totals	8,446,900	8,901,500	9,390,700	9,646,900	489,200	256,200
% Change	—	5.4%	5.5%	2.7%	—	—
Regular	44	45	44	44	(1)	0
Temporary	0	0	0	0	0	0
Total Personnel	44	45	44	44	(1)	0

Note – Totals may not foot due to rounding.

Capital Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Salaries and Benefits	0	125,300	336,600	157,600
Totals	0	125,300	336,600	157,600
% Change	—	0.0%	168.6%	(53.2%)
Regular	0	1	2	2
Temporary	0	0	0	0
Total Personnel	0	1	2	2

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

O&M

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs, partially offset by increased capital labor for the upgrade of the Oracle financial system.

Capital

Reflects capital labor for the implementation of the AP Imaging System.

2014/15 vs 2015/16

O&M

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Capital

Reflects capital labor for the upgrade of the Oracle financial system.

CHIEF FINANCIAL OFFICER

Responsible for the overall administration of finance and accounting functions for Metropolitan including debt financing and management, financial planning and analysis,

rate setting, budgeting, accounting, investing, financial reporting, payroll, accounts payable, accounts receivable, and business continuity.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	563,500	573,700	875,500	875,900	301,800	400
Professional Services	0	0	20,000	0	20,000	(20,000)
Other	27,000	18,000	34,300	34,400	16,300	100
Totals	590,500	591,700	929,800	910,300	338,100	(19,500)
% Change	—	0.2%	57.1%	(2.1%)	—	—
Personnel	2	2	3	3	1	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects the transfer of a position from the Budget and Financial Planning Section to handle the Business Continuity program, merit increases for qualified employees, and an increase in retirement-related benefits.

Professional Services – Reflects efforts associated with Business Continuity services.

2014/15 vs 2015/16

Professional Services – Reflects efforts associated with Business Continuity services survey in 2014/15.

BUDGET AND FINANCIAL PLANNING

Responsible for Metropolitan’s biennial budget, revenue requirements, and rates and charges recommendations; cost monitoring and analysis; short and long-term financial analysis, planning,

and financial modeling; the water standby charge program; the annual tax levy and annexation fee calculations.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	1,627,600	1,743,000	1,785,700	1,804,500	42,700	18,800
Professional Services	22,100	60,000	60,000	60,000	0	0
Other	62,100	122,000	81,200	104,500	(40,800)	23,300
Totals	1,711,800	1,925,000	1,926,900	1,969,000	1,900	42,100
% Change	—	12.5%	0.1%	2.2%	—	—
Personnel	8	9	8	8	(1)	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects the transfer of a position to the Office of the CFO section offset by funding for a vacant position, merit increases for qualified employees and an increase in retirement-related benefit costs.

Other – Reflects reductions associated with the biennial budget process as public notification and publication of documents not required during the off year.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Other – Reflects additional costs associated with the biennial budget process.

TREASURY/DEBT MANAGEMENT

Responsible for Metropolitan's investment and treasury operations including receipt, safekeeping, and disbursement of Metropolitan's funds; preparation of security sales documents;

administration of debt programs; and all commercial banking activities, including all payment processing, including but not limited to wires, checks, and automatic deposits.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	1,345,000	1,326,700	1,433,400	1,446,300	106,700	12,900
Professional Services	802,400	847,800	847,700	873,300	(100)	25,600
Other	25,200	18,500	23,000	23,000	4,500	0
Totals	2,172,600	2,193,000	2,304,100	2,342,600	111,100	38,500
% Change	—	0.9%	5.1%	1.7%	—	—
Personnel	7	7	7	7	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES**2013/14 vs 2014/15**

Salaries and Benefits – Reflects merit increases for qualified employees and an increase in retirement-related benefit costs.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Professional Services – Reflects increased cost of commercial banking services and portfolio investment management services.

CONTROLLER

Responsible for the maintenance of Metropolitan’s official accounting records including cash control and accounting functions related to vendor, payroll, and other payments;

customer billing; general safe guarding of Metropolitan’s assets; development and maintenance of Metropolitan’s accounting policies; and financial reporting.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	3,898,600	4,079,100	4,135,500	4,320,000	56,400	184,500
Professional Services	30,700	67,100	41,100	51,100	(26,000)	10,000
Other	42,100	45,600	53,300	53,900	7,700	600
Totals	3,971,400	4,191,800	4,229,900	4,425,000	38,100	195,100
% Change	—	5.5%	0.9%	4.6%	—	—
Personnel	28	27	26	26	(1)	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects merit increases for qualified employees, and an increase in retirement-related benefit costs, partially offset by an increase in capital work associated with the upgrades of the Oracle financial system and AP Imaging system.

Professional Services – Reflects reduced need of professional services.

2014/15 vs 2015/16

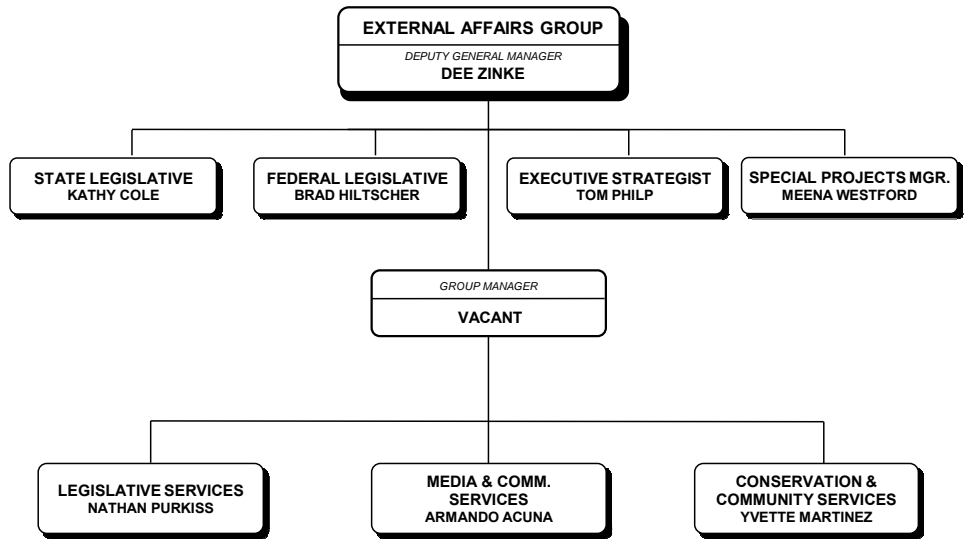
Salaries and Benefits – Reflects a shift to O&M work following completion of AP Imaging system in 2014/15 and merit increases for qualified employees and a change in retirement-related benefit costs.

External Affairs

MISSION, ROLES, AND RESPONSIBILITIES

The External Affairs group consists of the Office of the Manager, Legislative Services, Media and Communications Services, and the Conservation and Community Services sections. The 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.



BUDGET ISSUES AND CONSTRAINTS

External Affairs continues to meet its key goals and objectives which include: working with the board, member agencies and executive management on developing and implementing state and federal legislative policy objectives; enhancing coordination with government agencies, businesses, environmental groups and other stakeholders to enhance awareness about and seek support for Metropolitan’s operations, policies and programs; and providing consistent and clear communication to a variety of stakeholders through multi-communication efforts.

The group is increasing its communication and outreach activities in 2014/15 to support the

BDCP and other priority policy initiatives, initiating advertising, especially if dry conditions continue. The group will continue to implement the board-approved federal and state legislative strategy and develop and implement Metropolitan’s communication plan related to the agency’s priority programs, projects, and policies.

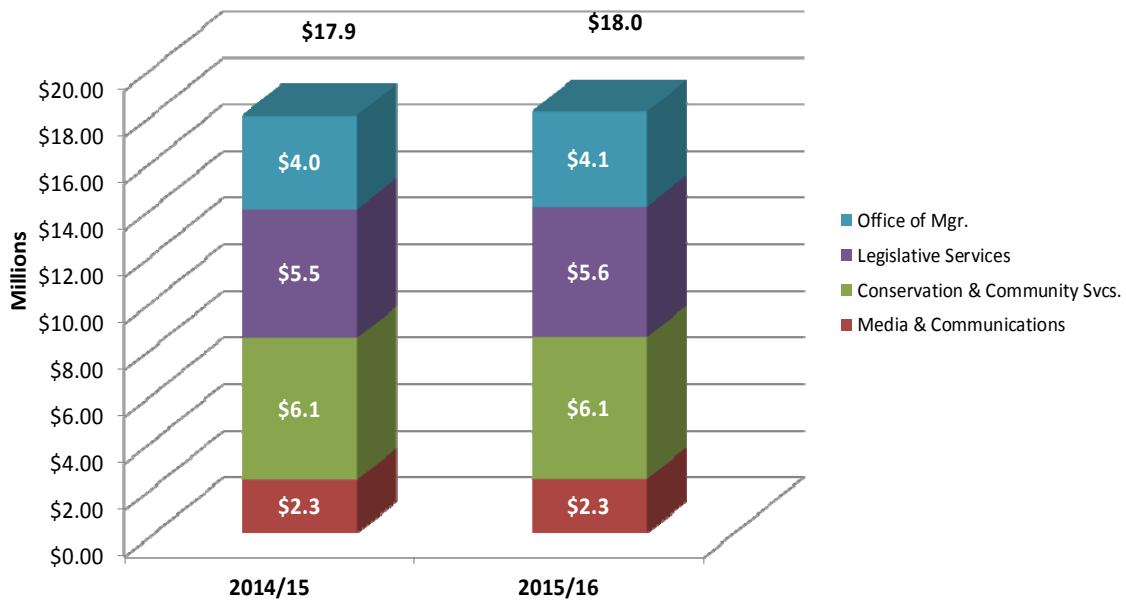
In addition, External Affairs will expand its outreach to local communities in support of Metropolitan’s increased Capital Improvement Plan to ensure member agencies and local jurisdictions are informed about pending projects and ongoing activities.

Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	11,723,900	16,456,400	17,883,900	18,048,100	1,427,500	164,200
% Change	—	—	—	—	8.7%	0.9%
Capital	700	0	0	0	0	0
% Change	—	—	—	—	0.0%	0.0%
Totals	11,724,600	16,456,400	17,883,900	18,048,100	1,427,500	164,200
% Change	—	—	—	—	8.7%	0.9%
Regular	41	47	48	48	1	0
Temporary	0	0	0	0	0	0
Total Personnel	41	47	48	48	1	0

Note – Totals may not foot due to rounding.

Program Expenditure Comparison



2013/14 ACCOMPLISHMENTS

Implemented board-adopted legislative strategy including passage of several Metropolitan supported bills and bills sponsored by our member agencies such as AB 72 (Holden) sponsored by Three Valleys MWD and AB 850 (Nazarian) sponsored by LADWP.

Supported Metropolitan’s advocacy efforts including legislative briefings and Community Leader Briefings with legislators. Assisted with and provided presentations before numerous community groups, business associations and local government organizations throughout Metropolitan’s service area on water issues such as the BDCP, helping to secure letters from dozens of organizations in support of the BDCP goals and process.

Assisted with and testified before numerous legislative hearings and Congressional briefings and coordinated coalition efforts to secure passage of priority legislation, such as the Water Resources Development Act (WRDA), AB 803 (Gomez) the Water Recycling Act, and the proposed State Water Bond.

Participated in lobbying trips to Sacramento and Washington, D.C., which involved working with numerous business organizations and other stakeholder groups.

Participated in an editorial board meeting with the Los Angeles Daily News Group to discuss the BDCP and its importance to Southern California. The news group represents several Southern California newspapers such as the L.A. Daily News, Pasadena Star News, Whittier Daily News, San Gabriel Valley Tribune, Long Beach Press-Telegram, Daily Breeze, and Inland Valley Daily Bulletin.

Arranged numerous interviews with senior Metropolitan managers and the news media to discuss the vital importance of the BDCP, including the L.A. Times, Sacramento Bee, Wall Street Journal, U-T San Diego, Orange County Register, L.A. Daily News, KNBC-TV Los Angeles, Capitol Public Radio-Sacramento, KPCC FM Public Radio Los Angeles, KNX-1070 News Radio, KTIE, KKLA, KRLA and Voice of San Diego.

Issued several news releases regarding support for the BDCP and the need for a reliable water

supply from Northern California. Arranged with the California Department of Water Resources a Southern California news media tour of the Sacramento-San Joaquin Delta to give reporters and editors an on-the-ground briefing of the water supply issues there that included presentations by Metropolitan's General Manager. Print and broadcast news media were well represented.

Set up several interviews with Metropolitan senior managers and reporters representing numerous news media organizations to discuss water supply conditions in the Colorado River Basin and their impact on Southern California water supplies and Metropolitan's long-term resource planning. Also included discussion of the 10th anniversary of the Quantification Settlement Agreement (QSA) and its positive water supply impact. Arranged interviews with Metropolitan senior managers and provided extensive information to several reporters about the lawsuit filed against Metropolitan by San Diego County Water Authority.

Supplied information and emphasized message to reporters about the importance of ongoing water conservation and water use efficiency efforts and Metropolitan's ongoing regional efforts to develop local water supplies as key to water supply reliability in Southern California.

Increased distribution of the Your Water e-newsletter and created Metropolitan's first blog, called "H2outlook."

Led production effort for new video about the BDCP; continued work on a major redesign of Metropolitan's website, mwdh2o.com; and continued disseminating key messages and other information on Metropolitan's home website.

Planned and executed public outreach on shutdowns and capital improvement projects for Engineering Services and WSO groups; assisted member agencies and the public with requests related to Metropolitan's services and infrastructure; and coordinated Metropolitan treatment facility tours for member agencies and outside delegations.

Continued implementing education programs, advancing curriculum and coordinating Metropolitan's education program at Diamond Valley Lake. In addition, maintained

Metropolitan's bewaterwise.com website in English and Spanish.

OBJECTIVES FOR 2014/15 AND 2015/16

Support legislative policies and initiatives that promote water supply reliability and an environmentally sustainable Bay Delta ecosystem to ensure adequate and reliable supplies of high-quality water. This includes programs and policies related to the completion of the BDCP.

Support and/or sponsor federal and state legislation that advances Metropolitan's objectives, including water quality, water supply reliability, and sustainable water and energy management.

Support increased funding for programs that promote water conservation, development of new water supplies—including recycling, desalination and storm water capture—reduction of greenhouse gases, and development of alternative renewable resources.

Enhance outreach with elected officials and business and community leaders on state and federal water legislation. Provide briefings and organize facility tours for elected officials and other stakeholders.

Continue ongoing public outreach efforts to disseminate information on Metropolitan and its programs, policies and objectives through broad-based contact with the news media as well as through production of publications, videos, Internet platforms and the Your Water e-newsletter.

Continue to develop and implement communication programs that support the BDCP and increased water reliability in the Sacramento-San Joaquin Delta.

Continue to respond to member agency requests regarding Metropolitan's services and infrastructure, conservation, environmental and legislative issues, and public outreach.

Assist the public with inquiries regarding Metropolitan services, infrastructure and programs.

External Affairs

Assist Engineering Services and WSO groups with public outreach for shutdown and CIP projects.

Continue to implement multiple education programs and expand distribution of Metropolitan's curriculum to area school districts in coordination with the member agencies.

Continue classroom presentations at Diamond Valley Lake.

Continue to coordinate and conduct special education programs including Solar Cup, World Water Forum college grant program, and the Student Art Contest.

Continue oversight of Metropolitan's Community Partnering Program to enhance public awareness of water issues and promote water stewardship.

External Affairs

Performance Measures Summary

Performance Measure	Measurement Intent	FY 12/13 Baseline Information	FY 13/14 Performance*	Target
Public Policy Forum Objectives	Meet attendance and other objectives at all Metropolitan-sponsored public policy forums.	123%	154%	≥80 percent
Member Agency Service Level Satisfaction	Monitor effectiveness of services provided to member agencies.	66%	63%	80% favorable rating
Policy Support Rate	Measure response rate to requests for action in support of water policies. Indicates strength of relationship and ability to mobilize support.	76%	170%	≥ 60%
Education Program Awareness	Enhance education programs and issue awareness	21,340	28,341	≥1,800 per quarter ≥7,200 per year
Conservation Outreach and Education targets met	Measures effectiveness of public information programs emphasizing conservation.	161%	55%	100%
Teachers In-serviced Saturation Rate	Assess the number of in-service contacts with “new” teachers in providing water education materials as a reflection of Metropolitan staff outreach initiative and collaborations with member agencies and other partners.	155	293	350
MWD Curriculum Utilization Rate	Monitor effectiveness of materials by tracking the aggregate number of re-supply requests from elementary and secondary level teachers who have previously used MWD materials in maintaining program participation.	76	320	475
Students Exposure Rate	Monitor education program effectiveness by tracking the number of students exposed to classroom materials and attending Metropolitan and member agency education programs.	28,524	24,354	45,000
Public and Media Awareness	Monitor awareness of critical water issues to gauge effectiveness of outreach efforts as a percent of organizations reached with Metropolitan’s message.	Media-89% Legis. – 104%	Media -96% Legis – 162%	85%
Implement Legislative Strategy	Measure passage of Metropolitan-supported legislation as a measure of the effectiveness of efforts in support of water policy issues.	86%	88%	85%

* Actual performance through March 2014.

External Affairs

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	7,840,000	9,058,100	9,884,100	10,084,300	826,000	200,200
Professional Services	2,336,500	2,439,200	2,691,200	2,691,200	252,000	0
Other						
Advertising	73,300	2,264,600	2,264,600	2,264,600	0	0
Outside Services - Non Professional / Mainte	133,500	599,400	614,900	614,900	15,500	0
Travel Expenses	201,900	308,000	463,000	463,000	155,000	0
Graphics & Reprographics	69,100	403,900	405,900	405,900	2,000	0
Memberships & Subscriptions	306,600	277,400	364,100	364,100	86,700	0
Rent & Leases	118,800	283,400	327,000	345,000	43,600	18,000
Other Accounts	610,600	822,400	869,100	815,100	46,700	(54,000)
Totals	11,690,300	16,456,400	17,883,900	18,048,100	1,427,500	164,200
% Change	—	40.8%	8.7%	0.9%	—	—
Operating Equipment	33,600	0	0	0	0	0
Total O&M and Operating Equipment	11,723,900	16,456,400	17,883,900	18,048,100	1,427,500	164,200
% Change	—	40.4%	8.7%	0.9%	—	—
Regular	41	47	48	48	1	0
Temporary	0	0	0	0	0	0
Total Personnel	41	47	48	48	1	0

Note – Totals may not foot due to rounding.

Capital Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Other	700	0	0	0
Totals	700	0	0	0
% Change	—	(100.0%)	0.0%	0.0%
Regular	0	0	0	0
Temporary	0	0	0	0
Total Personnel	0	0	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services – Reflects increase due to expanded messaging programs.

Outside Services, Non Professional – Reflects increased costs associated with Solar Cup program.

Travel – Reflects an increase for legislative and media briefings and inspection trips.

Memberships & Subscriptions – Reflects dues increases and/or new memberships approved by the Board.

Rent and Leases – Increase reflects office leases in Washington and San Diego and office copiers.

Other – Reflects World Water Forum support, pending Bureau of Reclamation approval. This is a biennial expense.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Rent and Leases – Increase reflects office leases in Washington and San Diego and office copiers.

Other – Reflects decrease in World Water Forum funding for fiscal year 2015/16.

OFFICE OF MANAGER

Under the direction of the Deputy General Manager for External Affairs, the Group Manager directs the activities of the Legislative Services, Conservation & Community Services, Media and Communications sections, Customer Services Unit, and the Business Management Team. The Group Manager also maintains consistency in communicating Metropolitan’s policy objectives in coordination with the other groups in the organization.

The Customer Services Unit provides support services to member agencies; functions as a clearinghouse to track and efficiently process delivery of Metropolitan services according to member agency needs; provides outreach efforts regarding Metropolitan’s facility operations, construction and repair activities; and works with member agencies, local government, and the community-at-large.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	2,653,200	2,631,900	3,079,700	3,135,200	447,800	55,500
Professional Services	524,800	305,000	561,000	561,000	256,000	0
Other	236,200	332,500	384,500	372,500	52,000	(12,000)
Totals	3,414,200	3,269,400	4,025,200	4,068,700	755,800	43,500
% Change	—	(4.2%)	23.1%	1.1%	—	—
Personnel	14	14	15	15	1	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees, an increase in retirement-related benefit costs, and the addition of personnel for the San Diego office.

Professional Services –Reflects increase due to expanded outreach activities.

Other – Reflects costs of San Diego office lease and copier costs, and one-time computer equipment purchase.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

MEDIA & COMMUNICATIONS

The section develops, coordinates and communicates messages through various communication tools in support of Metropolitan’s key objectives and programs. It is responsible for maintaining media contacts;

developing news releases, briefings, letters to the editor, and opinion pieces; producing printed and online materials; and managing Metropolitan’s websites.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	1,171,100	1,579,100	1,624,800	1,656,700	45,700	31,900
Professional Services	30,000	75,000	75,000	75,000	0	0
Other	79,800	533,400	561,400	561,400	28,000	0
Totals	1,280,900	2,187,500	2,261,200	2,293,100	73,700	31,900
% Change	—	70.8%	3.4%	1.4%	—	—
Personnel	5	8	8	8	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs.

Other – Reflects an increase in travel for media inspection trips and press events.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

CONSERVATION AND COMMUNITY SERVICES

The section implements conservation programs that focus on advertising, education, and community outreach. The Community Programs Unit coordinates and manages Metropolitan’s sponsorships for education and research programs, exhibits, water forums,

special events, and community memberships. The Educational Programs Unit develops and implements water education curricula and programs supporting Metropolitan’s initiatives for elementary and secondary schools, colleges and universities.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	1,562,600	2,151,900	2,211,600	2,255,500	59,700	43,900
Professional Services	256,600	593,200	593,200	593,200	0	0
Other	545,300	3,239,100	3,275,800	3,235,800	36,700	(40,000)
Totals	2,364,500	5,984,200	6,080,600	6,084,500	96,400	3,900
% Change	—	153.1%	1.6%	0.1%	—	—
Personnel	9	11	11	11	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefits.

Other – Reflects World Water Forum and Solar Cup support.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

Other – Reflects decrease in World Water Forum funding for fiscal year 2015/16.

LEGISLATIVE SERVICES

The section promotes and protects the interests of Metropolitan and its member agencies before executive, legislative, and regulatory agencies of the state and federal government. The section assists in identifying and defining policy objectives with key legislators and other water

policymakers in support of Metropolitan’s legislative and regulatory objectives, and maintains an effective outreach program among member agencies and other stakeholders to mobilize and sustain support for Metropolitan’s legislative and regulatory policy objectives.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	2,453,000	2,695,300	2,968,000	3,036,900	272,700	68,900
Professional Services	1,525,100	1,466,000	1,462,000	1,462,000	(4,000)	0
Other	651,700	854,100	1,086,900	1,102,900	232,800	16,000
Totals	4,629,800	5,015,400	5,516,900	5,601,800	501,500	84,900
% Change	—	8.3%	10.0%	1.5%	—	—
Personnel	13	14	14	14	0	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs.

Other – Reflects costs of Washington office lease, office copiers and legislative briefings and inspection trips.

2014/15 vs 2015/16

Salaries and Benefits – Reflects primarily merit increases for qualified employees and a change in retirement-related benefit costs.

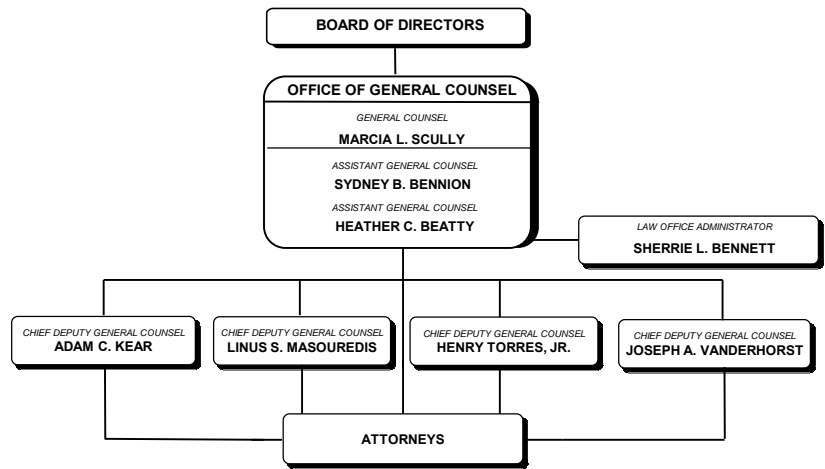
Other – Reflects costs of office lease and office copiers.

MISSION, ROLES, AND RESPONSIBILITIES

The Legal Department is responsible for providing a full range of legal services in a professional, timely, cost-effective, and creative manner. The General Counsel is the chief legal spokesperson for Metropolitan and the Board of Directors and oversees the Legal Department’s administrative functions.

The General Counsel represents Metropolitan in litigation and other proceedings to which

Metropolitan is a party; provides legal advice to the Board, its committees, and to Metropolitan’s staff; drafts, reviews, and negotiates contracts, documents, and other agreements; consults with representatives of other public and private entities on matters of mutual concern; and monitors and analyzes pending and enacted legislation and, when appropriate, drafts legislative recommendations.



The Office of the General Counsel provides legal services to the Board, its committees, and to Metropolitan staff in the following areas:

- Represents Metropolitan's interests relating to water supply matters, including Bay Delta resources, Colorado River supply, the State Water Contract, groundwater and water transfer issues, CEQA and Endangered Species Act (ESA) issues, energy issues, and water delivery and treatment;

- Represents Metropolitan's interests with regard to claims and litigation by or against Metropolitan;

- Provides legal advice with respect to the acquisition, management, and disposal of

- Metropolitan property and the administration of annexations, and provides legal assistance in Metropolitan's procurement and construction contract programs;

- Provides legal advice with respect to Metropolitan's financial activities, including Metropolitan's rates and charges, taxation, bond issuance, legality of investments, and fiscal administration;

- Provides legal advice related to labor and personnel matters; and

- Reviews, analyzes, and monitors pending state and federal legislation and drafts legislative recommendations.

BUDGET ISSUES AND CONSTRAINTS

The Office of the General Counsel in 2013/14 filled one attorney and one administrative position to maintain in-house expertise for resources matters and litigation. The next biennium period reflects anticipated expenses for Bay Delta legal costs, water quality litigation, employment litigation, and water rates litigation. A decrease in Legal Department budget reflects funding of expenses for litigation of 2010 and 2012 water rates by self-insured

retention fund and conclusion of the litigation at the trial court level.

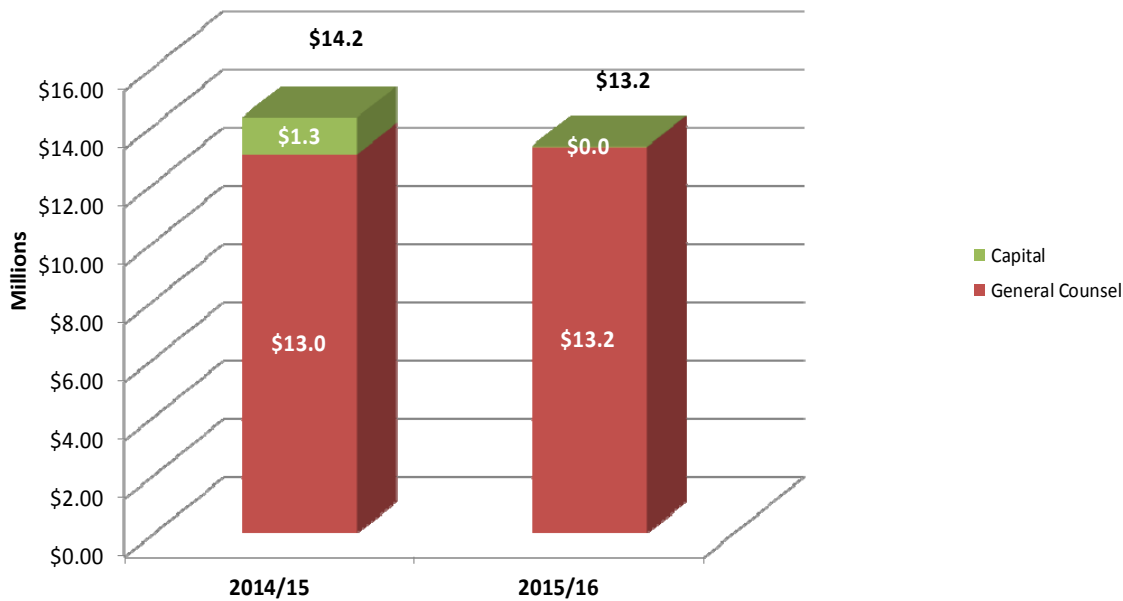
This budget reflects increases for the Distribution System Infrastructure Protection Program to provide initial legal support for property negotiation, valuation, deed and title review, and settlement negotiation for numerous properties, as well as possible litigation and eminent domain actions as well as anticipated legal costs for Perris Valley Pipeline resulting from construction litigation.

Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	9,749,400	13,355,000	12,970,000	13,228,500	(385,000)	258,500
% Change	—	—	—	—	(2.9%)	2.0%
Capital	27,700	170,000	1,275,000	25,000	1,105,000	(1,250,000)
% Change	—	—	—	—	650.0%	(98.0%)
Totals	9,777,100	13,525,000	14,245,000	13,253,500	720,000	(991,500)
% Change	—	—	—	—	5.3%	(7.0%)
Regular	33	36	36	36	0	0
Temporary	3	2	2	2	0	0
Total Personnel	35	38	38	38	0	0

Note – Totals may not foot due to rounding.

Program Expenditure Comparison



2013/14 ACCOMPLISHMENTS

Water Supply

Pursued a comprehensive legal strategy that proactively addressed legal issues associated with the comprehensive Bay Delta plan while simultaneously and vigorously defending Metropolitan’s interest in litigation and administrative proceedings.

Represented Metropolitan, as a separate party or working through the State Water Contractors, in litigation and regulatory proceedings under the federal and state ESAs resulting in reduced limitations on water deliveries to Metropolitan.

Provided legal support in Metropolitan’s efforts to implement temporary and interim measures for the Bay Delta, including near-term Delta actions.

Opposed the National Pollutant Discharge Elimination System permit application for expanded Sacramento wastewater treatment plant, continued identifying other possible Delta stressors, and provided legal strategy options for consideration.

Continued defending the Quantification Settlement Agreement (QSA) and related agreements in appeal of the adverse judgment and evaluate alternatives. A favorable appellate opinion was issued in December 2013.

Provided legal support in the identification and implementation of new water supplies on the Colorado River with a particular focus on working with Mexico.

Provided legal support for water storage programs, transfers, and exchanges.

Assisted with monitoring and development of local resources, desalination, and conservation projects and programs.

Provided legal support for review of the replenishment service program modifications, the water supply allocation plan and any modifications to the plan.

Balancing Growth and Sustainability

Provided legal support for planning and programs to obtain regional compliance with the 2010 Water Conservation Act goal of twenty percent reduction in regional water use by 2020.

Provided legal support for Metropolitan initiatives to implement the 2010 IRP Update.

Managing Energy Costs

Vigorously defended the trial court's decision in the Hyatt-Thermalito litigation. The Court of Appeal affirmed the trial court's judgment in favor of defendants on February 15, 2013, and no appeal was filed. This case is now successfully concluded.

Supported Metropolitan's efforts to renew its Hoover Power Contract. H.R. 470 was passed by the Congress in December and signed by President Obama.

Provided legal support to ensure that State Water Project energy needs are met in a cost-effective and sustainable manner.

Provided legal support for North American Electric Reliability Corporation audit and national electric reliability compliance.

Operations

Defended against alleged responsibility for groundwater contamination.

Provided legal support for workplace health and safety compliance.

District Governance

Provided timely advice to the board and committees on governance and legal compliance matters.

Responded to numerous Public Records Act requests.

Workforce

Provided proactive counsel and advice on workforce issues.

Continued to defend Metropolitan in PERB matters as well as grievance and disciplinary matters.

Real Property Matters

Negotiated numerous temporary construction easements and entry permits for capital projects.

Provided legal support for the lease of Metropolitan office space and surplusing of excess properties.

Protected Metropolitan properties from unlawful encroachments and maintained supremacy of

Metropolitan property rights in the grant of utility easements and temporary licenses.

Finance

Assisted with the issuance of bonds using financing structures based on Metropolitan's liquidity rather than commercial bank liquidity support.

Assisted with issuance of bonds to finance the CIP and refund outstanding bonds for debt service savings.

Represented Metropolitan in extension and replacement of liquidity facilities supporting variable rate bonds.

Continued to provide legal support for financing and revenue strategies.

Prepared and provided accurate and timely disclosures to the municipal markets, including timely filing of notices required by Continuing Disclosure Undertakings.

Defended legal challenge to Metropolitan's water rate structure.

Administration

Managed outside counsel costs while providing effective representation.

Identified and implemented cost efficiency measures to partially offset increased litigation costs.

Increased coordination with IT regarding technological requirements for litigation management and use of related software tools.

Filled one attorney and one administrative position to maintain in-house staffing for litigation.

Continued to provide timely employee evaluations.

OBJECTIVES FOR 2014/15 AND 2015/16

Water Supply Reliability

Pursue a comprehensive legal strategy that proactively addresses legal issues associated with the comprehensive Bay Delta plan while simultaneously and vigorously defending

Metropolitan's interest in litigation and administrative proceedings.

Continue to represent Metropolitan, as a separate party or working through the State Water Contractors, in litigation and regulatory proceedings under the federal and state ESAs.

Continue to provide legal support in Metropolitan's efforts to implement temporary and interim measures for the Bay Delta, including near-term Delta actions.

Continue to identify other possible Delta stressors and provide legal strategy options for consideration.

Continue defending the QSA and related agreements in remand to the trial court and evaluating alternatives.

Provide legal support to maintain Colorado River supplies and identify new supplies.

Provide legal support for water storage programs, transfers and exchanges.

Assist with monitoring and development of local resources, desalination, and conservation projects and programs.

Balancing Growth and Sustainability

Provide legal support for planning and programs to obtain regional compliance with the 2010 Water Conservation Act goal of twenty percent reduction in regional water use by 2020.

Managing Energy Costs

Provide legal support to ensure that State Water Project energy needs are met in a cost-effective and sustainable manner.

Participate in Federal Energy Regulatory Commission proceedings to control system transmission costs.

Provide legal support for environmental proceedings at the California Air Resources Board.

Operations

Continue defending against allegations of groundwater contamination from Metropolitan supplies used for groundwater replenishment.

Provide legal support for workplace health and safety compliance.

District Governance

Continue to provide timely advice to the board and committees on governance and legal compliance matters.

Continue to respond to Public Records Act requests, with increased efficiency and use of technology.

Workforce Development and Cultural Changes

Provide proactive counsel and advice on workforce issues.

Continue to defend Metropolitan in PERB matters as well as grievance and disciplinary matters.

Real Property Matters

Continue to support the expanded revenue generating efforts of the RPDM Group, including telecommunications and agricultural leases.

Provide ongoing support to the RPDM Group on real property and lease management issues.

Finance

Vigorously defend legal challenge to Metropolitan's water rate structure.

Provide legal support for development and adoption of the biennial budget and rates.

Continue to provide legal support for financing and revenue strategies.

Prepare and provide accurate and timely disclosures to the municipal markets, including timely filing of notices required by Continuing Disclosure Undertakings.

Administrative Matters within the Department

Continue to manage outside counsel costs while providing effective representation.

Continue to identify and implement cost efficiency measures.

Increase use of technology for document management and litigation support.

Continue to provide timely employee evaluations.

General Counsel Department

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	7,977,400	8,645,000	9,079,500	9,195,500	434,500	116,000
Professional Services	1,408,500	4,312,500	3,467,500	3,620,000	(845,000)	152,500
Other						
Memberships & Subscriptions	129,800	110,000	110,000	110,000	0	0
Travel Expenses	84,700	85,000	100,000	90,000	15,000	(10,000)
Materials & Supplies	62,000	45,000	60,000	60,000	15,000	0
Subsidies & Incentives	50,500	50,000	55,000	55,000	5,000	0
Outside Services - Non Professional / Mainte	7,000	50,000	40,000	40,000	(10,000)	0
Other Accounts	29,500	57,500	58,000	58,000	500	0
Totals	9,749,400	13,355,000	12,970,000	13,228,500	(385,000)	258,500
% Change	—	37.0%	(2.9%)	2.0%	—	—
Regular	33	36	36	36	0	0
Temporary	3	2	2	2	0	0
Total Personnel	35	38	38	38	0	0

Note – Totals may not foot due to rounding..

Capital Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Professional Services	27,700	170,000	1,275,000	25,000
Totals	27,700	170,000	1,275,000	25,000
% Change	—	513.7%	650.0%	(98.0%)
Regular	0	0	0	0
Temporary	0	0	0	0
Total Personnel	0	0	0	0

Note – Totals may not foot due to rounding..

REASONS FOR CHANGES

2013/14 vs 2014/15

O&M

Salaries and Benefits – Reflects merit increases for qualified employee and an increase in retirement-related benefit costs.

Professional Services – Anticipated expenses for Bay Delta legal costs, water quality litigation, employment litigation, and water rates litigation. Decrease in Legal Department budget reflects funding of expenses for litigation of 2010 and 2012 water rates by self-insured retention fund and conclusion of the litigation at the trial court level.

Capital

Reflects anticipated costs for Perris Valley Pipeline resulting from construction litigation.

2014/15 vs 2015/16

O&M

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

Professional Services – Reflects increase due to anticipated litigation.

Capital

Reflects decrease in anticipated legal costs for Perris Valley Pipeline resulting from settlement of construction litigation.

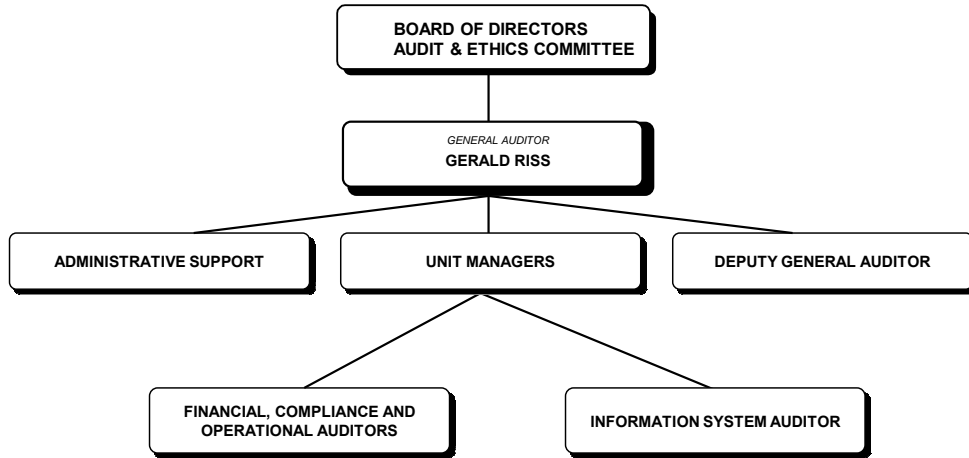
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General Auditor Department

MISSION, ROLES, AND RESPONSIBILITIES

The mission of the Audit Department is to provide independent, professional, and objective assurance and consulting services designed to add value to and improve Metropolitan's operations. The department helps the

organization accomplish its objectives by using a proactive, systematic approach to evaluate and improve the effectiveness of risk management, control, and governance processes.



The scope of work of the Audit Department is to determine whether Metropolitan's network of risk management, internal control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified, managed, and monitored;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;

- Resources are acquired economically, used efficiently, and protected adequately;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the organization's control processes; and
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for strengthening internal controls, improving efficiency, and protecting the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

General Auditor Department

BUDGET ISSUES AND CONSTRAINTS

Through the use of the competitive bid professional services has decreased by 15%

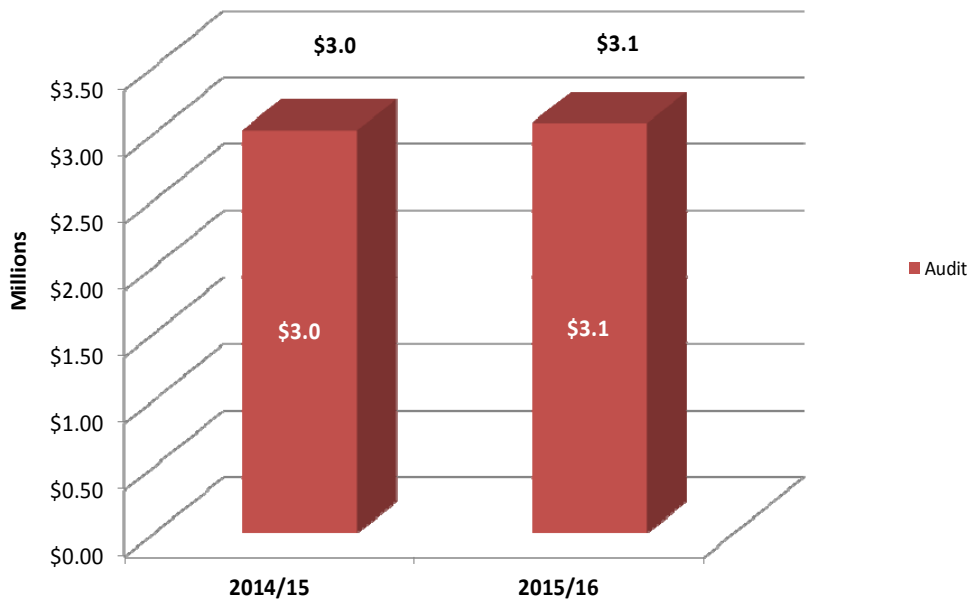
from 2013/14 to 2014/15 to perform the annual financial statements audit.

Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	2,438,200	2,811,700	3,016,800	3,072,000	205,100	55,200
% Change	—	—	—	—	7.3%	1.8%
Totals	2,438,200	2,811,700	3,016,800	3,072,000	205,100	55,200
% Change	—	—	—	—	7.3%	1.8%
Regular	10	12	12	12	0	0
Temporary	0	0	0	0	0	0
Total Personnel	10	12	12	12	0	0

Note – Totals may not foot due to rounding..

Program Expenditure Comparison



2013/14 ACCOMPLISHMENTS

Through March 2014, completed 13 audit assignments and 15 special reviews, including an Audit Department Quality Self Assessment and four bond comfort letters. Provided audit assistance in connection with KPMG's annual financial testing and Single Audit. Provided monitoring activities on two information technology projects.

Allocated Audit resources to the highest risk areas in order to provide insight regarding Metropolitan's governance processes to the Board and management and emphasized test work in significant areas. Provided on-going training and coaching to ensure auditors continue to develop necessary professional and technical skills and are knowledgeable about emerging issues. Evaluated management's response to audit reports to ensure that the internal control structure has been improved (existing controls strengthened) or enhanced (new controls added) and performed verification tests of selected responses to confirm that changes made to controls achieve the intended purpose.

OBJECTIVES FOR 2014/15 AND 2015/16

Provide risk perspective and auditing advice and counsel to the Board and management in operational and financial activities.

Publish risk-focused audit reports designed to clearly communicate the General Auditor's opinion regarding the internal control structure, significant control issues, and recommendations to mitigate noted risks.

Improve the completion time for audits and evaluate the adequacy and timeliness of management's responses to, and corrective actions taken on, all significant control issues noted in audit reports.

Emphasize test work of significant projects.

Encourage training opportunities for Audit Department staff to enhance competencies in risk assessment and broaden knowledge of Metropolitan operations. Utilize this knowledge in fine-tuning the Annual Audit Risk Assessment and Audit Plan.

Promote diversity and foster a broad range of perspectives.

Efficiently manage the department's budget for maximum effectiveness of stated budgetary objectives.

Uphold the mission, roles, and responsibilities of the Audit Department.

General Auditor Department

Performance Measures Summary

Performance Measure	Measurement Intent	FY 12/13 Baseline Information	FY 13/14 Performance*	Target
O&M Budget Performance	Demonstrate prudent financial management, control and accountability.	96%	100%	100%
Employee Evaluation Completion Rate	Ensure employees' performance evaluations are completed in a timely manner, within 30 days of the due date.	100%	100%	100%
Audit Plan Objectives	Quarterly evaluation and update in a timely manner of Metropolitan's projects and / or activities for risk tolerance as it relates to Metropolitan's objectives.	100%	100%	100%
Audit Conclusion and Report Distribution	Complete and distribute final audit report within the following 30 days.	30 days	20 days	15 days
Annual Quality Assurance	Perform quality self-assessment or external quality assessment per Institute of Internal Auditors (IIA) Standards.	General Conformance	General Conformance	General Conformance
Audit Projects	Complete all high risk and Board of Directors / Management requested audits.	46	28	Complete Annual Audit Plan

* Actual performance through March 2014.

General Auditor Department

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	2,053,500	2,330,600	2,597,300	2,652,500	266,700	55,200
Professional Services	340,000	410,600	350,000	350,000	(60,600)	0
Other						
Subsidies & Incentives	9,500	16,000	15,000	15,000	(1,000)	0
Materials & Supplies	12,500	14,500	14,500	14,500	0	0
Training & Seminars Costs	1,700	14,500	14,500	14,500	0	0
Memberships & Subscriptions	3,600	5,500	5,500	5,500	0	0
Rent & Leases	1,300	5,500	5,500	5,500	0	0
Travel Expenses	2,800	5,000	5,000	5,000	0	0
Other Accounts	13,300	9,500	9,500	9,500	0	0
Totals	2,438,200	2,811,700	3,016,800	3,072,000	205,100	55,200
% Change	—	15.3%	7.3%	1.8%	—	—
Regular	10	12	12	12	0	0
Temporary	0	0	0	0	0	0
Total Personnel	10	12	12	12	0	0

Note – Totals may not foot due to rounding..

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects primarily merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services – Reflects competitive bid process in which a new outside firm is to perform the annual financial statements audit.

2014/15 vs 2015/16

Salaries and Benefits – Reflects merit increases for qualified employees and a change in retirement-related benefit costs.

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MISSION, ROLES, AND RESPONSIBILITIES

Established by special legislation enacted in 2000, the Ethics Office is responsible for promoting a transparent and ethical culture at Metropolitan by proposing and administering Metropolitan's ethics-related regulations and providing advice and education to the Metropolitan community.

The Ethics Office maintains services to facilitate reporting and investigation of potential violations of Metropolitan's ethics rules. For those who wish to remain anonymous, a hotline is maintained through an independent third-party vendor, which accepts anonymous reports of potential violations by directors, officers or employees. It is responsible for conducting independent investigations of potential violations, including areas such as conflicts of

interest, contracts, gifts, lobbying, and campaign contributions. The Ethics Office maintains procedures to protect the job security of individuals bringing allegations of ethics violations, confidentiality of sources, and due process rights of individuals under investigation.

The Ethics Office also is responsible for maintaining records of compliance with state-mandated ethics training. In addition to maintaining records of compliance, staff track renewal requirements for directors and assist them with finding resources through which to access these trainings. The Office also facilitates sexual harassment prevention training for directors, and provides orientations for new directors and employees about Metropolitan's internal ethics provisions.



Ethics Office responsibilities include:

Education: Development of training programs, drafting of publications, preparation of website content;

Advice: Responding to requests concerning application of Metropolitan's ethics rules in specific situations;

Outreach: Holding events at headquarters and field facilities to communicate availability, purpose, and processes of Ethics Office;

Policy Analysis and Program

Development: Performing risk assessment, drafting of proposed rules and procedures, preparation of board and committee presentations, drafting of strategic planning documents, identification and analysis of procedural justice issues, preparation of case memoranda and correspondences;

Investigation: Performing comprehensive investigations, including investigation planning, identification of evidence, document review, witness interviews, comparative analysis of facts, drafting of reports, organization and indexing of evidence;

Management: Providing oversight, planning and administration of all Ethics Office programs including education, advice, and investigation, board communication and planning, and coordination with senior management; and

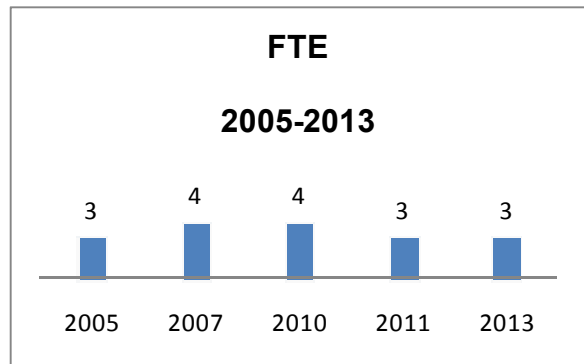
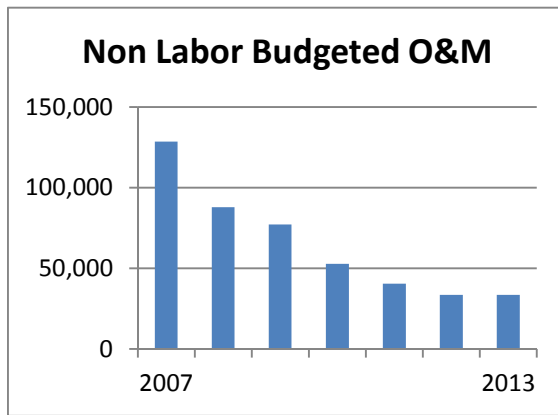
Administration: Providing case docketing, intake administration, matter tracking, budget preparation, contract administration, and preparation of quarterly, semi-annual, and annual reports.

BUDGET ISSUES AND CONSTRAINTS

The Ethics Office underwent significant transitions in 2012/13 and 2013/14. In November 2012, the Board of Directors appointed a new Ethics Officer as a full-time regular employee, replacing the previous officer who served as a recurrent employee.

In August 2013, the Board adopted revised policy principles for the Office, along with new procedures to increase independence and accountability of ethics investigations. Also, the Board made mid-cycle budget adjustments to facilitate additions of a professional policy analyst position and \$85,000 to the Office’s annual budget for professional services.

When reviewing budgetary trends for the Ethics Office, it is worth noting that Budgeted O&M expenditures (non-labor) have decreased by 74% from 2007 to 2013, illustrated in the first graph below. Labor was reduced by 25%, from 4 FTE’s to 3 FTE’s by 2011, illustrated in the graph “FTE” below. These reductions have proven untenable as a long range practice. Restoring prior staffing levels, replenishing funding for external investigations and modest increases for staff training necessitate cost adjustments.

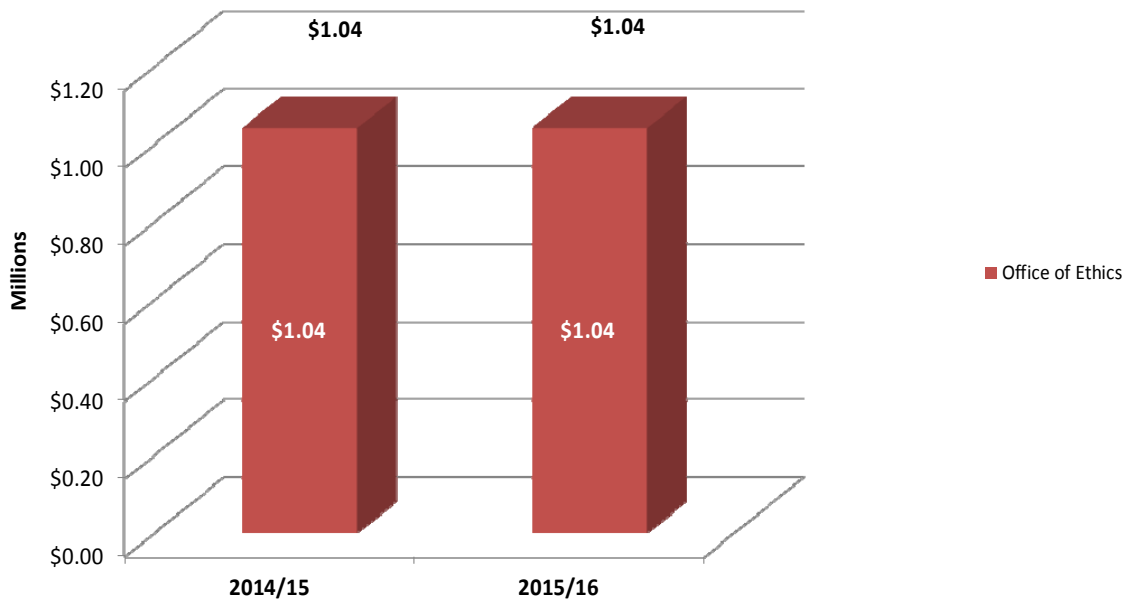


Budget Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
O&M	580,800	846,400	1,040,500	1,040,400	194,100	(100)
% Change	—	—	—	—	22.9%	(0.0%)
Totals	580,800	846,400	1,040,500	1,040,400	194,100	(100)
% Change	—	—	—	—	22.9%	(0.0%)
Regular	3	2	4	4	2	0
Temporary	0	1	0	0	(1)	0
Total Personnel	3	3	4	4	1	0

Note – Totals may not foot due to rounding.

Program Expenditure Comparison



2013/14 ACCOMPLISHMENTS

In early 2013, the Ethics Officer conducted a comprehensive review and analysis of Metropolitan’s ethics program. This effort included eight board or committee presentations over ten months (between February 2013 and November 2013) and covered the scope of the Ethics Office’s responsibility, short-term and long-term resource needs, and recommendations for strengthening and refining the ethics provisions within Metropolitan’s Administrative Code.

In August 2013, the Board adopted revised policy principles for the Office, along with new procedures to increase independence, protect confidentiality, and focus accountability of ethics investigations. The office began conducting fully independent investigations of alleged ethics violations using internal staff resources and outside investigation services as necessary.

In October 2013, the Office presented a detailed matrix of Metropolitan’s existing ethics policies to analogous requirements in the California Political Reform Act, Los Angeles Municipal

Ethics Code, and the Metropolitan Transportation Authority’s Ethics Codes. This analysis formed the basis of a set of recommendations for revising Metropolitan’s Administrative Code to clarify, identify, and focus the scope of Ethics Office responsibility and authority.

In November 2013, the Office presented newly revised investigation guidelines, along with a proposal for amending the Administrative Code to address some of the issues identified in the 2013/14 business plan.

Staff routinely held outreach events throughout Metropolitan’s facilities to increase awareness of the office and its ability to address ethics-related concerns and questions. During fiscal year 2012/13, the Office received approximately 101 communications requesting advice or reports of potential ethics-related violations.

The Office has continued to respond to questions from directors, officers, and employees about applying Metropolitan’s ethics rules in specific situations. Also, the Office has continued to provide new director and new employee orientations and various other outreach

activities, and to maintain compliance records with state-mandated ethics training courses and to make the Office accessible throughout Metropolitan.

OBJECTIVES FOR 2014/15 AND 2015/16

Advice, Education, and Outreach

Update education materials to account for substantive and programmatic changes in Ethics Office policies and implementation.

Regularly travel to district facilities to provide updates and information to management and employees about functions and resources available through the ethics office.

Provide timely and comprehensive responses to requests for advice or opinions regarding application of Metropolitan’s ethics rules in particular cases.

Program Development

Provide annual assessments of overall program effectiveness in annual business plans.

Develop and track metrics for appropriately gauging efforts.

Maintain open lines of communication with the Audit and Ethics Committee and other departments about program needs, trends, and directions.

Strive for consistent and disciplined application and interpretation of ethics rules assigned to Ethics Office authority.

Investigation Functions

Implement effective investigation management systems to ensure long-term maintenance and accessibility of key records.

In a consistent and disciplined manner, apply investigation methodologies that ensure adherence with principles of completeness, accuracy, and impartiality.

Management and Administration

Deploy and implement a comprehensive matter management system to accurately maintain investigation files, correspondence records, expenses, and accounting of time.

Manage departmental costs, including professional services agreements, while providing effective program management, development, and oversight.

Maintain open lines of communication with the Audit and Ethics Committee and other Department heads to obtain input from multiple perspectives on Ethics Office activities and initiatives.

Continually assess staff responsibilities and capabilities to ensure adequacy of resources necessary to accomplish its mission.

O&M Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Salaries and Benefits	565,300	727,800	905,000	904,900	177,200	(100)
Professional Services	5,200	100,000	100,000	100,000	0	0
Other						
Subsidies & Incentives	4,900	1,500	11,000	11,000	9,500	0
Graphics & Reprographics	100	3,000	5,000	5,000	2,000	0
Training & Seminars Costs	1,600	1,500	4,000	4,000	2,500	0
Travel Expenses	1,000	1,500	4,000	4,000	2,500	0
Memberships & Subscriptions	700	3,500	3,500	3,500	0	0
Rent & Leases	500	3,500	3,500	3,500	0	0
Other Accounts	1,500	4,100	4,500	4,500	400	0
Totals	580,800	846,400	1,040,500	1,040,400	194,100	(100)
% Change	—	45.7%	22.9%	(0.0%)	—	—
Regular	3	2	4	4	2	0
Temporary	0	1	0	0	(1)	0
Total Personnel	3	3	4	4	1	0

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Salaries and Benefits – Reflects that the Ethics Officer position was budgeted as a part-time position and that since that time the position was converted to a full-time employee. Additionally, the addition of another full-time employee has been added.

Subsidies and Incentives – Increased to reflect contracted benefits.

Graphics and Reprographics – Increased for the printing of revised Ethics Office manuals.

Training and Seminars / Travel Expenses – Increased to provide professional development activities for Ethics Office staff and associated travel costs.

2014/15 vs 2015/16

Salaries and Benefits – Reflects a change in benefits.

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General District Requirements

OVERVIEW

This section is comprised of various costs that are in support of Metropolitan's goals but are not necessarily the responsibility of a specific

organization as these functions support the overall mission.

O&M Financial Summary

Program Expense	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Association Dues	4,447,400	4,981,000	5,065,900	5,184,800	84,900	118,900
Benefits	47,700	673,000	673,000	673,000	0	0
Contingency	0	2,057,100	0	0	(2,057,100)	0
Insurance	3,652,600	9,566,600	11,344,000	9,800,000	1,777,400	(1,544,000)
PC Replacement	1,504,500	3,525,000	0	0	(3,525,000)	0
Professional Services	627,500	1,589,100	1,550,000	1,550,000	(39,100)	0
Property Taxes	578,400	612,000	624,200	636,700	12,200	12,500
Rent & Leases	615,700	532,600	565,000	600,000	32,400	35,000
Totals	11,473,800	23,536,400	19,822,100	18,444,500	(3,714,300)	(1,377,600)
% Change	—	399.4%	(51.6%)	46.7%	—	—

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

The amounts for 2013/14 approved budget were reduced and placed into the contingency line which represents a significant portion of the entire difference, as well as the completion of the PC Replacement program, though various other components fluctuated as well.

2014/15 vs 2015/16

Primarily reflects the reduction of insurance costs

General District Requirements

ASSOCIATION DUES

To cover the cost of Metropolitan’s participation with agencies having common interest in protecting their rights to water including the

Six Agency Fund (Colorado River) and State Water Contractors (State Water Project – Bay Delta).

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Memberships & Subscriptions	4,447,400	4,981,000	5,065,900	5,184,800	84,900	118,900
% Change	—	12.0%	1.7%	2.3%	—	—

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Minimal change with slight increase within several of the individual memberships.

2014/15 vs 2015/16

Minimal change with slight increase within several of the individual memberships.

General District Requirements

BENEFITS

An incentive program for appointed and unrepresented employees

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs. 2014/15	2014/15 vs. 2015/16
Benefits	47,700	673,000	673,000	673,000	—	—
% Change	—	1,312.2%	0%	0%	—	—

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

No change.

2014/15 vs 2015/16

No change.

General District Requirements

CONTINGENCY

To provide for unanticipated project/studies not specifically identified within the operating budget for the given fiscal year.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs. 2014/15	2014/15 vs. 2015/16
Contingency	0	2,057,100	0	0	(2,057,100)	0
% Change	—	NA	NA	NA	—	—

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Reflects OPEB amounts now included within the additive amount.

2014/15 vs 2015/16

No change.

General District Requirements

INSURANCE

To reserve and provide for settlement of Metropolitan property damage in connection with Metropolitan's self-insured program.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
Insurance	3,652,600	9,566,600	11,344,000	9,800,000	1,777,400	(1,544,000)
% Change	—	161.9%	18.6%	(13.6%)	—	—

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Reflects change in estimated reserve coverage.

2014/15 vs 2015/16

Reflects change in estimated reserve coverage.

General District Requirements

PC REPLACEMENT PROGRAM

Reflects the cost to replace Metropolitan's computers used by its employees which are

more than 5 years old and have reached or exceed their life expectancy.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs. 2014/15	2014/15 vs. 2015/16
Miscellaneous	1,504,500	3,525,000	0	0	(3,525,000)	0
% Change	—	134.3%	NA	NA	—	—

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Reflects the completion of this program..

2014/15 vs 2015/16

Program completed.

General District Requirements

PROFESSIONAL SERVICES

Reflects the cost of outside consultants to monitor, process, and validate ongoing costs associated with conservation efforts.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs. 2014/15	2014/15 vs. 2015/16
Outside Services - Professional	627,500	1,589,100	1,550,000	1,550,000	(39,100)	0
% Change	—	153.2%	(2.5%)	0.0	—	—

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Reflects reduction in conservation costs, including rebates, and an overall emphasis on cost reduction.

2014/15 vs 2015/16

No change.

General District Requirements

PROPERTY TAXES

Metropolitan is not subject to property taxes for property owned by Metropolitan within its service area except for some special assessments such as lighting. Metropolitan owns property outside of its service area in support of its

ongoing operations such as land for its pumping stations along the Colorado River Aqueduct, microwave stations for communications, and other necessary property.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs. 2014/15	2014/15 vs. 2015/16
Taxes & Permits	578,400	612,000	624,200	636,700	12,200	12,500
% Change		5.8%	2.0%	2.0%	—	—

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Reflects anticipated increase in tax amount due to increase in the amount of property owned and allowable increase in valuation.

2014/15 vs 2015/16

Reflects anticipated increase in tax amount due to increase in the amount of property owned and allowable increase in valuation.

General District Requirements

RENTS & LEASES

Metropolitan rents facility space in support of its ongoing operations outside of its service area for

legislative activities (Washington, DC) and operational needs for telecommunication sites.

O&M Program Financial Summary

Expense Category	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs. 2014/15	2014/15 vs. 2015/16
Rents & Leases	615,700	532,600	565,600	600,000	32,400	35,000
% Change	—	(13.5%)	6.1%	6.2%	—	—

Note – Totals may not foot due to rounding.

REASONS FOR CHANGES

2013/14 vs 2014/15

Reflects increase in rental amount and the need for additional telecommunication facility sites.

2014/15 vs 2015/16

Reflects modest increase in rental amount for the various facilities.

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Staffing Summary

Summary of Employees

Group/Department	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget
Regular Employees				
Office of the General Manager	36	40	41	41
Water System Operations	857	946	949	949
Water Resource Management	59	68	68	68
Engineering Services	342	372	371	371
Business Technology	222	242	241	241
Human Resources	42	43	42	41
Real Prop Dev & Mgmt	23	31	28	28
Office of the Chief Financial Officer	44	46	46	46
External Affairs	41	47	48	48
Additional Changes	—	—	—	—
Subtotal Department	1,666	1,835	1,834	1,833
General Counsel	33	36	36	36
General Auditor	10	12	12	12
Office of Ethics	3	2	4	4
Subtotal Regular Employees	1,712	1,885	1,886	1,885
Temporary Employees				
District Temporary	28	18	19	19
Agency Temporary	12	5	0	0
Subtotal Temporary Employees	40	23	19	19
Total Authorized Positions	1,752	1,908	1,905	1,904
Unfunded / Vacancy		(124)	(56)	(56)
Total Employees	1,752	1,784	1,849	1,848
Expenses				
District Regular	172,015,000	191,779,400	195,945,900	200,499,900
District Temporary	1,682,200	1,350,400	1,442,300	1,426,300
Overtime	8,922,100	6,093,300	6,713,500	6,751,600
Agency Temporary	1,316,900	495,000	0	0
Premium	2,577,200	2,300,300	2,372,700	2,381,300
Fringe Benefits	100,518,100	115,719,400	126,018,700	125,756,700
Total Expenses	287,031,500	317,737,800	332,493,100	336,815,800

Note – Totals may not foot due to rounding.

Staffing Summary

Office of the General Manager

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	36	40	41	41	1	—
District Temporary	1	1	1	1	—	—
Agency Temporary	0	0	0	0	—	—
Totals	37	41	42	42	1	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular: Reflects the transfer of a position from the Engineering Services Group to support Bay Delta efforts.

2014/15 vs 2015/16

No changes.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	5,137,300	5,496,100	6,095,900	6,236,500	599,800	140,600
District Temporary	77,500	100,000	100,000	100,000	0	0
Overtime	19,200	6,000	6,000	6,000	0	0
Fringe Benefits	2,817,600	3,276,200	3,861,000	3,855,500	584,800	(5,500)
Totals	8,051,600	8,878,300	10,062,900	10,198,000	1,184,600	135,100

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects the transfer of one position from the Engineering group as well as merit increases for qualified employees.

Fringe Benefits – Reflects an increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects anticipated merit increases for qualified employees.

Fringe Benefits – Reflects a change in retirement-related benefit costs.

Staffing Summary

Water System Operations

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	857	946	949	949	3	—
District Temporary	19	14	14	14	—	—
Agency Temporary	12	5	0	0	(5)	—
Totals	888	965	963	963	(2)	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects the addition of three new positions. One position will respond to increasing regulatory support for Metropolitan’s acquisition and transmission of energy. Two positions will provide technical and engineering support for the O&M needs of the water treatment plants and distribution system.

Agency Temporary – Reflects a change in budgeting methodology whereby agency temporary positions are no longer included for backfilling vacancies of District Regular employees.

2014/15 vs 2015/16

No change.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	78,658,200	84,040,500	86,350,800	88,767,800	2,310,300	2,417,000
District Temporary	919,700	870,600	819,300	826,300	(51,300)	7,000
Overtime	7,704,500	5,658,700	6,298,600	6,327,200	639,900	28,600
Agency Temporary	1,114,100	475,000	0	0	(475,000)	0
Premium	2,219,100	2,137,800	2,205,700	2,214,300	67,900	8,600
Fringe Benefits	46,062,900	52,026,100	57,010,300	57,127,300	4,984,200	117,000
Totals	136,678,500	145,208,700	152,684,700	155,262,900	7,476,000	2,578,200

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects addition of three new positions and merit increases for qualified employees.

District Temporary – Reflects a slight decrease in the use of District Temporaries for O&M work.

Overtime – Reflects support for extensive shutdowns planned to FY 2014/15.

Agency Temporary – Reflects the elimination agency temporaries as some vacancies are

expected to be filled and reflects a change whereby agency temporary labor is not budgeted for unanticipated vacancies.

Fringe Benefits – Reflects an increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects primarily merit increases for qualified employees.

Fringe Benefits – Reflects a change in retirement-related benefit costs.

Staffing Summary

Water Resource Management

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	59	68	68	68	—	—
District Temporary	0	0	0	0	0	—
Agency Temporary	0	0	0	0	—	—
Totals	59	68	68	68	0	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – No change.

2014/15 vs 2015/16

District Regular – No change.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	7,184,700	7,856,100	8,577,900	8,696,900	721,800	119,000
District Temporary	5,400	0	17,000	17,000	17,000	0
Overtime	14,700	92,300	79,000	92,000	(13,300)	13,000
Premium	11,000	0	0	0	0	0
Fringe Benefits	3,884,100	4,652,700	5,406,200	5,351,600	753,500	(54,600)
Totals	11,099,900	12,601,100	14,080,100	14,157,500	1,479,000	77,400

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects anticipated merit increases for qualified employees and a reorganization.

Fringe Benefits – Reflects increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects anticipated merit increases for qualified employees.

Fringe Benefits – Reflects change in retirement-related benefit costs.

Staffing Summary

Engineering Services

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	342	372	371	371	(1)	—
District Temporary	2	0	0	0	—	—
Agency Temporary	0	0	0	0	—	—
Totals	344	372	371	371	(1)	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

Reflects the transfer of one position to the Bay Delta Initiatives organization within the Office of the General Manager.

2014/15 vs 2015/16

No change.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	34,367,000	41,667,000	41,912,900	42,737,500	245,900	824,600
District Temporary	255,800	0	0	0	0	0
Overtime	865,900	0	0	0	0	0
Agency Temporary	41,800	0	0	0	0	0
Premium	92,200	0	0	0	0	0
Fringe Benefits	22,228,100	25,807,000	26,216,500	26,074,100	409,500	(142,400)
Totals	57,850,800	69,723,700	68,129,400	68,811,600	(1,594,300)	682,200

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects the application of a vacancy factor, which will be offset through the use of professional services and the transfer of one position to the Office of the General Manager.

Fringe Benefits – Reflects an increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects primarily merit increases for qualified employees.

Fringe Benefits – Reflects a change in retirement-related benefit costs.

Staffing Summary

Business Technology

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	222	242	241	241	(1)	—
District Temporary	1	0	0	0	—	—
Agency Temporary	0	0	0	0	—	—
Totals	223	242	241	241	(1)	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects the elimination of one vacant position from the Administrative Services Section.

2014/15 vs 2015/16

No change.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	22,717,400	25,352,100	26,224,500	26,702,800	872,400	478,300
District Temporary	49,300	66,700	185,000	187,000	118,300	2,000
Overtime	283,800	281,900	287,700	284,700	5,800	(3,000)
Premium	219,100	162,500	167,000	167,000	4,500	0
Fringe Benefits	12,439,100	15,037,600	16,607,600	16,497,300	1,570,000	(110,300)
Totals	35,708,700	40,900,800	43,471,800	43,838,800	2,571,000	367,000

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects merit increases for qualified employees partially offset by the elimination of one vacant position in the Administrative Services Section.

Fringe Benefits – Reflects increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects merit increases for qualified employees.

Fringe Benefits – Reflects change in retirement-related benefit costs.

Staffing Summary

Human Resources

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	42	43	42	41	(1)	(1)
District Temporary	2	0	0	0	—	—
Agency Temporary	0	0	0	0	—	—
Totals	44	43	42	41	(1)	(1)

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects the elimination of a management position.

2014/15 vs 2015/16

District Regular – Reflects the elimination of a support position.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	4,814,000	4,894,200	5,039,900	5,119,800	145,700	79,900
District Temporary	147,200	0	25,000	0	25,000	(25,000)
Overtime	3,800	2,400	6,200	7,700	3,800	1,500
Agency Temporary	123,000	20,000	0	0	(20,000)	0
Premium	3,500	0	0	0	0	0
Fringe Benefits	2,670,300	2,877,000	3,166,400	3,126,700	289,400	(39,700)
Totals	7,761,800	7,793,600	8,237,500	8,254,200	443,900	16,700

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects the position reduction partially offset by merit increases for qualified employees.

District/Agency Temporary - Reflects an increase in a district temp which will be used as an administrative position and the elimination of the use of agency temps.

Fringe Benefits – Reflects an increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects position reduction partially offset by merit increases for qualified employees.

District/Agency Temporary – Reflects the elimination of district temps.

Fringe Benefits – Reflects a change in retirement-related benefit costs.

Staffing Summary

Real Property Development & Management

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	23	31	28	28	(3)	—
District Temporary	0	0	3	3	3	—
Agency Temporary	0	0	0	0	—	—
Totals	23	31	31	31	—	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular: Decrease due to transfer of three positions to other groups (Legal, Human Resources, and Business Technology).

2014/15 vs 2015/16

No changes.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	2,522,200	2,464,800	2,782,900	2,841,900	318,100	59,000
District Temporary	45,100	83,300	186,000	186,000	102,700	0
Overtime	10,000	0	0	0	0	0
Premium	24,100	0	0	0	0	0
Fringe Benefits	1,407,700	1,485,200	1,825,500	1,823,400	340,300	(2,100)
Totals	4,009,100	4,033,300	4,794,400	4,851,300	761,100	56,900

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Increase reflects moving temporary labor from Metropolitan’s student intern program (budgeted in Professional Services) to district temporary and anticipated merit increases for qualified employees.

Fringe Benefits – Reflects an increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects anticipated merit increases for qualified employees.

Fringe Benefits – Reflects a change in retirement-related benefit costs.

Staffing Summary

Office of the Chief Financial Officer

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	44	46	46	46	—	—
District Temporary	0	0	0	0	—	—
Agency Temporary	0	0	0	0	—	—
Totals	44	46	46	46	—	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

No change.

2014/15 vs 2015/16

No change.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	4,827,500	4,917,800	5,269,800	5,343,500	352,000	73,700
District Temporary	0	0	0	0	0	0
Overtime	300	21,000	500	500	(20,500)	0
Premium	1,000	0	0	0	0	0
Fringe Benefits	2,605,900	2,909,000	3,296,400	3,260,300	387,400	(36,100)
Totals	7,434,700	7,847,800	8,566,700	8,604,300	718,900	37,600

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects merit increases for qualified employees.

Fringe Benefits – Reflects an increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects merit increases for qualified employees.

Fringe Benefits – Reflects a decrease in retirement-related benefit costs.

Staffing Summary

External Affairs

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	41	47	48	48	1	—
District Temporary	0	0	0	0	—	—
Agency Temporary	0	0	0	0	—	—
Totals	41	47	48	48	1	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects new position for San Diego office.

2014/15 vs 2015/16

No changes.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	5,106,400	5,687,000	6,058,400	6,242,600	371,400	184,200
Overtime	18,100	21,000	25,500	23,500	4,500	(2,000)
Premium	7,200	0	0	0	0	0
Fringe Benefits	2,708,400	3,350,100	3,800,200	3,818,200	450,100	18,000
Totals	7,840,100	9,058,100	9,884,100	10,084,300	826,000	200,200

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects new position for the San Diego office, and anticipated merit increases for qualified employees.

Fringe Benefits – Reflects an increase in employee retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects anticipated merit increases for qualified employees.

Fringe Benefits – Reflects a change in employee retirement-related benefit costs.

Staffing Summary

General Counsel

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	33	36	36	36	—	—
District Temporary	3	2	2	2	—	—
Agency Temporary	0	0	0	0	—	—
Totals	35	38	38	38	—	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – No change.

2014/15 vs 2015/16

District Regular – No change.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	5,004,100	5,332,900	5,478,400	5,601,200	145,500	122,800
District Temporary	182,200	114,000	110,000	110,000	(4,000)	0
Overtime	1,800	10,000	10,000	10,000	0	0
Fringe Benefits	2,789,200	3,188,100	3,481,000	3,474,300	292,900	(6,700)
Totals	7,977,300	8,645,000	9,079,400	9,195,500	434,400	116,100

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects anticipated merit increases for qualified employees.

Fringe Benefits – Reflects an increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects anticipated merit increases for qualified employees.

Fringe Benefits – Reflects a change in retirement-related benefit costs.

Staffing Summary

General Auditor

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	10	12	12	12	—	—
District Temporary	0	0	0	0	—	—
Agency Temporary	0	0	0	0	—	—
Totals	10	12	12	12	—	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

No changes in personnel.

2014/15 vs 2015/16

No changes in personnel.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	1,309,000	1,467,900	1,597,800	1,647,400	129,900	49,600
Agency Temporary	38,000	0	0	0	0	0
Fringe Benefits	706,600	862,600	999,400	1,005,100	136,800	5,700
Totals	2,053,600	2,330,500	2,597,200	2,652,500	266,700	55,300

Note – Totals may not foot due to rounding.

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects anticipated merit increases for qualified employees.

Fringe Benefits – Reflects an increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects anticipated merit increases for qualified employees.

Fringe Benefits – Negligible.

Staffing Summary

Ethics Office

Employees	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	3	2	4	4	2	—
District Temporary	0	1	0	0	(1)	—
Agency Temporary	0	0	0	0	—	—
Totals	3	3	4	4	1	—

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

Reflects appointment of the Ethics Officer as a district Regular employee and the addition of a district regular employee in the Ethics Office.

2014/15 vs 2015/16

No change.

Expenses	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Budget	2013/14 vs 2014/15	2014/15 vs 2015/16
District Regular	367,200	353,300	556,700	562,000	203,400	5,300
District Temporary	0	115,800	0	0	(115,800)	0
Fringe Benefits	198,200	258,700	348,200	342,900	89,500	(5,300)
Totals	565,400	727,800	904,900	904,900	177,100	0

EXPLANATION OF INCREASE/DECREASE

2013/14 vs 2014/15

District Regular – Reflects appointment of the Ethics Officer as a district regular employee and the addition of a position.

District Temporary – Reflects conversion of the Ethics Officer position from a district temporary to a district regular employee.

Fringe Benefits – Reflects an increase in retirement-related benefit costs.

2014/15 vs 2015/16

District Regular – Reflects merit increases for qualified employees.

Fringe Benefits – Reflects a change in retirement-related benefit costs.

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INTRODUCTION

The primary focus of the Capital Investment Plan is to provide information on all capital programs and projects that are scheduled to begin or will be underway during FY 2014/15 and FY 2015/16. Scope, accomplishments, objectives and financial projections are given for each program.

The CIP budget for FY 2014/15 and FY 2015/16 is estimated to be \$245 million and \$268 million, respectively.

The total FY 2014/15 and FY 2015/16 capital budget of \$513 million is based on all anticipated costs including: labor and administrative overhead, construction, professional services, right of way, materials, operating equipment, and incidental expenses. It does not include a contingency amount.

CIP Structure

The CIP is structured into various levels. In descending order, they are:

1. PROGRAM
2. APPROPRIATION
3. PROJECT

The highest level of the CIP structure is Program. Programs are comprised of one or more appropriations. There are 11 CIP Programs described in Table 22.

Under each CIP Program, there is one to several appropriations, each with multiple projects. Every project with work planned for the two budget years is listed and described under the individual appropriation descriptions starting on page 260.

Table 22 – CIP Programs

Program	Definition
Supply Reliability/System Expansion	Projects under this program will increase the capacity of Metropolitan’s water supply and delivery infrastructure to meet projected demand increases.
Colorado River Aqueduct Reliability	Projects under this program will replace or refurbish facilities and components on the CRA system in order to reliably convey water to Southern California.
Treatment Plant Reliability: - Diemer Plant - Jensen Plant - Mills Plant - Skinner Plant - Weymouth Plant	Projects under this program will replace or refurbish facilities and components at Metropolitan’s five water treatment plants in order to continue to reliably meet treated water demands.
Distribution System Reliability	Projects under this program will replace or refurbish existing facilities within Metropolitan’s distribution system, including reservoirs, pressure control structures, hydroelectric power plants, and pipelines in order to reliably meet water demands.
Right of Way and Infrastructure Protection	Projects under this program will refurbish or upgrade above ground facilities and rights-of-way along Metropolitan’s pipelines in order to address access limitations, erosion-related work, and security needs.
Prestressed Concrete Cylinder Pipe Reliability	Projects under this program will refurbish or upgrade Metropolitan’s Prestressed Concrete Cylinder Pipelines (PCCP) to maintain water deliveries without unplanned shutdowns.

Capital Investment Plan FY 2014/15 and 2015/16

Program	Definition
Regulatory Compliance	Projects under this program will provide for prudent use and management of Metropolitan's assets in compliance with all applicable regulations and codes other than water quality.
Minor Capital Projects	Projects under this program will implement refurbishments, replacements, or upgrades that cost less than \$250,000 at Metropolitan facilities.
Cost, Efficiency and Productivity	Projects under this program will provide economic savings that outweigh project costs through enhanced business and operating processes.
System Reliability	Projects under this program will improve or modify Metropolitan's SCADA and other Information Technology systems, and other facilities that are located throughout Metropolitan's service area in order to utilize new processes, and/or technologies, and improve facility safety and overall reliability.
Water Quality/Oxidation Retrofit	Projects under this program will add new facilities to ensure compliance, with water quality regulations for treated water for Metropolitan's treatment plants and throughout the distribution system.

CAPITAL INVESTMENT PLAN DEVELOPMENT

Background

The projects that comprise the CIP have been identified from many Metropolitan studies of projected needs that are embodied in board-approved documents such as the Integrated Resources Plan, Distribution System Overview Study, and the General Manager's Business Plan. Staff continues to study operational demands on aging facilities as well as new regulations, and has made recommendations for capital projects that will maintain infrastructure reliability and water quality standards. Staff has also studied business and operational processes, and has made recommendations for programs that will improve efficiency and provide future cost savings. Additionally, several projects have been identified and included that will enhance delivery of Colorado River water to portions of the service area that currently rely exclusively on deliveries from the State Water Project.

CIP Development Process

The CIP is structured to reflect Metropolitan's strategic goals of providing a reliable supply of high-quality water at the lowest cost possible. As part of the CIP process, all new and existing projects are evaluated against an objective set of criteria to ensure existing and future capital investments are aligned with Metropolitan's Business Plan Priorities for Water Supply Reliability and Water Quality.

A team comprised of staff from Water System Operations, Water Resource Management, Real Property Development and Management, Engineering Services, and Business Technology

evaluate and rate all projects. Those projects that directly support the priorities of Reliability and Water Quality are prioritized for inclusion in Metropolitan's CIP.

This rigorous evaluation process has resulted in a thorough review and assessment of all proposed capital projects by staff and managers prior to submittal to the evaluation team. Staff continues to conduct comprehensive field investigations that identify critical replacement and refurbishment projects and a variety of necessary facility upgrades related to infrastructure reliability as well as regulatory compliance. Project schedules are evaluated regularly in order to plan for steadily increasing capital investments in infrastructure reliability and to accommodate the urgency of each project. Additionally, current demand projections that account for ongoing conservation, planned increased in local supply production, and the economy, have been evaluated to ensure that demand and growth-related projects are appropriately scheduled.

An iterative process is employed to first score and rank every new and existing project, and then solicit feedback from project sponsors, customers, and resource providers in order to establish schedules and cash flow requirements. Those schedules, along with analyses of facility shutdown requirements, environmental permitting timeframes, and contracting process requirements, also enable resource managers to identify staffing needs. The final schedule and implementation plan for FY 2014/15 and 2015/16 are reflected in the budget and objectives for each of the individual programs described later in this document.

Project Evaluation

Before a project is included in the CIP, it is evaluated and rated against an established set of criteria. Staff is required to submit proposals for all projects that include scope, justification, alternatives, impacts of scheduling work for a later time, impact on operations and maintenance costs, and an estimate of total project cost. For existing projects, staff must also provide justification for continuing the project, explain any changes since inception of the project, and describe critical phases for the upcoming years. Guidelines for project proposals start on page 251. The evaluation criteria cover four characteristics or objectives for capital projects: Project Necessity, Directive, Service Disruption, and Cost/Productivity/Sustainability. In addition, a

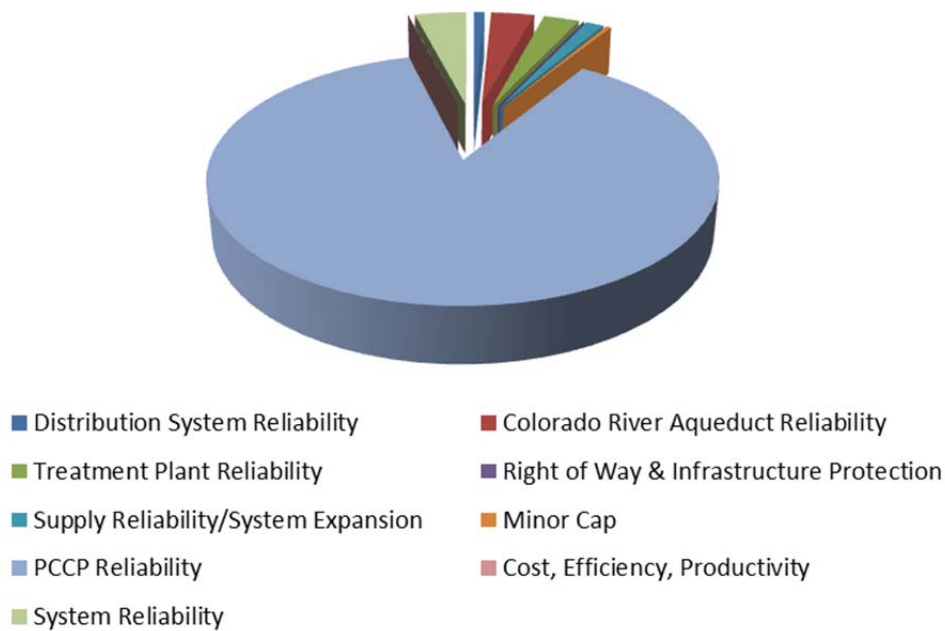
multiplier is applied to a project rating to factor in a risk assessment. See page 254 for a description of each criterion and multiplier.

New Projects for FY 2014/15 and 2015/16

This year, a total of 66 new projects, excluding Minor Capital projects, were recommended by the CIP Evaluation Team to either proceed as proposed, or be staged to perform only a portion of the work in the biennial budget period, and have been incorporated into the CIP programs.

Figure 22 shows a breakdown of the new projects identified by the CIP program. The total estimate of expenditures for all new projects is \$2.5 billion. It should be noted that the largest addition, PCCP Reliability, includes the preliminary estimates for the long-term rehabilitation of the five critical prestressed concrete cylinder pipelines.

Figure 22 – New Projects by Program



Total New Project Estimates – \$2.5 billion (non-escalated)

MAJOR OBJECTIVES FOR FISCAL YEAR 2014/15 and 2015/16

Below, grouped by CIP Program, are descriptions of capital project major activities anticipated to be underway or completed over the next two fiscal years.

Water Quality/Oxidation Retrofit

Weymouth Plant Oxidation Retrofit

Continue construction of the new oxidation facilities, including incorporation of the Board authorized extra work to increase the ozone treatment capacity to the full plant capacity of 520 million gallons per day (mgd).

Diemer Plant Oxidation Retrofit

Complete testing and start-up, and preparation of the record drawings.

Treatment Plant Reliability

Weymouth Plant

Complete construction of seismic upgrades to the filter buildings; complete design and begin rehabilitation of the filters and treatment Basins 5–8; complete design of the filter valve replacements.

Diemer Plant

Begin rehabilitation of all eight treatment basins; complete design and begin rehabilitation of the washwater reclamation plant; complete design and begin replacement of the filter valves; complete construction of the second stage of electrical system upgrades.

Jensen Plant

Complete design and begin replacement of the filter valves in Module 1; complete design and begin construction of facilities to transfer residual solids to the LADWP lagoons; complete upgrades of the surface wash system for Filters 1- 20 and replacement of the service water pumps; complete design and begin upgrades of the plant electrical systems and refurbishment of the flocculators in Modules 2 and 3.

Mills Plant

Complete design of two solids thickeners.

Distribution System Reliability

Complete first stage of the relining of the Etiwanda Pipeline.

Complete design and begin the relining of the Lakeview Pipeline.

Complete design and environmental documentation for the relining of nine miles of the Orange County Feeder.

Complete the replacement of the liner and floating cover at the Palos Verdes Reservoir.

Right of Way and Infrastructure Protection

Continue design, preparation of Programmatic Environmental Impact Reports, and right-of-way evaluations/acquisition as part of the Right of Way and Infrastructure Protection program.

Prestressed Concrete Cylinder Pipe Reliability

Complete the urgent repairs at 3 sites and continue design of rehabilitation of the remaining portions of the Second Lower Feeder.

Begin preliminary design of the rehabilitation of the PCCP portions of the Sepulveda Feeder.

Continue annual electromagnetic inspections of all PCCP pipelines.

Colorado River Aqueduct Reliability

A primary focus of capital projects on the CRA, in addition to regulatory compliance, safety, and overall reliability, is to prioritize projects needed to maintain 8-pump flow capability at all times. Over the next two years, projects that are a priority include design and construction of upgrades to the sand trap facilities upstream of the Eagle, Iron Mountain, and Hinds Pumping Plants; design and construction of discharge line isolation bulkheads,

standby generators at Intake, Gene, and Iron Mountain Pumping Plants, final design and construction of erosion protection over the Whitewater Siphon, and continuation of assessments of the main pump facilities including the main transformers and auxiliary power systems, motor exciters, motors and pumps, discharge valves, and cooling and lubrication systems.

Other critical projects at the CRA facilities include completion of construction of the Copper Basin Outlet Facilities; design and construction of wastewater system replacements at the Gene and Iron Mountain Villages; design and construction to refurbish the sump systems at all five pumping plants; and completion of the design of seismic retrofits of the 6.9kV switch houses.

System Reliability

LaVerne Shop Facilities

Complete construction of upgrades to the machine, fabrication, and coating shops and the first stages of equipment procurement and installation.

Information Technology

Complete the design, procurement and installation of communication infrastructure and equipment to replace outdated PBX-based equipment with unified Internet Protocol-based technology; complete design and begin deployment of the final phase of the replacement and upgrades to the two-way radio system.

Complete preliminary design of the replacement of the control system and electrical system protection facilities at the Diamond Valley Lake Wadsworth Pumping Plant.

Complete design and begin replacement of the approximately 300 Remote Terminal Units input/output components and operating systems utilized for monitoring and control of Metropolitan's treatment, conveyance, and distribution systems with new hardware and software.

Supply Reliability/System Expansion

Although service demand projections are not anticipated to increase in the near-term to the extent that new facilities will be needed, several projects have been identified to improve water delivery flexibility. The Inland Feeder-Lakeview Pipeline interconnection is being expedited to complete construction by late summer 2014. Improvements to the Greg Ave. pump station are also currently in design and are planned for construction during FY 2014/15.

Regulatory Compliance

Chlorine Containment

Begin construction of chlorine containment facilities at the Chemical Unloading Facility.

Cost Efficiency and Productivity

Complete the upgrades of Oracle and PeopleSoft to the more recent, vendor-supported versions.

Complete the construction of modifications to the Yorba Linda hydroelectric power plant.

Complete the design and installation of a new, enhanced project control and reporting system to replace the outdated Project Management Information System (PMIS).

Financial Projections

The CIP budget for FY 2014/15 and FY 2015/16 is estimated to be \$245 million and \$268 million, respectively. All of the projects in the CIP are reviewed each year as part of the budgeting process. Considerations for timing of nearby projects and facility shutdowns, urgency, aging infrastructure, updated service demand projections, and regulatory requirements are taken into account. Estimated capital expenditures are updated on a regular basis as new projects are added, other projects are completed, construction cost estimates are refined or contracts awarded. From time to time, projects that have been undertaken are delayed or modified for various reasons and their completion schedule may vary from the original schedule.

Funds required for the CIP for FY 2014/15 and FY 2015/16 have been estimated based on anticipated project progress and estimated costs for the new biennial budget period. Planned capital expenditures for FY 2014/15 are approximately \$50 million less than what was budgeted for FY 2013/14. This decrease in planned expenditures reflects a readjustment of project budgets and schedules as a result of some very favorable bids on construction contracts and to optimize use of resources as well as facility shutdown planning. Actual expenditures in FY 2013/14 are projected to be about \$100 million less than budgeted. Therefore, planned expenditures in FY 2014/15 of \$245 million reflect an increase from actual expenditures in FY 2013/14 of approximately \$60 million.

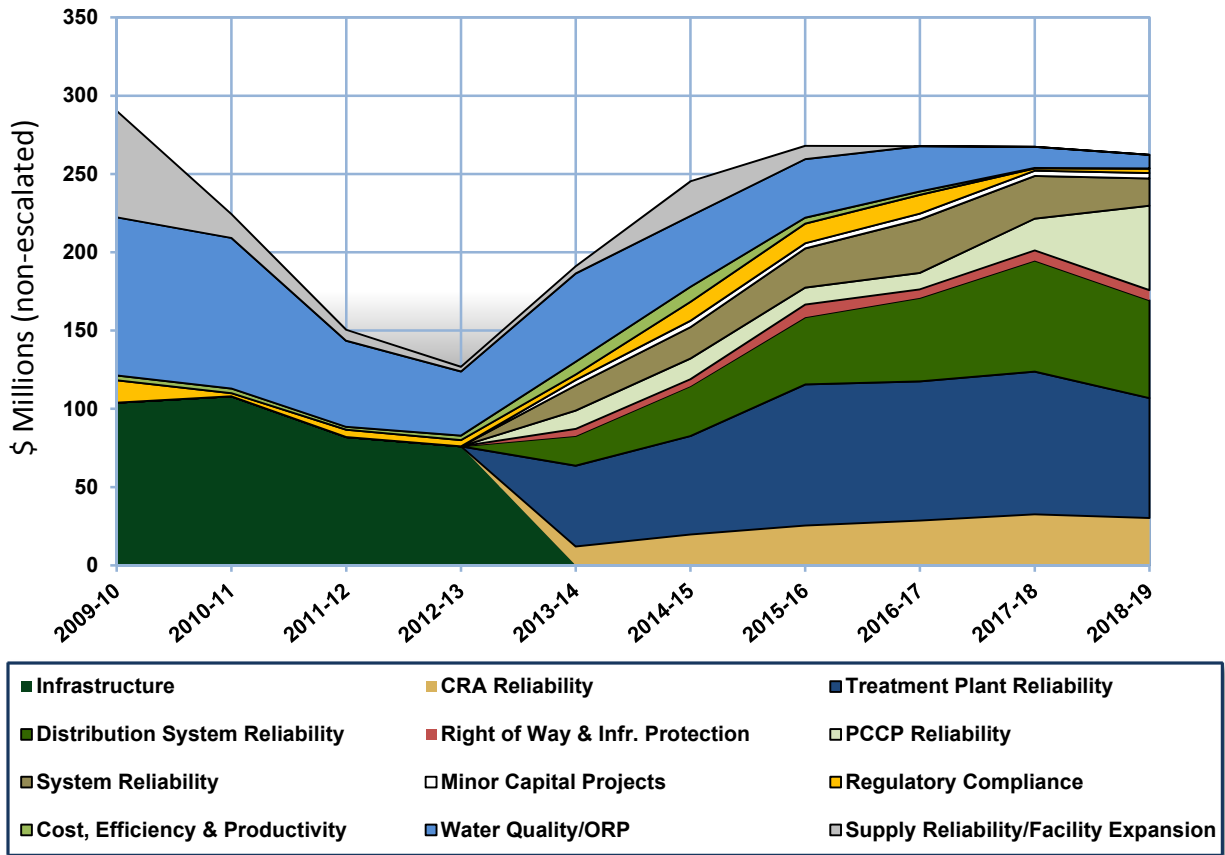
This increase reflects initiation of construction on several projects where design activities had been extended. Examples include chlorine containment at the Chemical Unloading Facility (CUF), relining of the PCCP portions of the Second Lower Feeder, liner repairs and cover replacement at the Palos Verdes Reservoir, refurbishment of the settling basins and replacement of the filter valves at the Diemer plant, and upgrades to the CRA village wastewater systems. Two additional urgent projects to enhance Colorado River water delivery flexibility – the Inland Feeder-Lakeview pipeline interconnection and improvements to the Greg Avenue pump station - are also planned to move quickly into construction during FY 2014/15.

Planned capital expenditures for FY 2015/16 are approximately \$23 million more than in FY 2014/15. This increase is due to a ramp up of progress payments on the Diemer basin rehabilitation and filter valve replacements construction, chlorine containment at CUF, Second Lower Feeder PCCP relining, and rehabilitation of the filters at the Weymouth plant. Additionally, construction is anticipated to begin on relining of the Lakeview pipeline, electrical system upgrades at the Jensen plant, and relining of the Orange County Feeder.

Figure 23 depicts the capital expenditure profile, including actual and projected cash flow, for the 10-year period from FY 2009/10 through FY 2018/19.

Capital Investment Plan FY 2014/15 and 2015/16

Figure 23 – FY 2014/15 – 2015/16 Biennium CIP by Program
10-year Window 2009/10 through 2018/19



HOW TO USE THIS DOCUMENT

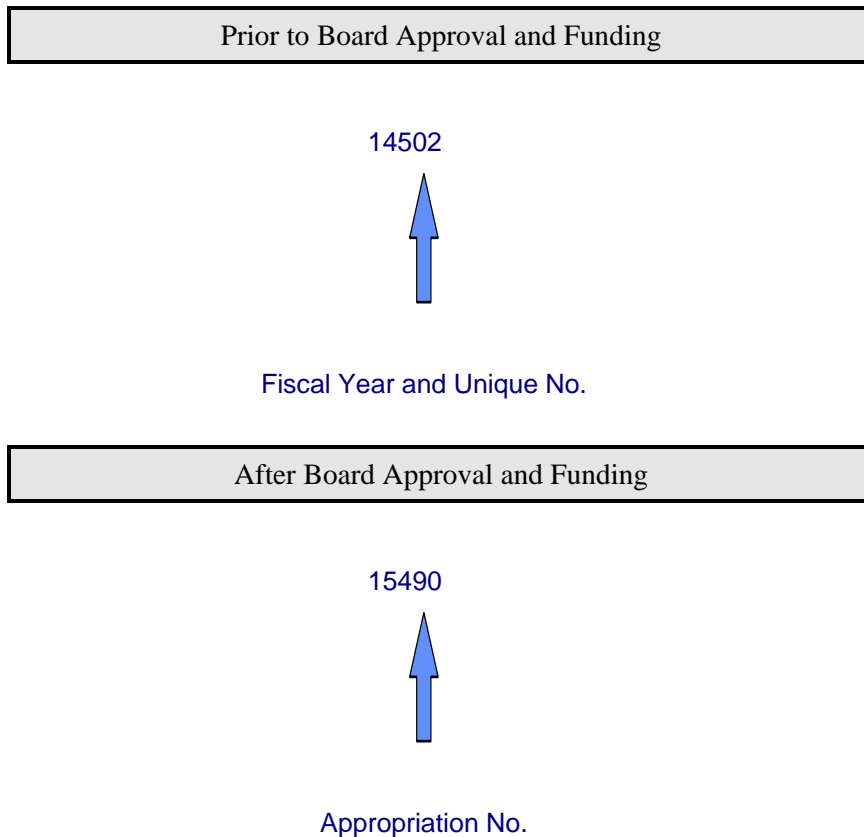
The core of this section is the Individual Appropriation Summary, which provides information for each capital project that is scheduled to begin or will be underway during FY 2014/15. The Individual Appropriation Summary is ordered by appropriation title, starting on page 262. For assistance in locating a specific appropriation, refer to page 258.

Explanation of Capital Appropriation Numbers

Appropriation numbers are comprised of a five-digit number. The five-digit number uniquely identifies an appropriation.

If an appropriation has not yet received board approval, the first three numeric digits represent the fiscal year the appropriation was identified (e.g., “145” is FY 2014/15), the last two numeric digits uniquely identify the new appropriation placeholder number. If by board action, the authority to perform work and funding has been established, the five-digit number in the placeholder number is changed to the appropriation number. Figure 24 shows examples of the placeholder and appropriation numbers.

Figure 24 – Appropriation Number Naming Convention



Explanation of Individual Appropriation Summary

Each project planned to be underway during FY 2014/15 is included in the Individual Appropriation Summary. The information provided reflects appropriation and project details current as of the time of publication and is subject to change.

Key Information

For each appropriation, key information is highlighted at the top of the Individual Appropriation Summary page and includes total appropriation estimate, appropriated amount, FY 2014/15 and FY 2015/16 biennial estimate, total projected cost through June 30, 2014, estimated percent complete and estimated completion date. Table 23 provides an explanation of each item.

Table 23 – Key Appropriation Information

Item	Description
Total Appropriation Estimate	The total estimate of cost from inception to completion of projects in an appropriation. It includes a contingency amount, and may include actual expenditures if projects in the appropriation are underway. The total appropriation estimate may have: (a) no funding authorization from the Board; (b) partial funding from the Board; or (c) complete funding from the Board.
Appropriated Amount	Amount of expenditures the General Manager is authorized by the Board to spend on projects in an appropriation. The amounts shown reflect actual appropriated amounts as of December 31, 2013.
Biennial Estimate	Estimate of expenditures from July 2014 through June 2016. It does not include a contingency amount.
Total Projected through June 30, 2014	Actual expenditures to date and estimate of expenditures through June 2014.
Estimated Percent Complete	Estimated percent of work to be completed through June 2014.
Estimated Completion Date	Fiscal year in which all of the projects in an appropriation will be completed according to the current schedule.

GUIDELINES FOR PROJECT PROPOSALS

Project Proposal

Sponsors are required to submit proposals for all projects to be considered for inclusion into the CIP

for FY 2014/15 and FY 2015/16. The projects are evaluated, rated and prioritized based on the contents of the proposals. The following guidelines are provided to the sponsors.

Table 24 – Project Proposal Guidelines

Section	Guideline
Appropriation Title	If applicable, indicate the appropriation to which the project belongs. For instance, the Chemical Unloading Facility Chlorine Containment and Handling Facilities is part of the Chlorine Containment and Handling Facilities appropriation.
Project Title	Provide a title for the project being proposed.
Sponsoring Group	Indicate the project sponsor from the following list of organizations: 1) Office of General Manager 2) Water System Operations 3) Water Resources Management 4) Engineering 5) Business Technology 6) Real Property Development and Management 7) Office of Chief Financial Officer 8) External Affairs 9) General Counsel Department 10) General Auditor Department 11) Ethics Office Department
Total Project Estimate	Show the total estimate of cost from inception to completion of a project, including administrative overhead and contingency.
GM Business Plan	Indicate which GM Business Plan Strategy/Initiative the proposed project best fits.
Project Goal	Indicate which of the CIP goals below this project supports: 1) Reliability 2) Water Quality 3) Other Board Directive 4) Both Reliability and Water Quality
Project Drivers	Indicate which of the following is driving the need for the project: 1) System Expansion/Supply Reliability 2) Infrastructure Reliability 3) Water Quality 4) Cost Efficiency/Productivity 5) Regulatory

Capital Investment Plan FY 2014/15 and 2015/16

Section	Guideline
Project Status:	
% Complete Now	Percent complete as of the date proposal is submitted.
% Estimated Complete on 6/30/14	Estimated percent complete as of June 30, 2014.
No. of Repair Calls and/or Cost of Maintenance	Rehabilitation projects should include the number of component maintenance repairs to substantiate the need to do the project.
Project Description	In describing the project, include any opportunities to “stage” the work. Include if it makes sense economically to only perform a portion of a project to meet foreseeable customer needs. Consider the possibility of new technology, changing demands, as well as environmental impacts and economies of scale.
Changes to Existing Project	Explain any changes that have occurred on the project since its last evaluation.
Justification	Explain why the proposed project should be done (i.e., answer the question “why do we need to do the project?”). Describe how the project is essential for meeting the GM’s goals of Reliability and Water Quality and how it fits into the Business Plan. Include an explanation of the project driver(s) and Maximo documentation when available to substantiate the need for the project.
Impact of Deferral	Assess any risk and discuss the impacts of not implementing the project in the next fiscal year. Include risks of not meeting service demands, violating regulatory requirements, increasing future costs, etc.
Project Dependency	Identify any projects that are dependent upon or linked to this project.
Alternatives	Describe any alternatives to the project. Discuss both positive and negative aspects of each alternative. Include an alternative where the project would not be done at all. For IT projects, explain what other similar companies are doing about this issue.
Background Information	Provide any supplemental information (e.g., detailed history of a problem, supporting technical information) that will help in evaluating the project. This can also be attached to the proposal.
Schedule	Provide an overall schedule for the project. Indicate if there are any time sensitivity issues (e.g., shutdown windows) and if the work can be staged. If work can be staged, indicate when subsequent stages can be implemented. A standard phasing plan is provided in the template. Indicate the proposed beginning and end dates for all appropriate phases, and when initial authorization will need to be requested from the Board.

Capital Investment Plan FY 2014/15 and 2015/16

Section	Guideline
Detailed Project Estimate	<p>Itemized list of all costs for the project include:</p> <ol style="list-style-type: none"> 1) Direct Labor with additives 2) Materials and Supplies 3) Incidental Expenses 4) Professional/Technical Services (e.g., consultants) 5) Right-of-Way and Land Purchases (e.g., easements, fee title, escrow fees) 6) Operating Equipment Use and Rental 7) Contract Payments (e.g., construction contracts) 8) Administrative Overhead 9) Credits and Contingency <p>A phase-based estimating form is linked through the template. All new project proposals and existing projects that have not yet been board authorized must include this estimating form.</p>
Benefit/Cost Analysis and Pay-Back Period	<p>Perform a simple economic analysis that quantifies the cost to do the project, O&M savings and/or avoided costs. Discuss intangible benefits and costs. State assumptions. For IT projects, include Return on Investment analysis, if available.</p>
O&M Impacts, Costs, and Benefits	<p>To the extent available/known, provide a description of the impacts, costs, and/or benefits this capital project is anticipated to have on Metropolitan’s current and future O&M expenses and services upon completion (e.g., labor, maintenance, and equipment costs; enhanced reliability; improved water quality, etc. For example, “Ozone generators will substantially increase electrical consumption by approximately \$1 million annually and the number of new pieces of equipment will require periodic maintenance per the manufacturer’s recommendations beginning in FY 2015/16. Preliminary design and future studies will provide additional detail on the overall lifecycle costs.”). This is required for projects greater than \$2 million and whose planned implementation date is within the next five fiscal years.</p>
Approvals	<ol style="list-style-type: none"> 1) Person submitting and/or sponsoring the proposed project 2) Team manager of the person submitting and/or sponsoring the project 3) Unit manager of the person submitting and/or sponsoring the project 4) Section manager of the person sponsoring the project (e.g., all new and existing WSO-sponsored projects) 5) Group manager sponsoring the project (e.g., all new WSO-sponsored projects) 6) Project manager signs in concurrence. (e.g., Engineering and IT organizations).

Evaluation Criteria

The evaluation criteria cover four characteristics or objectives for capital projects: Project Necessity, Directive, Service Disruption, and Cost /Productivity/Sustainability. In addition, a

multiplier is applied to a project rating to factor in a risk assessment. Table 25 provides a description of the criteria and multiplier.

Table 25 – Evaluation Criteria and Multiplier

Criteria	Description
Necessity	Assessment of the overall importance of a project. Criterion looks at whether or not a project does the following: <ul style="list-style-type: none"> <input type="checkbox"/> Infrastructure Reliability/Integrity/Business Systems Reliability <input type="checkbox"/> Stewardship <input type="checkbox"/> Water Supply
Directive	Assessment of whether or not a project is specifically identified in one of the core or strategic initiatives: <ul style="list-style-type: none"> <input type="checkbox"/> Regulatory/Legal Settlement <input type="checkbox"/> Special Initiative/Directive
Service Disruption	Assessment of not doing a project. Criterion evaluates the following: <ul style="list-style-type: none"> <input type="checkbox"/> Impact to Metropolitan’s business operations <input type="checkbox"/> Impact to system delivery and/or reliability <input type="checkbox"/> Cascading impact on system due to failure <input type="checkbox"/> Impact to operations
Cost/Productivity/Sustainability	Assessment of whether or not a project improves cost efficiency/productivity, specifically: <ul style="list-style-type: none"> <input type="checkbox"/> Cost/benefit analysis <input type="checkbox"/> Increased productivity <input type="checkbox"/> Sustainability <input type="checkbox"/> Customer service
Multiplier	Description
Risk Assessment	Assessment of the probability of: <ul style="list-style-type: none"> <input type="checkbox"/> Increased future costs <input type="checkbox"/> Dependent projects <input type="checkbox"/> Facility/component/process failure <input type="checkbox"/> Workplace health and safety <input type="checkbox"/> Loss of outside funding <input type="checkbox"/> Lost opportunity <input type="checkbox"/> Not meeting service demands

Capital Investment Plan FY 2014/15 and 2015/16

Narratives

For each appropriation, narratives include the scope and purpose of the program, accomplishments through FY 2013/14, and objectives for FY 2014/15 and FY 2015/16. In these narratives, major activities,

milestones and actions are highlighted. Following each narrative is a description for each project planned to be underway during the two-year budget period.

Capital Investment Plan Summary – Three-Year Outlook

Capital Program and Appropriations	Appn. No.	FY 2014/15	FY 2015/16	FY 2016/17
Colorado River Aqueduct Reliability Program		\$19,677.4	\$25,484.9	\$28,656.2
Cabazon Radial Gate Facility Improvements	15320	25.0	25.0	338.9
CRA Conveyance Reliability	15373	6,104.3	3,218.3	1,031.2
CRA Electrical/Power Systems Reliability	15384	1,235.1	2,796.0	3,539.8
CRA Pumping Plant Reliability	15374	3,079.4	574.5	1,592.1
CRA Reliability for FY 2006/07 through FY 2011/12	15438	5,325.0	6,067.9	4,401.9
CRA Main Pump Reliability	15481	1,526.4	5,984.4	9,875.8
CRA Reliability for FY 2012/13 through FY 2017/18	15483	384.4	2,594.6	1,553.9
Whitewater Siphon Protection	15341	1,997.8	4,224.1	6,322.6
Distribution System Reliability Program		\$31,897.7	\$42,882.0	\$53,354.0
Conveyance and Distribution System Rehabilitation	15377	1,252.8	4,421.2	5,500.0
Conveyance and Distribution System Rehabilitation for FY 2006/07 through FY 2011/12	15441	12,175.7	9,872.7	13,472.6
Conveyance and Distribution System Rehabilitation for FY 2012/13 through FY 2017/18	15480	5,314.5	17,110.5	30,184.9
Dam Rehabilitation and Safety Improvements	15419	106.3	81.7	94.3
Hydroelectric Power Plant Improvements	15458	2,482.5	787.8	3,957.7
Pipeline Rehabilitation and Replacement	15482	100.0	100.0	100.0
Reservoir Cover Replacement	15417	10,465.7	10,508.1	44.4
Right of Way and Infrastructure Protection Program		\$4,402.1	\$8,120.4	\$5,500.0
Right of Way and Infrastructure Protection	15474	4,402.1	8,120.4	5,500.0
Prestressed Concrete Cylinder Pipe Reliability Program		\$13,201.0	\$10,816.9	\$10,519.1
PCCP Rehabilitation and Replacement	15471	13,201.0	10,816.9	10,519.1

Capital Investment Plan FY 2014/15 and 2015/16

Capital Program and Appropriations	Appn. No.	FY 2014/15	FY 2015/16	FY 2016/17
Regulatory Compliance Program		\$12,118.7	\$12,500.4	\$12,000.0
Chlorine Containment and Handling Facilities	15346	6,517.2	10,000.4	12,000.0
CRA – Discharge Containment	15385	5,601.5	2,500.0	
Minor Capital Projects Program		\$4,025.4	\$3,335.2	\$3,749.9
Capital Projects Costing Less Than \$250,000 for FY2008/09	15454	386.2	5.6	
Capital Projects Costing Less Than \$250,000 for FY2009/10	15460	250.8	53.2	
Capital Projects Costing Less Than \$250,000 for FY2010/11	15468	310.5	155.9	
Capital Projects Costing Less Than \$250,000 for FY2011/12	15470	608.5	196.6	
Capital Projects Costing Less Than \$250,000 for FY2012/13 through FY2013/14	15476	1,969.4	1,915.8	1,733.7
Capital Projects Costing Less Than \$250,000 for FY2014/15 through FY2015/16 (New Appropriation)	14501	500.0	1,008.1	2,016.2
Cost/Efficiency/Productivity Program		\$9,618.9	\$3,811.1	\$2,099.2
Business Operations Improvements	15484	2,593.7	1,472.1	
DVL Transformation	15334	50.0	50.0	50.0
Power Reliability and Energy Conservation	15391	587.9		
Project Controls and Reporting System	03407	326.0	768.7	2,049.2
Termination of Center for Water Education Ground Lease	15449	331.4		
Yorba Linda Power Plant Modifications	15446	5,729.9	1,520.3	
System Reliability Program		\$20,092.1	\$25,042.0	\$34,114.5
All Facilities – Security Systems Improvement	15295	397.2	397.9	145.1
Control System Enhancement	15397	1,278.4		
Information Technology System – Infrastructure	15376	5,214.7	9,988.6	
Information Technology System – Security	15378	451.3		
IT Infrastructure Reliability	15487	2,904.3	1,126.1	2,424.7
LaVerne Shop Facilities Upgrades	15395	3,270.1	2,906.3	4,505.2
Infrastructure Reliability Information System (New Appropriation)	14502	894.7	894.7	223.7
Operations Support Facilities Improvements	05605	547.9	1,716.4	
Union Station Headquarters Improvements	15473	500.0	1,000.0	3,500.0
Water Operations Control	15467	4,633.6	7,012.0	23,315.9

Capital Investment Plan FY 2014/15 and 2015/16

Capital Program and Appropriations	Appn. No.	FY 2014/15	FY 2015/16	FY 2016/17
Supply Reliability/System Expansion Program		\$22,100.0	\$8,500.0	
Perris Valley Pipeline	15425	1,100.0		
Water Delivery System Improvements (New Appropriation)	14503	21,000.0	8,500.0	
Water Quality/Oxidation Retrofit Program		\$45,241.1	\$37,397.7	\$28,906.7
Diemer Plant Oxidation Retrofit	15389	2,888.4	35.0	
Enhanced Bromate Control	15472	403.9	977.2	3,415.6
Mills Plant Ozone System Reliability	15434	871.1		
Skinner Plant Oxidation Retrofit	15388	973.4	171.8	
Weymouth Plant Oxidation Retrofit	15392	40,104.3	36,213.7	25,491.1
Treatment Plant Reliability Program		\$62,928.6	\$90,091.5	\$88,823.5
Diemer Plant Improvements	15380	13,148.0	19,024.0	21,533.6
Diemer Plant Improvements for FY 2006/07 through FY 2011/12	15436	11,640.3	13,748.4	10,295.9
Diemer Plant Improvements for FY 2012/13 through FY 2017/18	15478	195.4	1,618.2	1,317.8
Jensen Plant Improvements	15371	7,156.9	9,586.3	
Jensen Plant Improvements for FY 2006/07 through FY 2011/12	15442	14,875.0	12,800.5	9,261.2
Jensen Plant Improvements for FY 2012/13 through FY 2017/18	15486	1,438.7	300.5	20.7
Mills Plant Improvements	15381		175.3	784.9
Mills Plant Improvements for FY 2006/07 through FY 2011/12	15452	1,988.5	1,356.3	6,484.2
Mills Plant Improvements for FY 2012/13 through FY 2017/18	15479	500.0		
Skinner Plant Improvements	15365	969.2		
Skinner Plant Improvements for FY 2012/13 through FY 2017/18	15485	405.3	938.3	2,967.4
Weymouth Plant Improvements	15369	6,805.5	11,317.2	7,772.3
Weymouth Plant Improvements for FY 2006/07 through FY 2011/12	15440	2,410.6	5,590.2	5,350.0
Weymouth Plant Improvements for FY 2012/13 through FY 2017/18	15477	1,395.0	13,636.2	23,035.6

Capital Investment Plan FY 2014/15 and 2015/16

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All Facilities - Security Systems Improvement

15295

Total Appropriation Estimate:	\$19,600,000	Total Projected Through June 30, 2014:	\$17,781,200
Appropriated Amount:	\$19,600,000	Estimated Percent Complete:	95%
Biennial Estimate:	\$795,000	Estimated Completion Date:	2017

Scope

This appropriation was established to mitigate security threats district-wide and provide security improvements based upon a comprehensive threat assessment matrix developed by staff that identifies potential risks of physical, chemical and biological threats, as well as necessary modifications and improvements at all facilities. Major components of this appropriation consist of physical security improvements, facility screening, and water quality monitoring enhancements.

Purpose

To mitigate security threats district-wide and improve the security of Metropolitan personnel and property.

Accomplishments Through FY 2013/14

Through FY 2013/14, twelve projects have been completed.

Major project milestones in FY 2013/14:

Physical Security Improvements at All Facilities – Continued implementation and oversight

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Physical Security Improvements at All Facilities	\$13,643,600	2017	Continue implementation and oversight

Business Operations Improvements

15484

Total Appropriation Estimate:	\$12,500,000	Total Projected Through June 30, 2014:	\$1,178,100
Appropriated Amount:	\$2,570,000	Estimated Percent Complete:	12%
Biennial Estimate:	\$4,066,000	Estimated Completion Date:	2017

Scope

This appropriation was established to assess and implement projects ensuring customer service, efficiency/productivity, risk management and reliability of Metropolitan's business applications.

Purpose

To ensure reliability, efficiency and effectiveness of Metropolitan's business applications.

Accomplishments Through FY 2013/14

Through FY 2013/14, two projects have been completed.

Major project milestones in FY 2013/14:

AP Automation – Continued development

Oracle 12 Upgrade – Defined scope (O&M)

PeopleSoft HCM Upgrade – Continued development

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
AP Automation	\$856,300	2015	Complete deployment
Enterprise Content Management	\$4,448,000	2017	Begin design
Oracle 12 Upgrade	\$3,633,300	2016	Continue development
PeopleSoft HCM Upgrade	\$1,158,000	2015	Complete deployment
Risk Management, Security and Ethics Reporting System	\$369,000	2016	Complete deployment

Cabazon Radial Gate Facility Improvements 15320

Total Appropriation Estimate: \$4,600,000 **Total Projected Through June 30, 2014:** \$447,300

Appropriated Amount: \$456,000 **Estimated Percent Complete:** 11%

Biennial Estimate: \$50,000 **Estimated Completion Date:** 2020

Scope

This appropriation was established to convert the Cabazon Radial Gates Facility from an "active" spillway, which requires an operator to activate the gates, to a "passive" spillway which does not require an operator, by replacing both radial gates with a weir structure. Work includes: design, environmental documentation, purchase of materials and construction by contract.

Purpose

To divert flow in the event of an emergency shutdown of the Colorado River Aqueduct into the San Gorgonio Wash, and ultimately into the Whitewater River.

Accomplishments Through FY 2013/14

Cabazon Radial Gate Facility Improvement – Environmental Impact Report certified.

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Cabazon Radial Gate Facility Improvements	\$4,031,000	2020	Complete final design

Capital Appropriation for Projects Costing Less Than \$250,000 for FY 2008/09 15454

Total Appropriation Estimate:	\$4,825,000	Total Projected Through June 30, 2014:	\$4,440,400
Appropriated Amount:	\$4,825,000	Estimated Percent Complete:	98%
Biennial Estimate:	\$391,700	Estimated Completion Date:	2016

Scope

This appropriation was established to implement capital projects costing less than \$250,000 on the distribution systems, conveyance systems, and treatment plants during FY 2008/09. In addition to the scheduled capital projects, the need invariably arises for additional unscheduled capital projects where there is no viable alternative but to perform the work. The common driver for most of the projects in this appropriation is infrastructure reliability.

Purpose

To increase operational reliability and efficiency, and decrease maintenance costs.

Accomplishments Through FY 2013/14

Through FY 2013/14, twenty-two projects have been completed.

Major project milestones in FY 2013/14:

Chemical Feed System Upgrade at the Weymouth Plant – Completed construction

Ammonia and Caustic Diffuser Replacement at the Diemer Plant – Completed construction

Electrical Transformer Replacement at the CRA’s Black Metal Mountain – Completed construction

Objectives for 2014/15 – 2015/16

Thickener Pumps Replacement at Skinner Plant – Complete construction

Close-out Program – 22 of 22 projects completed.

Capital Appropriation for Projects Costing Less Than \$250,000 for FY 2009/10 **15460**

Total Appropriation Estimate:	\$4,150,000	Total Projected Through June 30, 2014:	\$3,727,500
Appropriated Amount:	\$4,150,000	Estimated Percent Complete:	98%
Biennial Estimate:	\$303,900	Estimated Completion Date:	2016

Scope

This appropriation was established to implement capital projects costing less than \$250,000 on the distribution systems, conveyance systems, and treatment plants during FY 2009/10. In addition to the scheduled capital projects, the need invariably arises for additional unscheduled capital projects where there is no viable alternative but to perform the work. The common driver for most of the projects in this appropriation is infrastructure reliability.

Purpose

To increase operational reliability and efficiency, and decrease maintenance costs.

Accomplishments Through FY 2013/14

Through FY 2013/14, twenty-two projects have been completed.

Objectives for 2014/15 – 2015/16

Close-out the appropriation – 23 of 23 projects completed.

Capital Appropriation for Projects Costing Less Than \$250,000 for FY 2010/11 15468

Total Appropriation Estimate:	\$3,500,000	Total Projected Through June 30, 2014:	\$2,835,600
Appropriated Amount:	\$3,500,000	Estimated Percent Complete:	86%
Biennial Estimate:	\$466,400	Estimated Completion Date:	2016

Scope

This appropriation was established to implement capital projects costing less than \$250,000 on the distribution systems, conveyance systems, and treatment plants during FY 2010/11. In addition to the scheduled projects, the need invariably arises for additional unscheduled capital projects where there is no viable alternative but to perform the work. The common driver for most of the projects in this appropriation is infrastructure reliability.

Purpose

To increase operational reliability and efficiency, and decrease maintenance costs.

Accomplishments Through FY 2013/14

Through FY 2013/14, fifteen projects have been completed.

Major project milestones in FY 2013/14:

Gene Camp Station Service Transformer Replacement – Completed construction

Jensen Washwater Tank Pumps Soft Start Retrofit – Completed construction

Lake Mathews Vehicle Maintenance Exhaust System – Completed construction

Skinner Worker Safety Access Replacement – Completed construction

Objectives for 2014/15 – 2015/16

Operations Control Center Uninterruptible Power Supply – Complete construction

Close-out Program – 17 of 17 projects completed

Capital Appropriation for Projects Costing Less Than \$250,000 for FY 2011/12 15470

Total Appropriation Estimate:	\$3,000,000	Total Projected Through June 30, 2014:	\$2,199,000
Appropriated Amount:	\$3,000,000	Estimated Percent Complete:	78%
Biennial Estimate:	\$805,000	Estimated Completion Date:	2016

Scope

This appropriation was established to implement capital projects costing less than \$250,000 on the distribution systems, conveyance systems, and treatment plants during FY 2011/12. In addition to the scheduled capital projects, the need invariably arises for additional unscheduled capital projects where there is no viable alternative but to perform the work. The common driver for most of the projects in this appropriation is infrastructure reliability.

Purpose

To increase operational reliability and efficiency, and decrease maintenance costs.

Accomplishments Through FY 2013/14

Through FY 2013/14, ten projects have been completed.

Major project milestones in FY 2013/14:

Diemer Tunnel Chlorine Detection System – Completed construction

Lakeview Pipeline Leak Repair at Station 2510+49 – Completed construction

Objectives for 2014/15 – 2015/16

Yorba Linda Feeder Discharge Return System Quagga Mussel Control Basins – Complete construction

Solids Handling Pumps Replacement at Skinner Plant – Complete construction

Drop Gate Covers Replacement at Weymouth Plant – Complete construction

Capital Appropriation for Projects Costing Less Than \$250,000 for FY 2012/13 – 2013/14 15476

Total Appropriation Estimate:	\$10,000,000	Total Projected Through June 30, 2014:	\$2,881,900
Appropriated Amount:	\$10,000,000	Estimated Percent Complete:	29%
Biennial Estimate:	\$3,886,000	Estimated Completion Date:	2018

Scope

This appropriation was established to implement capital projects costing less than \$250,000 on the distribution systems, conveyance systems, and treatment plants during FY 2012/13 – 2013/14. In addition to the scheduled projects, the need invariably arises for additional unscheduled capital projects where there is no viable alternative but to perform the work. The common driver for most of the projects in this appropriation is infrastructure reliability.

Purpose

To increase operational reliability and efficiency, and decrease maintenance costs.

Accomplishments Through FY 2013/14

Through FY 2013/14, nine projects have been completed.

Major project milestones in FY 2013/14:

- Cajalco Creek Dam Manhole Cover Retrofit – Completed construction
- CRA Protective Slab at Station 9704+77 – Completed construction
- Hinds Pumping Plant Pump Unit No.8 Refurbishment – Completed construction
- Jensen Chlorine Scrubber Platform – Completed construction
- Oak Street Pressure Control Structure Roof Replacement – Completed construction
- Santiago Control Tower Cathodic Protection – Continued construction
- SCADA Communications MPLS Upgrade AT&T – Continued installation
- SCADA Communications MPLS Upgrade Verizon – Continued installation
- Wadsworth Pumping Plant Forebay Gantry Crane Upgrade – Completed construction

Objectives for 2014/15 – 2015/16

- Irrigation Line Replacement at Jensen Plant – Complete construction
- Perris Pressure Control Structure Roof Replacement – Complete construction
- Santiago Pressure Control Structure Roof Replacement – Complete construction
- SCADA Communications MPLS Upgrade AT&T – Complete installation
- SCADA Communications MPLS Upgrade Verizon – Complete installation
- Sodium Hypochlorite Piping Retrofit at Skinner Plant – Complete construction
- Turbidity Meter Replacement at Weymouth Plant – Complete construction
- Water Quality Lab Improvements – Complete construction

Capital Appropriation for Projects Costing Less Than \$250,000 for FY 2014/15 – 2015/16 **14501**

Total Appropriation Estimate:	\$10,000,000	Total Projected Through June 30, 2014:	\$0
Appropriated Amount:	\$0	Estimated Percent Complete:	0%
Biennial Estimate:	\$1,508,000	Estimated Completion Date:	2020

Scope

This appropriation was established to implement capital projects costing less than \$250,000 on the distribution systems, conveyance systems, and treatment plants during FY 2014/15 – 2015/16. In addition to the scheduled projects, the need invariably arises for additional unscheduled capital projects where there is no viable alternative but to perform the work. The common driver for most of the projects in this appropriation is infrastructure reliability.

Purpose

To increase operational reliability and efficiency, and decrease maintenance costs.

Accomplishments Through FY 2013/14

This is a new appropriation; no projects have been completed.

Objectives for 2014/15 – 2015/16

Capital Projects Costing Less Than \$250,000 – Identify and evaluate projects and begin preliminary design

Chlorine Containment and Handling Facilities

15346

Total Appropriation Estimate:	\$159,700,000	Total Projected Through June 30, 2014:	\$125,269,000
Appropriated Amount:	\$129,873,000	Estimated Percent Complete:	81%
Biennial Estimate:	\$16,518,000	Estimated Completion Date:	2018

Scope

This appropriation was established to construct facilities that handle and contain chlorine to prevent a chlorine release and to comply with security and safety regulations; and other related facilities that handle chlorine to meet water treatment process requirements. Since its inception, new chlorine containment and handling facilities at all five water treatment plants have been completed.

Purpose

To enhance hazardous chemical safety by reducing the potential for exposure to plant personnel or the public of a release of chlorine, and ensure compliance with current California Fire Code requirements.

Accomplishments Through FY 2013/14

Through FY 2013/14, seventeen projects have been completed.

Major project milestones in FY 2013/14:

- Chemical Unloading Facility Chlorine Containment – Completed final design
- Weymouth Plant Filter Outlet Chlorine Capacity Increase – Completed final design
- Jensen Plant Filter Outlet Chlorination Capacity Increase – Completed construction
- Diemer Plant Filter Outlet Chlorine Capacity Increase – Completed construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Chemical Unloading Facility Chlorine Containment	\$35,728,000	2018	Continue construction
Weymouth Plant Filter Outlet Chlorination Capacity Increase	\$1,657,800	2015	Begin construction

Control System Enhancement

15397

Total Appropriation Estimate:	\$19,100,000	Total Projected Through June 30, 2014:	\$17,687,000
Appropriated Amount:	\$19,081,000	Estimated Percent Complete:	93%
Biennial Estimate:	\$1,278,000	Estimated Completion Date:	2015

Scope

This appropriation is designed to coordinate the capabilities of Metropolitan's control system (Supervisory Control and Data Acquisition – SCADA) with new initiatives and enhancements that accommodate operational and business needs. The guiding document for this program is the Water System Control Master Plan (WSCMP). Work within this appropriation is designed to provide increased and updated functionality to meet WSO and Business System needs. The appropriation objectives include the investigation, planning and deployment of control system and core business programs for WSO and other operations support functions. Projects include; control system upgrades, improved SCADA communications reliability and security; data warehousing and reporting, hydraulic modeling, automatic meter reading (AMR) system upgrades, energy management, and other core business support projects.

Purpose

To more fully automate the distribution, treatment and conveyance systems, and replace aging and out-dated computers, software and AMR components. Investigate and prepare for Phases II and III (Integration and Optimization) of the Water System Control Master Plan.

Accomplishments Through FY 2013/14

Through FY 2013/14, sixteen projects have been completed.

Major project milestones in FY 2013/14:

Hydraulic Modeling Project – Contract executed

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Hydraulic Modeling Project	\$1,699,000	2015	Complete project

Conveyance and Distribution System – Rehabilitation 15377

Total Appropriation Estimate: \$121,000,000 **Total Projected Through June 30, 2014:** \$66,859,000

Appropriated Amount: \$68,896,000 **Estimated Percent Complete:** 61%

Biennial Estimate: \$5,674,000 **Estimated Completion Date:** 2021

Scope

This appropriation was established to plan and implement multiple projects throughout the Distribution System. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To maintain the reliability of the distribution system through specific repair and rehabilitation projects on Metropolitan's distribution pipelines, reservoirs, and control structures.

Accomplishments Through FY 2013/14

Through FY 2013/14, forty-three projects have been completed.

Major project milestones in FY 2013/14:

Garvey Reservoir Hypochlorite Feed System – Completed construction

Hydroelectric Plants Fire Alarm System Installation – Continued construction

Orange County Feeder Lining Repair – Completed preliminary design

Hydroelectric Power Plant Discharge Elimination – Completed construction

San Gabriel Tower Communication Line Replacement – Completed construction

Upper Newport Bay Blow-off Structure Rehabilitation – Continued preliminary design

West Valley Feeder No. 1. Access Roads and Valve Structure Improvements – Continued final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Box Springs Feeder Stage 4 Environmental Monitoring	\$886,500	2016	Continue mitigation measures
Orange County Feeder Lining Repair	\$33,753,000	2021	Begin final design
Upper Newport Bay Blow-off Structure Rehabilitation	\$1,165,000	2016	Begin final design
Hydroelectric Plants Fire Alarm Installation	\$999,600	2015	Complete construction
West Valley Feeder No. 1. Access Roads and Valve Structure Improvements	\$3,414,300	2015	Complete construction

Conveyance and Distribution System - Rehabilitation FY 2006/07 through FY 2011/12 15441

Total Appropriation Estimate: \$121,000,000 **Total Projected Through June 30, 2014:** \$48,291,000
Appropriated Amount: \$51,909,000 **Estimated Percent Complete:** 45%
Biennial Estimate: \$22,048,000 **Estimated Completion Date:** 2020

Scope

This appropriation was established to plan and implement multiple projects throughout the Conveyance and Distribution System. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To maintain the reliability of the distribution system through specific repair and rehabilitation projects on Metropolitan's distribution pipelines, reservoirs and control structures.

Accomplishments Through FY 2013/14

Through FY 2013/14, five projects have been completed.

Major project milestones in FY 2013/14:

Allen McColloch Pipeline Refurbishment – Completed construction

Allen McColloch Pipeline Valve Vault Repair – Completed construction

Bixby Valve Replacement – Completed construction

Collis Valve Replacement – Continued final design

Eagle Rock Tower and Puddingstone Spillway Gates Rehabilitation – Completed construction

Etiwanda Pipeline Lining Replacement – Continued final design

Glendale-01 Service Connection Rehabilitation and Upgrade – Began final design

Second Lower Feeder Cathodic Protection – Completed final design

Sepulveda Feeder Cathodic Protection System – Completed final design

Upper Feeder Cathodic Protection System – Completed construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Allen McColloch Pipeline Seismic Upgrade of 10 Facilities	\$585,000	2016	Complete final design
Allen McColloch Pipeline Cathodic Protection	\$1,525,500	2016	Continue final design
Collis Valve Replacement	\$2,127,300	2015	Begin final design
DVL Inlet/Outlet Fish Screen Rehabilitation	\$1,108,400	2016	Complete final design

Capital Investment Plan FY 2014/15 and 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Etiwanda Pipeline Lining Replacement	\$41,164,200	2019	Complete final design
Glendale-01 Service Connection Rehabilitation and Upgrade	\$1,604,000	2015	Complete final design
Lake Mathews Forebay, Headwork Facility and Equipment Upgrade	\$5,525,900	2017	Complete final design
OC-88 Pumping Plant Surge Tanks Upgrades	\$375,900	2015	Complete preliminary design
Orange County Feeder Cathodic Protection	\$662,400	2016	Complete preliminary design
Orange County Feeder Relocation in Fullerton	\$1,772,000	2015	Complete final design
Palos Verdes Reservoir Sodium Hypochlorite Feed System Upgrade	\$506,700	2015	Complete final design
San Gabriel Tower Seismic Upgrade	\$6,690,300	2017	Continue preliminary design
Santa Ana River Bridge Seismic Retrofit	\$3,275,200	2015	Complete final design
Santiago Lateral Sectionalization Valve Replacement	\$1,103,000	2016	Begin preliminary design
Second Lower Feeder Cathodic Protection System	\$1,800,000	2015	Begin construction
Sepulveda Canyon Control Facility Water Storage Tanks Seismic Retrofit	\$2,903,000	2018	Complete final design
Sepulveda Feeder South Cathodic Protection System	\$1,721,200	2015	Complete construction
Skinner Area Facilities Pavement Repairs	\$823,200	2016	Begin preliminary design
Nitrogen Storage Compliance at Diamond Valley Lake, Inland Feeder Pressure Control Structure, and Lake Mathews	\$197,987	2019	Continue preliminary design

Conveyance and Distribution System - Rehabilitation FY 2012/13 through FY 2017/18

15480

Total Appropriation Estimate:	\$255,000,000	Total Projected Through June 30, 2014:	\$2,826,4000
Appropriated Amount:	\$2,000,000	Estimated Percent Complete:	1%
Biennial Estimate:	\$22,425,000	Estimated Completion Date:	2022

Scope

This appropriation was established to plan and implement multiple projects throughout the Conveyance and Distribution System. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To maintain the reliability of the distribution system through specific repair and rehabilitation projects on Metropolitan's distribution pipelines, reservoirs and control structures.

Accomplishments Through FY 2013/14

Through FY 2013/14, no projects have been completed.

Major project milestones in FY 2013/14:

Lakeview Pipeline Repairs – Completed preliminary design

Orange County C&D Service Center – Continued preliminary design

Upper Feeder Protection at Railroad Crossing – Completed final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
All Feeders Manhole Locking Devices Retrofit	\$3,403,100	2018	Complete preliminary design
Cajalco Creek Mitigation Flows	\$229,600	2016	Begin construction
Casa Loma Siphon Barrel 1 and 2, DVL and San Diego Canal Flow Meter Replacement	\$1,157,400	2016	Complete final design
Corona HEP Seepage Remediation	\$325,400	2016	Complete preliminary design
Distribution System Electrical Improvements	\$3,974,500	2020	Complete study
DVL East Dam Power Line Realignment	\$630,093	2017	Complete design

Capital Investment Plan FY 2014/15 and 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Eagle Rock Operations Control Center Upgrades for Fire Protection	\$2,864,000	2016	Begin final design
Etiwanda Test Facility	\$1,110,000	2016	Complete preliminary design
Facility Infrastructure Mapping	\$1,431,200	2016	Complete Weymouth Plant mapping
Greg Avenue Facility Rehabilitation	\$545,100	2018	Complete preliminary design
Hollywood Tunnel Portal Sleeve Valve Equipment Upgrade	1,426,600	2016	Complete preliminary design
Lake Skinner Dam Remediation	\$2,500,100	2017	Begin preliminary design
Lake Skinner Outlet Tower Chlorine System Modifications	\$250,000	2016	Complete preliminary design
Lakeview Pipeline Repairs	\$178,445,700	2022	Complete final design
OC-88 Pump Station Variable Speed Drive, Motor, and Flow Meter Upgrade	\$627,000	2017	Complete preliminary design
Olinda PCS and Santiago Tower Emergency Generators	\$660,100	2017	Complete preliminary design
Orange County C&D Service Center	\$10,983,900	2019	Begin final design
Red Mountain Hydroelectric Plant Emergency Generator Replacement	\$650,500	2017	Complete preliminary design
San Diego Canal Radial Gate Rehabilitation	\$690,100	2018	Complete final design
San Diego Pipeline #3 Blow-off to Pump Well Conversion	\$690,100	2017	Complete final design
San Dimas Control Structure Fuel Tank Replacement	\$304,300	2016	Complete preliminary design
Wadsworth Pumping Plant Recoating Yard Piping	\$865,900	2016	Complete final design
Wadsworth Pumping Plant Stop Logs Addition	\$939,400	2018	Complete final design
West Orange County Feeder Valve Replacement	\$410,000	2017	Complete final design
Upper Feeder Protection at Railroad Crossing	\$1,210,000	2015	Complete construction
Deodara PCS Pavement Upgrades	\$400,000	2018	Begin preliminary design
Inland Feeder SBMWD Intertie	\$492,800	2015	Complete construction
Lake Skinner East Bypass Screens	3,982,200	2018	Continue final design
Lake Mathews Electrical Reliability Upgrades	100,000	2020	Begin preliminary design

CRA Conveyance Reliability

15373

Total Appropriation Estimate:	\$128,400,000	Total Projected Through June 30, 2014:	\$82,714,000
Appropriated Amount:	\$85,508,000	Estimated Percent Complete:	68%
Biennial Estimate:	\$9,322,000	Estimated Completion Date:	2023

Scope

This appropriation was established to plan and implement multiple projects throughout the Colorado River Aqueduct Conveyance System. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To ensure the reliability and operational efficiency of the Colorado River Aqueduct.

Accomplishments Through FY 2013/14

Through FY 2013/14, twelve projects have been completed.

Major project milestones in FY 2013/14:

Copper Basin Reservoir Outlet Gates Rehabilitation – Completed construction

CRA Discharge Line isolation gates – Completed final design

San Jacinto Tunnel East Adit Rehabilitation – Began construction

Sand Trap Equipment Upgrade – Completed final design

Siphons, Transition Structure and Manhole Covers Replacement – Completed construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Copper Basin and Gene Dam Wash Dam Sluiceways Rehabilitation	\$12,916,400	2023	Complete final design and valve procurement
Discharge Line isolation gates	\$5,584,700	2016	Complete construction
Iron Mountain Tunnel Rehabilitation	\$18,565,300	2019	Complete final design
San Jacinto Tunnel East Entrance Adit Rehabilitation	\$2,860,700	2015	Complete construction
Sand Trap Equipment Upgrades	\$5,531,900	2016	Continue construction

CRA Discharge Containment

15385

Total Appropriation Estimate: \$17,200,000 **Total Projected Through June 30, 2014:** \$3,386,000
Appropriated Amount: \$4,304,000 **Estimated Percent Complete:** 28%
Biennial Estimate: \$8,152,000 **Estimated Completion Date:** 2019

Scope

This appropriation was established to implement multiple projects throughout the Colorado River Aqueduct. The common driver for many of the projects in this appropriation is regulatory compliance.

Purpose

To decrease risk of discharging chemicals and waste to the environment and violating regulations.

Accomplishments Through FY 2013/14

Through FY 2013/14, four projects have been completed.

Desert Sewer System Rehabilitation Study – Completed study phase

Hinds Pumping Plant Equipment Wash Area Upgrades – Completed construction

Wastewater System Replacement at Gene and Iron Pumping Plants – Completed final design

Wastewater System Replacement at Hinds and Eagle Pumping Plants – Completed final design

Wastewater System Replacement at Intake Pumping Plants – Completed preliminary design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Wastewater System Replacement at Gene and Iron Mountain Pumping Plants	\$6,422,600	2016	Complete construction
Wastewater System Replacement at Hinds and Eagle Mountain Pumping Plants	\$2,533,600	2015	Complete construction
Wastewater System Replacement at Intake Pumping Plant	\$925,000	2016	Complete final design

CRA Electrical/Power Systems Reliability 15384

Total Appropriation Estimate: \$44,500,000 **Total Projected Through June 30, 2014:** \$18,535,000

Appropriated Amount: \$19,715,000 **Estimated Percent Complete:** 56%

Biennial Estimate: \$4,031,000 **Estimated Completion Date:** 2023

Scope

This appropriation was established to plan and implement multiple projects throughout the Colorado River Aqueduct’s electrical and power systems. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To ensure reliability of the power systems along the Colorado River Aqueduct by repairing or replacing aging and/or deteriorated electrical equipment/parts.

Accomplishments Through FY 2013/14

Through FY 2013/14, nine projects have been completed.

Major project milestones in FY 2013/14:

Danby Tower Foundation Rehabilitation – Completed construction

Main Transformer Replacement/Rehabilitation – Completed preliminary design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Main Transformer Reliability and Transformer Oil Containment	\$13,106,500	2023	Complete final design
Pumping Plant Auxiliary Power System Rehabilitation/Upgrades	\$1,846,800	2020	Complete final design
Gene Pumping Plant Standby Generator Replacement	\$3,200,000	2018	Complete final design
Intake Pumping Plant Standby Generator	\$2,877,900	2017	Complete final design
Main Pump Power Cable Replacement	\$1,386,000	2020	Begin construction
CRA Pumping Plant Uninterruptable Power Supply System Upgrade	\$405,513	2018	Begin preliminary design

CRA Pumping Plant Reliability

15374

Total Appropriation Estimate:	\$45,100,000	Total Projected Through June 30, 2014:	\$21,580,000
Appropriated Amount:	\$24,468,000	Estimated Percent Complete:	53%
Biennial Estimate:	\$3,654,000	Estimated Completion Date:	2022

Scope

This appropriation was established to plan and implement multiple projects at the five Colorado River Aqueduct pumping plants. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To rehabilitate and/or replace aging equipment at the pumping plants to ensure reliability.

Accomplishments Through FY 2013/14

Through FY 2013/14, fifteen projects have been completed.

Major project milestones in FY 2013/14:

Gene Pumping Plant Expansion Joint Rehabilitation – Completed construction

Hinds Pumping Plant Delivery Pipe Expansion Joint Replacement – Completed construction

Delivery Line Expansion Joint Rehabilitation – Completed preliminary design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Delivery Line Expansion Joint Rehabilitation	\$4,152,600	2016	Complete construction
CRA Main Pump Motor Exciters Rehabilitation	\$15,981,600	2022	Complete final design

CRA Reliability for FY 2006/07 through FY 2011/12

15438

Total Appropriation Estimate:	\$73,300,000	Total Projected Through June 30, 2014:	\$33,629,000
Appropriated Amount:	\$34,624,000	Estimated Percent Complete:	51%
Biennial Estimate:	\$11,393,000	Estimated Completion Date:	2020

Scope

This appropriation was established to continue to implement multiple projects throughout the Colorado River Aqueduct system. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To ensure the reliability and operational efficiency of the Colorado River Aqueduct and related facilities and equipment.

Accomplishments Through FY 2013/14

Through FY 2013/14, five projects have been completed.

Major project milestones in FY 2013/14:

Canal Improvements – Completed preliminary design

Gene Storage Building Replacement – Completed preliminary design

Hinds Pumping Plant Standby Generator Replacement – Completed construction

Intake Power and Communications Line Relocation – Completed preliminary design

Iron Mountain Service Pit Rehabilitation – Completed final design

Pumping Plants 230kV and 69k Disconnect Switch Replacement – Completed construction

Seismic Upgrade of 6.9kV Switch Houses – Completed preliminary design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Gene Storage Building Replacement	\$1,650,000	2015	Complete construction
Intake Power and Communications Line Relocation	\$2,087,400	2016	Complete final design
Iron Mountain Service Pit Rehabilitation	\$606,600	2015	Complete construction
Mile 12 Flow and Chlorine Monitoring Station Upgrade	\$1,636,100	2015	Complete construction
All Pumping Plant Flow Meter Replacement	\$1,979,000	2016	Complete construction
Pumping Plant Sump System Rehabilitation	\$12,426,000	2020	Complete final design
Seismic Upgrade of 6.9kV Switch Houses	\$6,895,200	2018	Complete final design

Capital Investment Plan FY 2014/15 and 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
CRA Canal Improvements	\$3,278,000	2019	Begin final design
CRA Radial Gates and Slide Gate Rehabilitation	\$6,715,200	2020	Continue preliminary design
Iron Mountain Generator Replacement	\$2,671,800	2016	Complete construction

Capital Investment Plan FY 2014/15 and 2015/16

CRA Reliability for FY 2012/13 through FY 2017/18

15483

Total Appropriation Estimate:	\$49,100,000	Total Projected Through June 30, 2014:	\$3,547,000
Appropriated Amount:	\$3,500,000	Estimated Percent Complete:	13%
Biennial Estimate:	\$2,979,000	Estimated Completion Date:	2020

Scope

This appropriation was established to implement multiple projects throughout the Colorado River Aqueduct system. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To ensure the reliability and operational efficiency of the Colorado River Aqueduct and related facilities and equipment.

Accomplishments Through FY 2013/14

Through FY 2013/14, two projects have been completed.

Major project milestones in FY 2013/14:

Delivery Line 1 Supports Rehabilitation at Five Plants – Completed preliminary design

Delivery Lines 2 and 3 Supports Rehabilitation at Gene and Intake – Completed construction

Delivery Lines 2 and 3 Supports Rehabilitation at Iron, Eagle and Hinds – Completed construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Cut-and-Cover Conduit Erosion Control Upgrades	\$1,063,000	2016	Complete preliminary design
CRA 230kV System Inter-Agency Operability Upgrades	\$6,496,000	2018	Complete preliminary design
CRA 6.9kV Panel Upgrade	\$368,200	2017	Complete construction
CRA Protective Slab	\$8,780,000	2020	Complete preliminary design
CRA 230kV Transmission Line Clearance	\$100,000	2016	Complete construction
CRA Villages Domestic Water Main Distribution Replacement	\$11,842,300	2017	Complete preliminary design
Delivery Line Supports Rehabilitation	\$330,600	2015	Complete final design
Gene and Intake Pumping Plant Surge Chamber Outlet Gates Re-Coating	\$700,000	2019	Complete final design
Hinds, Eagle and Iron Mountain Pumping Plants Storage Buildings	\$1,200,000	2019	Complete preliminary design

Capital Investment Plan FY 2014/15 and 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Pumping Plant Delivery Line No. 1 Relining	\$1,563,000	2017	Complete preliminary design
Pump Plant Switch Rack Rehabilitation	\$210,000	2018	Complete preliminary design
Pumping Plant Water Treatment System Replacement	\$7,000,000	2020	Complete preliminary design
Switch Rack and Ancillary Structures Erosion Control	\$200,000	2018	Complete final design
Iron Mountain and Eagle Mountain Reservoir Spillway Auto Rejection	\$215,000	2018	Begin preliminary design

CRA Main Pump Reliability

15481

Total Appropriation Estimate:	\$91,000,000	Total Projected Through June 30, 2014:	\$558,200
Appropriated Amount:	\$950,000	Estimated Percent Complete:	1%
Biennial Estimate:	\$7,511,000	Estimated Completion Date:	2024

Scope

This appropriation was established to continue to implement multiple projects throughout the Colorado River Aqueduct Pumping plants. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To complete rehabilitation work necessary to ensure reliability and operation performance, provide operational flexibility and prolong the useful life for the pumping plants.

Accomplishments Through FY 2013/14

This is a new appropriation; no projects have been completed.

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Main Pumping Plant Rehabilitation Reliability Investigations	\$380,000	2015	Complete study
Main Pump Controls and Instrumentation	\$7,300,000	2019	Complete preliminary design
Main Pump Discharge Valve Refurbishment	\$14,400,000	2023	Complete preliminary design
Main Pump and Motor Refurbishment	\$23,350,100	2023	Begin preliminary design
Main Pumping Plant Discharge Line Isolation Bulkhead Coupling	\$13,916,600	2018	Complete final design
Main Pumping Plant Lubrication System	\$3,650,000	2018	Complete preliminary design
Main Pumping Plant Service Water and Sand Removal System	\$5,450,000	2019	Complete preliminary design
Main Pumping Plant Unit Coolers and Heat Exchangers	\$6,550,000	2019	Complete preliminary design
Pumping Plants Crane Improvements	\$1,700,000	2018	Complete preliminary design
Pump Suction Joint Refurbishment	\$4,100,000	2015	Complete preliminary design

Dam Rehabilitation and Safety Improvements 15419

Total Program Estimate: \$5,700,000 **Total Projected Through June 30, 2014:** \$3,888,000
Appropriated Amount: \$4,130,000 **Estimated Percent Complete:** 90%
Biennial Estimate: \$188,000 **Estimated Completion Date:** 2017

Scope

This appropriation was established to review the adequacy of Metropolitan’s dams, evaluate risks, and identify alternative solutions to minimize risks. Under this appropriation, the seismic adequacy of dams and their appurtenant structures are being assessed, and the hydraulic adequacy of dams’ spillway and hydraulic structures under up-to-date hydrologic conditions are being evaluated.

Purpose

To implement multiple projects that will facilitate monitoring, and assess stability, risks, and capacities of Metropolitan's dams and reservoirs.

Accomplishments Through FY 2013/14

Through FY 2013/14, three projects have been completed.

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Dam Seismic Upgrades Phase 3	\$3,035,800	2017	Complete assessments
Diamond Valley Lake Dam Monitoring System Upgrade	\$1,335,200	2016	Complete final design

Diemer Plant Improvements

15380

Total Appropriation Estimate:	\$255,800,000	Total Projected Through June 30, 2014:	\$112,503,200
Appropriated Amount:	\$132,597,000	Estimated Percent Complete:	47%
Biennial Estimate:	\$32,172,000	Estimated Completion Date:	2021

Scope

This appropriation was established to plan and implement multiple projects within the Diemer Plant. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Diemer plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, sixteen projects have been completed.

Major project milestones in FY 2013/14:

Diemer Basin Rehabilitation – Completed final design

Diemer Electrical Improvements Stage 2 – Began construction

Diemer Filter Outlet Conduit Seismic Upgrade – Began final design

Diemer Finished Water Reservoir South Slope and East Washwater Tank Seismic Upgrades – Completed construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Diemer Basin Rehabilitation	\$66,845,300	2019	Begin construction
Diemer Electrical Improvements Stage 2	\$21,296,100	2017	Begin construction
Diemer Filter Outlet Conduit Seismic Upgrade	\$8,378,400	2017	Begin construction
Diemer Washwater Reclamation Plant No. 2 Improvements	\$44,053,300	2021	Begin final design
Diemer Finished Water Reservoir South Slope and East Washwater Tank Seismic Upgrades	\$7,772,300	2015	Complete record drawings and permitting requirements

Capital Investment Plan FY 2014/15 and 2015/16

Diemer Plant Improvements for FY 2006/07 through FY 2011/12 15436

Total Appropriation Estimate:	\$67,900,000	Total Projected Through June 30, 2014:	\$25,834,000
Appropriated Amount:	\$33,219,000	Estimated Percent Complete:	42%
Biennial Estimate:	\$25,389,000	Estimated Completion Date:	2019

Scope

This appropriation was established to plan and implement multiple projects at the Diemer plant. The common driver for many projects in the appropriation is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Diemer plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, ten projects have been completed.

Major project milestones in FY 2013/14:

Diemer Administration Building Seismic Upgrades – Began final design

Diemer Chemical Feed Equipment Improvements – Began final design

Diemer Environmental Documentation – Began evaluations

Diemer Filter Building Seismic East Upgrades – Completed final design

Diemer Filter Building Seismic West Upgrades – Began final design

Diemer Filter Valve Replacement East – Completed final design

Diemer Filter Valve Replacement West – Began final design

Diemer Sample Line and Analyzer Improvements – Began final design

Diemer Supernatant Pump Station Improvements – Began construction

Diemer Washwater Reclamation Plant No. 2 Flocculator Improvement – Completed construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Diemer Administration Building Seismic Upgrades	\$1,822,000	2016	Begin construction
Diemer Chemical Feed Equipment Improvements	\$6,798,300	2019	Begin construction
Diemer Environmental Documentation	\$648,300	2015	Complete environmental documentation
Diemer Supernatant Pump Station Improvement	\$396,800	2015	Complete construction

Capital Investment Plan FY 2014/15 and 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Diemer Filter Building Seismic Upgrades	\$11,279,900	2018	Complete construction
Diemer Filter Valve Replacement	\$18,854,500	2016	Complete construction
Diemer Sample Line and Analyzer Improvements	\$1,836,900	2016	Begin construction

Capital Investment Plan FY 2014/15 and 2015/16

Diemer Plant Improvements for FY 2012/13 through FY 2017/18 **15478**

Total Appropriation Estimate:	\$7,400,000	Total Projected Through June 30, 2014:	\$305,500
Appropriated Amount:	\$375,000	Estimated Percent Complete:	6%
Biennial Estimate:	\$1,814,000	Estimated Completion Date:	2017

Scope

This appropriation was established to plan and implement multiple projects at the Diemer plant. The common driver for many projects is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Diemer plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, no projects have been completed.

Major project milestones in FY 2013/14:

Diemer Chemical Tank Farm Improvements – Began preliminary design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Diemer Administration Building Improvement	\$1,152,000	2015	Complete final design
Diemer Chemical Tank Farm Improvements	\$3,436,900	2017	Begin final design
Diemer Filter Chlorine Injection at Filter Outlet Conduit	\$369,900	2017	Begin final design
Hatch Cover Replacement at Basins and Filter Areas	\$1,461,601	2016	Complete construction

Diemer Plant Oxidation Retrofit

15389

Total Appropriation Estimate:	\$370,000,000	Total Projected Through June 30, 2014:	\$362,600,000
Appropriated Amount:	\$366,232,000	Estimated Percent Complete:	99%
Biennial Estimate:	\$2,924,000	Estimated Completion Date:	2016

Scope

This appropriation was established to design and construct oxidation retrofit facilities at the Diemer plant. The appropriation consists of the following projects: 1) Chemical Tank Farm Improvements, 2) Plant Maintenance Facility and Vehicle Maintenance Center, 3) Site Preparation (South Slope Stabilization), 4) Ozonation Facilities, and 5) Purchase and Installation of Ozone Equipment.

Purpose

To reduce the level of disinfection by-products in the treated water supplied by the Diemer plant in order to meet state and federal standards and provide consistent and equitable high quality treated water to all of Metropolitan’s member agencies.

Accomplishments Through FY 2013/14

Through FY 2013/14, all projects have been completed with the exception of:

1. Preparation of as-built drawings of the new ozonation facilities.
2. Design and construction of south slope revegetation and mitigation improvements.
3. Diemer ORP Completion project.

Major project milestones in FY 2013/14:

Construction of Ozonation Facilities – Completed testing and start up

Diemer Ozone System Equipment – Completed testing and start up

Diemer South Slope Revegetation and Mitigation Improvements – Continued final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Diemer Ozonation Facilities	234,711,000	2015	Complete project
Diemer ORP Completion Activities	\$2,659,600	2015	Complete record drawings
Diemer South Slope Revegetation and Mitigation Improvements	\$2,106,700	2016	Begin construction

DVL Transformation

15334

Total Appropriation Estimate:	\$92,800,000	Total Projected Through June 30, 2014:	\$67,280,800
Appropriated Amount:	\$92,800,000	Estimated Percent Complete:	75%
Biennial Estimate:	\$100,000	Estimated Completion Date:	2015

Scope

This appropriation was established to begin transformation of the Diamond Valley Lake Property to incorporate revenue enhancement to extract value from the property while ensuring that Metropolitan’s core business is protected. Current spending is aimed at completing current commitments required by the ground leases and at encouraging future development opportunities within the DVL properties, in a cost-effective manner, consistent with board-approved objectives.

Purpose

To fully implement the Metropolitan’s Board directives on recreation and associated development at DVL.

Accomplishments Through FY 2013/14

Through FY 2013/14, nine projects have been completed.

Major project milestones in FY 2013/14:

Initiated entitlement process, including amending the Diamond Valley Lake Specific Plan and the existing specific plan covering the North Property as well as preparation of accompanying environmental assessments.

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
CEQA and Entitlement for Solar Power Facilities	\$1,500,000	2018	Complete entitlement process and CEQA documentation

Enhanced Bromate Control

15472

Total Appropriation Estimate:	\$9,600,000	Total Projected Through June 30, 2014:	\$1,103,000
Appropriated Amount:	\$1,970,000	Estimated Percent Complete:	13%
Biennial Estimate:	\$1,381,000	Estimated Completion Date:	2019

Scope

This appropriation was established to determine the feasibility, study, preliminary design, and construct necessary facilities for the ammonia-chlorine bromate control process at the Diemer, Jensen, Mills, Skinner, and Weymouth plants.

Purpose

To control the formation of bromate, which is a regulated disinfection by-product, during the ozonation process, and reduce chemical costs.

Accomplishments Through FY 2013/14

Through FY 2013/14, no projects have been completed.

Major project milestones in FY 2013/14:

Enhanced Bromate Control Mills – Completed preliminary design

Enhanced Bromate Control Weymouth – Completed final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Enhanced Bromate Control Mills	\$1,441,400	2018	Complete final design
Enhanced Bromate Control Weymouth	\$6,642,500	2019	Begin construction

Hydroelectric Power Plant Improvements

15458

Total Appropriation Estimate:	\$26,500,000	Total Projected Through June 30, 2014:	\$3,995,000
Appropriated Amount:	\$4,517,000	Estimated Percent Complete:	28%
Biennial Estimate:	\$3,270,000	Estimated Completion Date:	2021

Scope

This appropriation was established to implement a comprehensive rehabilitation plan that will identify deficiencies, ensure compliance with regulatory requirements, improve plant efficiency, and reduce maintenance on all hydroelectric power (HEP) plants. Inspection teams will identify physical conditions, needed repairs, upgrades, changes to maintenance procedures, and any unusual conditions. Several projects have been incorporated into this appropriation and completed, including the San Dimas Hydroelectric Plant Needle Valve Rehabilitation and the Scrollcase and Tailrace Refurbishment.

Purpose

To ensure reliability of Metropolitan's hydroelectric power plants.

Accomplishments Through FY 2013/14

Through FY 2013/14, two projects have been completed.

Major project milestones in FY 2013/14:

Carbon Creek Pressure Control Structure Seismic Upgrade – Began study

Foothill HEP Seismic Upgrade – Began study

Greg Avenue HEP Seismic Upgrade – Began study

Sepulveda Canyon Control Facility Seismic Upgrade – Began study

Sepulveda Canyon HEP Rehabilitation – Began study

Foothill HEP Rehabilitation – Began final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Carbon Creek Pressure Control Structure Seismic Upgrade	\$1,165,900	2018	Begin preliminary design
Etiwanda HEP Rehabilitation	\$2,925,000	2016	Complete construction
Foothill HEP Rehabilitation	\$3,315,700	2018	Complete final design
Foothill HEP Seismic Upgrade	\$1,917,400	2018	Begin preliminary design
Sepulveda Canyon Control Facility Seismic Upgrade	\$3,097,700	2018	Begin preliminary design
Sepulveda Canyon HEP Rehabilitation	\$2,269,100	2016	Complete final design

Capital Investment Plan FY 2014/15 and 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
San Dimas Hydroelectric Plant Rehabilitation	2,668,000	2017	Complete final design
Venice Hydroelectric Plant Rehabilitation	2,651,000	2017	Complete final design
Greg Avenue Seismic Assessment	1,157,000	2021	Begin preliminary design

Information Technology System - Infrastructure

15376

Total Appropriation Estimate: \$46,800,000 **Total Projected Through June 30, 2014:** \$30,170,000
Appropriated Amount: \$36,401,000 **Estimated Percent Complete:** 66%
Biennial Estimate: \$15,203,000 **Estimated Completion Date:** 2016

Scope

This appropriation was established to impliment multiple projects to ensure the reliability and efficiency of the Information Technology Infrastructure in support of Metropolitan’s operational and business applications. This appropriation contains fifteen completed projects including IT Telecommunications Upgrade, IT Business System Data Recovery, Exchange Replacement, and Phonemail Replacement.

Purpose

To ensure reliability of IT infrastructure for critical business applications.

Accomplishments Through FY 2013/14

Through FY 2013/14, fifteen projects have been completed.

Major project milestones in FY 2013/14:

- Communication Infrastructure Reliability Upgrade – Continued design
- Emergency Radio Communications Project – Continued design
- Lake Mathews IT Disaster Recovery Facility Upgrade – Continued deployment
- Union Station Data Center UPS Upgrade – Completed construction

Objectives for 2014/15– 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Communication Infrastructure Reliability Upgrade	\$7,771,900	2016	Complete design
Emergency Radio Communications Upgrade	\$11,780,900	2016	Complete design
Lake Mathews IT Disaster Recovery Facility Upgrade	\$913,000	2015	Complete deployment
Union Station Data Center UPS Upgrade	\$1,069,300	2015	Complete record drawings

Information Technology System Security

15378

Total Appropriation Estimate:	\$5,906,000	Total Projected Through June 30, 2014:	\$5,217,000
Appropriated Amount:	\$5,906,000	Estimated Percent Complete:	92%
Biennial Estimate:	\$451,300	Estimated Completion Date:	2015

Scope

This appropriation was established to enhance and upgrade the functionality, reliability, security and to protect against cyber threats of Metropolitan’s business and SCADA systems. This appropriation contains several completed projects including the Information Security Monitoring Improvement, SCADA Security Improvement, SCADA Operator Authentication, and PeopleSoft Upgrade.

Purpose

To implement technologies that provide most cost-effective and threat-reducing benefits to Metropolitan with public safety and security represented at all levels.

Accomplishments Through FY 2013/14

Through FY 2013/14 seven projects have been completed.

Major project milestones in FY 2013/14:

SCADA Cyber Security Upgrades – Completed development

Objectives for 2014/15– 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
SCADA Cyber Security Upgrades	\$1,454,600	2015	Complete deployment

Infrastructure Reliability Information System

14502

Total Program Estimate: \$2,400,000 **Total Projected Through June 30, 2014:** \$0
Appropriated Amount: \$0 **Estimated Percent Complete:** 0%
Biennial Estimate: \$1,789,000 **Estimated Completion Date:** 2017

Scope

This appropriation is established to update and integrate equipment maintenance reporting tools to enhance management and tracking of assets, improve maintenance and engineering work planning, and track equipment performance data by integrating data from several information systems to support condition-based equipment maintenance and improved selection of replacement equipment.

Purpose

To improve data and information flow and processing, and provide decision making tools related to Metropolitan’s major Infrastructure Reliability and Asset Maintenance initiatives.

Accomplishments Through FY 2013/14

This is a new appropriation; no projects have been completed.

Objectives for 2014/15– 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Asset Information Services	\$2,000,000	2017	Complete planning, update applications, begin data integration and information reporting.

IT Infrastructure Reliability

15487

Total Appropriation Estimate:	\$10,500,000	Total Projected Through June 30, 2014:	\$406,000
Appropriated Amount:	\$1,800,000	Estimated Percent Complete:	9%
Biennial Estimate:	\$4,030,000	Estimated Completion Date:	2018

Scope

This appropriation is established to implement multiple projects to ensure the reliability and efficiency of the Information Technology Infrastructure in support of Metropolitan's operational and business applications.

Purpose

To ensure reliability of IT infrastructure for critical business applications.

Accomplishments Through FY 2013/14

Through FY 2013/14, seven projects have been completed.

Major project milestones in FY 2013/14:

Enterprise UNIX Server Upgrades – Completed design

IT Network Reliability Upgrades – Defined scope

Business System Cyber Security Upgrades – Defined scope

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Business Systems Data Recovery Upgrade	\$502,000	2016	Begin design
Enterprise UNIX Server Upgrades	\$1,548,400	2015	Begin development
IT Network Reliability Upgrades	\$6,106,900	2018	Begin design
Business Systems Cyber Security Upgrades	\$1,128,100	2016	Begin design

Jensen Plant Improvements

15371

Total Appropriation Estimate:	\$58,100,000	Total Projected Through June 30, 2014:	\$34,833,000
Appropriated Amount:	\$37,322,000	Estimated Percent Complete:	65%
Biennial Estimate:	\$16,743,000	Estimated Completion Date:	2018

Scope

This appropriation was established to plan and implement multiple projects within the Jensen Water Treatment Plant. The common driver for many of the projects in this program is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Jensen plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, eleven projects have been completed.

Major project milestones in FY 2013/14:

Jensen Bulk Chemical Tank Facility Upgrade – Continued final design

Jensen Chemical Tank Conversion – Completed construction

Jensen Module 1 Filter Valve Refurbishment – Completed final design

Jensen Solids Transfer System – Completed final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Jensen Bulk Chemical Tank Facility Upgrade	\$7,497,600	2016	Begin construction
Jensen Module 1 Filter Valve Refurbishment	\$12,111,900	2016	Complete construction
Jensen Module 1 Traveling Bridge Rehabilitation	\$1,177,100	2016	Continue final design
Jensen Modules Nos. 2 and 3 Traveling Bridge Rehabilitation	\$3,500,000	2016	Begin Preliminary design
Jensen Solids Transfer System	\$3,616,900	2015	Complete construction
Jensen Entrance Security Improvements	\$1,824,400	2017	Continue final design
Jensen Washwater Return Pump Modifications	\$975,100	2018	Begin construction

Jensen Plant Improvements for FY 2006/07 through FY 2011/12 15442

Total Appropriation Estimate: \$84,700,000 **Total Projected Through June 30, 2014:** \$15,280,400
Appropriated Amount: \$24,146,000 **Estimated Percent Complete:** 20%
Biennial Estimate: \$27,676,000 **Estimated Completion Date:** 2019

Scope

This appropriation was established to plan and implement multiple projects at the Jensen plant. The common driver for many of the projects in this program is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Jensen plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, three project have been completed.

Major project milestones in FY 2013/14:

- Jensen Chemical Trench Extension – Completed construction
- Jensen Basin Launder Gate Improvement – Completed construction
- Jensen Electrical System Reliability – Continued final design
- Jensen Filters Nos. 1-20 Surface Wash System Upgrades – Continued construction
- Jensen Modules Nos. 2 and 3 Flocculator Refurbishment – Began final design
- Jensen Washwater Tanks Seismic Upgrades – Began construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Jensen Electrical System Reliability	\$45,559,700	2019	Begin construction
Jensen Filters Nos. 1-20 Surface Wash System Upgrades	\$16,925,700	2015	Complete construction
Jensen Modules Nos. 2 and 3 Flocculator Refurbishment	\$5,966,100	2016	Begin construction
Jensen Site Stabilization Geotechnical Investigations	\$465,100	2015	Complete study
Jensen Washwater Tanks Seismic Upgrades	\$4,677,700	2015	Complete construction

Capital Investment Plan FY 2014/15 and 2015/16

Jensen Plant Improvements for FY 2012/13 through FY 2017/18 **15486**

Total Appropriation Estimate:	\$6,800,000	Total Projected Through June 30, 2014:	\$316,000
Appropriated Amount:	\$255,000	Estimated Percent Complete:	9%
Biennial Estimate:	\$1,739,000	Estimated Completion Date:	2017

Scope

This appropriation was established to plan and implement multiple projects at the Jensen plant. The common driver for many of the projects in this program is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Jensen plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, no project has been completed.

Major project milestones in FY 2013/14:

Jensen Chemical Containment Upgrades – Began final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Jensen Chemical Containment Upgrades	\$1,746,600	2016	Begin construction
Jensen Filter Backwash Biological Control System Rehabilitation	\$195,600	2016	Complete construction
Jensen Finished Water Reservoir No. 1 Cover Rehabilitation	\$2,102,900	2017	Begin final design
Jensen Influent Water Quality and Metering Structure	\$359,700	2016	Begin construction
Jensen Tank Farm Caustic Metering and Control Facilities	\$1,221,700	2017	Begin construction
Jensen Washwater Reclamation Plant Hand Rails and Grating Improvements	\$244,600	2017	Complete construction

LaVerne Shop Facilities Upgrade

15395

Total Appropriation Estimate: \$45,100,000 **Total Projected Through June 30, 2014:** \$32,327,400
Appropriated Amount: \$38,520,000 **Estimated Percent Complete:** 75%
Biennial Estimate: \$6,176,000 **Estimated Completion Date:** 2017

Scope

This appropriation was established to modernize the Maintenance Support Unit facilities at LaVerne and will evaluate, recommend, design and build new or remodel shop building facilities, and upgrade through refurbishment or replacement aging shop equipment. The program includes three projects, 1) Existing Machine and Fabrication Shop Equipment Upgrades, 2) Shop Building Expansions of the Coating, Machine, and Fabrication Shops, and 3) Quality Management System – ISO certification and compliance.

Purpose

To modernize the machine, coatings, and fabrication shops so that they can continue to provide emergency response service, support routine maintenance throughout Metropolitan, and perform fee-for-service work for member agencies and the California Department of Water Resources.

Accomplishments Through FY 2013/14

Through FY 2013/14, one project has been completed.

Major project milestones in FY 2013/14:

New Coating Shop Building Construction – Completed construction

Fabrication and Machine Shop Building Construction – Began construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Fabrication and Machine Shop Equipment Design and Procurement	\$9,630,700	2017	Complete design and procurement
Fabrication and Machine Shop Building Construction	\$17,210,900	2015	Continue construction

Mills Plant Improvements

15381

Total Appropriation Estimate:	\$12,600,000	Total Projected Through June 30, 2014:	\$5,279,000
Appropriated Amount:	\$5,695,000	Estimated Percent Complete:	45%
Biennial Estimate:	\$175,000	Estimated Completion Date:	2020

Scope

This appropriation was established to plan and implement multiple projects within the Mills plant. The common driver for many of the projects in this program is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Mills plant.

Accomplishments Through FY 2013/14

Through FY 2013/14 eight projects has been completed.

Major project milestones in FY 2013/14:

Mills Hazardous Waste Storage Facility – Completed project

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Mills Solids Removal Automation	\$6,374,100	2019	Complete final design

Mills Plant Improvements for FY 2006/07 through FY 2011/12 15452

Total Appropriation Estimate:	\$26,000,000	Total Projected Through June 30, 2014:	\$7,984,000
Appropriated Amount:	\$8,969,000	Estimated Percent Complete:	35%
Biennial Estimate:	\$3,345,000	Estimated Completion Date:	2019

Scope

This appropriation was established to plan and implement multiple projects at the Mills plant. The common driver for many of the projects in this appropriation is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Mills plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, three projects have been completed.

Major project milestones in FY 2013/14:

Mills Electrical Improvements – Began final design

Mills Modules 3 and 4 Potable Water Safety Station and Water Line Extensions – Completed project

Mills Modules 3 and 4 Turbidity Meters and Gas Detectors Replacements – Completed project

Mills Sodium Hydroxide Tank Replacement – Completed construction

Mills Weir Gate and Filter Valve Rehabilitation – Completed project

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Mills Electrical Improvements	\$13,524,100	2018	Complete construction
Mills Modules Nos. 3 and 4 Influent Flash Mix Chemical Containment	\$536,000	2014	Begin construction
Mills Industrial Wastewater Handling Facilities Improvements	\$2,991,100	2014	Complete project

Capital Investment Plan FY 2014/15 and 2015/16

Mills Plant Improvements for FY 2012/13 through FY 2017/18 **15479**

Total Appropriation Estimate:	\$46,700,000	Total Projected Through June 30, 2014:	\$0
Appropriated Amount:	\$2,580,000	Estimated Percent Complete:	5%
Biennial Estimate:	\$500,000	Estimated Completion Date:	2026

Scope

This appropriation was established to plan and implement multiple projects at the Mills plant. The common driver for many of the projects in this program is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Mills plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, no project have been completed.

Major project milestones in FY 2013/14:

Mills Solids Handling Facilities Stage 1 – Completed final design

Mills Modules 3 and 4 Backwash Chlorination System – Completed study

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Mills Solids Handling Facilities Stage 1	\$25,218,300	2017	Complete construction
Mills Chemical System Upgrade	\$15,605,200	2016	Begin construction
Plant Perimeter Fencing Upgrade	\$60,000	2015	Complete construction

Mills Plant - Ozone System Reliability

15434

Total Program Estimate: \$6,200,000 **Total Projected Through June 30, 2014:** \$5,160,000
Appropriated Amount: \$5,000,000 **Estimated Percent Complete:** 86%
Biennial Estimate: \$871,000 **Estimated Completion Date:** 2015

Scope

This program was established to enhance plant reliability at the Mills plant when the plant expands from 220 mgd to 326 mgd. This appropriation contains three projects, Equipment Procurement, Design and Installation. Equipment includes an additional ozone generator, an additional power supply unit, an additional liquid oxygen storage tank, a new nitrogen injection system, additional ambient ozone and oxygen gas analyzers, piping extensions, power feeds, control system programming, and related accessories.

Purpose

To meet the increasing ozone production and treatment demands while maintaining a standby ozone generation system when the capacity at Mills plant is expanded from 220 mgd to 326 mgd.

Accomplishments Through FY 2013/14

Through FY 2013/14, no projects have been completed.

Major project milestones in FY 2013/14:

Ozone System Reliability Upgrade Construction – Completed final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Ozone System Reliability Upgrade Construction	\$591,200	2015	Complete construction
Ozone System Reliability Upgrade Equipment Procurement	\$4,247,100	2015	Complete construction

Operations Support Facilities Improvements 05605

Total Appropriation Estimate: \$14,800,000 **Total Projected Through June 30, 2014:** \$105,000
Appropriated Amount: \$0 **Estimated Percent Complete:** 3%
Biennial Estimate: \$2,264,000 **Estimated Completion Date:** 2026

Scope

This appropriation is established to construct site improvements at Lake Mathews, including upgrade of the facility's sewer system. Improvements will also be constructed to rehabilitate the Oxidation Demonstration Project Plant at the Weymouth plant.

Purpose

To replace and /or expand support facilities to meet current and future operations and maintenance needs.

Accomplishments Through FY 2013/14

This is a new appropriation; no projects have been completed.

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Lake Mathews Wastewater System Improvement	\$2,356,900	2016	Begin preliminary design
Oxidation Demonstration Project Plant Rehabilitation	\$188,300	2017	Complete construction

PCCP Rehabilitation and Replacement

15471

Total Appropriation Estimate: \$2,600,000,000 **Total Projected Through June 30, 2014:** \$21,668,000

Appropriated Amount: \$29,560,000 **Estimated Percent Complete:** 1%

Biennial Estimate: \$24,018,000 **Estimated Completion Date:** 2034

Scope

This appropriation was established to plan and implement reliability projects throughout the Conveyance and Distribution System which will include structural engineering evaluation of all 163 miles of Prestressed Concrete Cylinder Pipe (PCCP) lines, implement refurbishment and replacement projects for at-risk pipelines, and conduct pilot testing installation of fiber optic acoustic monitoring system up to five miles in either the Sepulveda Feeder and Second Lower Feeder.

Purpose

To identify pipelines whose age, location and condition warrant refurbishment/ replacement to insure long-term reliability of Metropolitan's PCCP lines water delivery.

Accomplishments Through FY 2013/14

Through FY 2013/14, two projects have been completed.

Major project milestones in FY 2013/14:

Acoustic Fiber Optic Monitoring of PCCP Lines – Completed study

Eastern Region PCCP Joint Modification – Completed construction

Electromagnetic Inspection of PCCP Lines – Continued study

Foothill and Sepulveda Feeder PCCP Carbon Fiber Joint Repairs – Completed construction

PCCP Hydraulic Analyses – Began study

Second Lower Feeder Sites 1 and 2 Locations Urgent Repairs – Completed final design

Second Lower Feeder Site 3 PCCP Rehabilitation – Completed final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Acoustic Fiber Optic Monitoring of PCCP Lines	\$1,352,900	2015	Continue study
Electromagnetic Inspections of PCCP Lines	\$4,153,000	2017	Continue study
PCCP Hydraulic Analyses	\$215,300	2015	Continue study
Second Lower Feeder PCCP Rehabilitation	\$500,270,600	2023	Complete preliminary design

Capital Investment Plan FY 2014/15 and 2015/16

Second Lower Feeder Sites 1 and 2 PCCP Rehabilitation	\$8,110,400	2015	Complete construction
Project	Total Project Estimate	Estimated Completion	Planned Activity
Second Lower Feeder Site 3 PCCP Rehabilitation	\$13,743,800	2016	Complete construction
Sepulveda Feeder PCCP Rehabilitation	\$688,141,600	2023	Begin preliminary design
Acoustic Fiber Optic Monitoring of PCCP Lines	\$1,352,900	2015	Continue monitoring

Perris Valley Pipeline

15425

Total Appropriation Estimate:	\$129,100,000	Total Projected Through June 30, 2014:	\$122,640,000
Appropriated Amount:	\$129,100,000	Estimated Percent Complete:	95%
Biennial Estimate:	\$1,100,000	Estimated Completion Date:	2015

Scope

This appropriation was established to design and construct a 6.5-mile, 96-inch diameter pipeline from the Mills plant to Eastern Municipal Water Districts' member agency boundary, southeast of the Mills plant. This pipeline will have four new service connections. The project will be undertaken as a cooperative effort between Metropolitan, Eastern Municipal Water District, and Western Municipal Water District. The majority of the project will be designed and constructed by Metropolitan utilizing a traditional design-bid-build delivery. Construction will be performed utilizing separate construction contracts for the North and South Reaches.

Purpose

Expand service to Eastern Municipal Water District and Western Municipal Water District and optimize operations of the Mills and Skinner plants.

Accomplishments Through FY 2013/14

Through FY 2013/14, four projects have been completed.

Major project milestones in FY 2013/14:

Perris Valley Pipeline South Reach – Completed as-builts

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Perris Valley Pipeline South Reach	\$42,540,200	2015	Complete defense of litigation

Pipeline Rehabilitation and Replacement 15482

Total Appropriation Estimate: \$9,000,000 **Total Projected Through June 30, 2014:** \$80,000

Appropriated Amount: \$0 **Estimated Percent Complete:** 5%

Biennial Estimate: \$200,000 **Estimated Completion Date:** 2023

Scope

This appropriation is established to plan and implement multiple projects throughout the Conveyance and Distribution System for all non-prestressed concrete cylinder pipe lines. The projects will rehabilitate and replace at risk pipelines, and update the appropriation estimate annually based on rehabilitation and replacement options. The common driver for all projects in this appropriation is infrastructure reliability

Purpose

To identify pipelines whose age, location, and condition warrant rehabilitation/replacement to insure long-term water delivery reliability

Accomplishments Through FY 2013/14

This is a new appropriation; no projects have been completed.

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Non-PCCP Lines Condition Inspection and Assessment	\$379,900	2017	Perform baseline condition assessment

Power Reliability and Energy Conservation 15391

Total Appropriation Estimate:	\$34,537,000	Total Projected Through June 30, 2014:	\$29,092,000
Appropriated Amount:	\$34,537,000	Estimated Percent Complete:	98%
Biennial Estimate:	\$588,000	Estimated Completion Date:	2015

Scope

This appropriation was established to implement multiple power and energy related projects throughout Metropolitan’s system. Since its inception, several projects have been incorporated into this appropriation and completed, including the OC-88 Energy Savings Modifications Project which modified the pump station to reduce the energy required for pumping and provides significant energy savings, and the one Megawatt (1 MW) Skinner Solar Power Facility project.

Purpose

To reduce purchased electrical energy and costs, provide sufficient and reliable power, and reduce carbon-based emissions.

Accomplishments Through FY 2013/14

Through FY 2013/14, six projects have been completed.

Major project milestones in FY 2013/14:

La Verne Water Quality HVAC Chiller Replacement – Continued final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
La Verne Water Quality HVAC Chiller Replacement	\$1,336,900	2015	Begin construction

Project Controls and Reporting System 03407

Total Appropriation Estimate: \$3,800,000 **Total Projected Through June 30, 2014:** \$299,000

Appropriated Amount: \$0 **Estimated Percent Complete:** 9%

Biennial Estimate: \$1,095,000 **Estimated Completion Date:** 2017

Scope

This appropriation was established to replace outdated project reporting systems. Some of the tools in use today lack key fundamental capabilities, such as earned value and resource utilization reporting, and, due to the upgrades of other applications, have lost the former integration impacting timely reporting. Currently, the primary deliverable of this appropriation is the implementation of an enterprise-wide Project Controls System to provide schedule and resource management and replace the Project Management Information System (PMIS).

Purpose

To ensure the accuracy, efficiency and effectiveness for enterprise-wide project controls, scheduling, budgeting, resource management, and management reporting.

Accomplishments Through FY 2013/14

This is a new appropriation; no projects have been completed.

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Project Controls and Reporting System	\$3,442,600	2017	Complete replacement of project reporting system

Reservoir Cover Replacement

15417

Total Appropriation Estimate:	\$32,100,000	Total Projected Through June 30, 2014:	\$7,937,000
Appropriated Amount:	\$8,330,000	Estimated Percent Complete:	27%
Biennial Estimate:	\$20,974,000	Estimated Completion Date:	2017

Scope

This appropriation was established to perform studies, prepare design and construction documents, and coordinate with California Department of Public Health and Division of Safety of Dams for the replacement of floating reservoir covers at multiple locations. The scope includes remove existing covers, repair reservoir gunite lining, modify structures and protective grillages on reservoir bottoms, install underdrain leakage collection systems, install new geocomposite drainage course, install new Hypalon flexible membrane liners and floating covers, and upgrade reservoir electrical systems and surface drainage to accommodate new cover dewatering pumps. The Skinner Finished Water Reservoir cover replacement is completed.

Purpose

To replace reservoir floating covers that have exceeded their useful life and are increasingly difficult to repair.

Accomplishments Through FY 2013/14

Through FY 2013/14, one project has been completed.

Major project milestones in FY 2013/14:

Palos Verdes Reservoir Cover – Completed final design.

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Palos Verdes Reservoir Cover Replacement	\$23,213,600	2017	Begin construction

Right of Way and Infrastructure Protection 15474

Total Appropriation Estimate:	\$50,300,000	Total Projected Through June 30, 2014:	\$5,840,000
Appropriated Amount:	\$7,100,000	Estimated Percent Complete:	13%
Biennial Estimate:	\$12,522,000	Estimated Completion Date:	2023

Scope

This appropriation is established to protect Metropolitan’s investment in its rights-of-way by securing and rehabilitate rights of way in a manner that will complement aesthetic qualities of communities and neighborhoods, provide adequate access and buffer area, install security measures (e.g., fencing and signage) to boundaries and restricted areas, and correct or evict encroachments and trespassers.

Purpose

To assess and resolve the known encroachments and rights-of-way gaps, develop best management practices, and install security measures.

Accomplishments Through FY 2013/14

Through FY 2013/14, no projects have been completed.

Major project milestones in FY 2013/14:

Distribution System Assessment/Upgrades of Orange County – Began final design

Distribution System Assessment/Upgrades of Los Angeles County – Began preliminary design

Distribution System Assessment/Upgrades of Riverside and San Diego Counties – Began study

Distribution System Assessment/Upgrades of San Bernardino – Completed preliminary design

Programmatic Environmental Documentation of Orange County – Completed Notice of Preparation

Programmatic Environmental Documentation of San Bernardino County – Began Notice of Preparation

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Distribution System Assessment/Upgrades of Orange County	\$21,468,800	2020	Complete final design
Distribution System Assessment/Upgrades of Los Angeles County	\$6,612,200	2020	Begin final design
Distribution System Assessment/Upgrades of Riverside and San Diego Counties	\$9,301,800	2023	Begin preliminary design
Distribution System Assessment/Upgrades of Western San Bernardino County	\$5,886,500	2016	Complete final design
Programmatic Environmental Documentation of Orange County	\$566,100	2015	Complete and certify Programmatic Environmental Impact Report
Programmatic Environmental Documentation of Western San Bernardino County	\$631,700	2015	Complete Notice of Preparation

Skinner Plant Improvements

15365

Total Appropriation Estimate:	\$156,136,000	Total Projected Through June 30, 2014:	\$147,822,000
Appropriated Amount:	\$156,136,000	Estimated Percent Complete:	99%
Biennial Estimate:	\$969,000	Estimated Completion Date:	2015

Scope

This appropriation was established to plan and implement multiple projects within the Skinner plant. The common driver for most of the projects in this program is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Skinner plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, fifteen projects have been completed.

Major project milestones in FY 2013/14:

Electrical Building Upgrades and Ground Fault Protection Upgrade – Continued construction

Skinner Solids Handling Area Improvements – Completed final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Electrical Building Upgrades and Ground Fault Protection Upgrade	\$5,709,500	2015	Completed construction
Skinner Solids Handling Area Improvements	\$928,200	2015	Begin construction

Capital Investment Plan FY 2014/15 and 2015/16

Skinner Plant Improvements for FY 2012/13 through FY 2017/18 **15485**

Total Appropriation Estimate: \$43,800,000 **Total Projected Through June 30, 2014:** \$295,000

Appropriated Amount: \$550,000 **Estimated Percent Complete:** 1%

Biennial Estimate: \$1,344,000 **Estimated Completion Date:** 2027

Scope

This appropriation was established to plan and implement multiple projects within the Skinner plant. The common driver for most of the projects in this appropriation is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Skinner plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, fifteen projects have been completed.

Major project milestones in FY 2013/14:

Skinner Replacement of Eighty-four Turbidimeters – Continued construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Skinner Reservoir Inlet Conduit Low Flow Mixing System	\$507,000	2017	Begin final design
Water Quality Laboratory Relocation	\$1,184,000	2017	Begin final design
Facility Maintenance and Vehicle Service Centers Renovation	\$25,950,000	2018	Begin final design
Skinner Plant No. 1 Weir Rehabilitation	\$1,552,000	2017	Complete construction
Administration Building Refurbishment	\$8,300,000	2016	Begin preliminary design
Skinner Replacement of Eighty-four Turbidimeters	294,700	2015	Complete construction

Skinner Plant Oxidation Retrofit

15388

Total Appropriation Estimate:	\$245,492,000	Total Projected Through June 30, 2014:	\$243,455,000
Appropriated Amount:	\$245,492,000	Estimated Percent Complete:	99%
Biennial Estimate:	\$1,145,000	Estimated Completion Date:	2016

Scope

This appropriation was established to design and construction of oxidation retrofit facilities at the Skinner plant. This appropriation consists of four contracts: 1) Site preparation, 2) Oxygen Equipment Procurement, 3) Oxidation Retrofit Program (ORP) General Construction, and 4) ORP large pipe procurement. This appropriation also includes design and construction of the Skinner Incoming 33 kv Electrical service by Southern Calif. Edison, and design and construction of the ORP Facilities Access Road project.

Purpose

To reduce the level of disinfection by-products in the treated water supplied by the Skinner plant in order to meet state and federal standards and provide consistent and equitable high quality treated water to all of Metropolitan's member agencies.

Accomplishments Through FY 2013/14

Through FY 2013-14 seven projects have been completed.

Major project milestones in FY 2013-14:

Skinner ORP Completion Project – Completed construction

Skinner ORP Facilities Construction – Continued As-Built

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Skinner ORP Facilities Construction	\$178,727,700	2016	Complete As-built drawings

Termination of Center for Water Education Ground Lease 15449

Total Appropriation Estimate:	\$4,673,000	Total Projected Through June 30, 2014:	\$99,000
Appropriated Amount:	\$4,673,000	Estimated Percent Complete:	23%
Biennial Estimate:	\$331,000	Estimated Completion Date:	2015

Scope

This appropriation was established to plan and implement multiple projects at the Diamond Valley Lake (DVL) Visitor’s Center, formerly known as “The Center for Water Education.”

Purpose

To maintain the DVL campus by developing and constructing projects that enhance revenue for Metropolitan’s Real Property Development and Management Group, as well as provide assistance and support for WSO staff stationed at DVL.

Accomplishments Through FY 2013/14

Through FY 2013/14, one project has been completed.

Major project milestones in FY 2013/14:

DVL Visitor’s Center Improvements – Continued Final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
DVL Visitor’s Center Improvements	\$430,300	2015	Complete construction

Union Station Headquarters Improvement 15473

Total Program Estimate:	\$14,100,000	Total Projected Through June 30, 2014:	\$1,830,000
Appropriated Amount:	\$1,920,000	Estimated Percent Complete:	15%
Biennial Estimate:	\$1,500,000	Estimated Completion Date:	2019

Scope

This program was established to resolve seismic modifications to Metropolitan's Headquarters Building at Union Station in Los Angeles. Planned preliminary design activities include the following: review of code and permit requirements; preparation of a preliminary design scaled testing of structural components; detailed structural analyses and evaluation; preparation of a preliminary design report and environmental documentation; and development of a preliminary construction cost estimate. Repair plans will be developed for areas which would likely be damaged in a major earthquake.

Purpose

To implement seismic modifications to Metropolitan's Headquarters Building which would likely be damaged in a major earthquake.

Accomplishments Through FY 2013/14

Major project milestones in FY 2013/14:

Headquarters Building Seismic Assessment/Upgrades – Completed preliminary design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Headquarters Building Seismic Assessment/Upgrades	\$12,113,900	2019	Begin final design

Water Delivery System Improvements

14503

Total Appropriation Estimate: \$36,800,000 **Total Projected Through June 30, 2014:** \$5,000,000

Appropriated Amount: \$0 **Estimated Percent Complete:** 20%

Biennial Estimate: \$29,500,000 **Estimated Completion Date:** 2017

Scope

This appropriation is established to provide flexibility to distribute Colorado River water portions of the service area that currently rely exclusively on deliveries from the State Water Project.

Purpose

To improve the reliability and flexibility of delivering Colorado River water during drought or other State Water Project delivery constraints.

Accomplishments Through FY 2013/14

This is a new appropriation; no projects have been completed.

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Lakeview Pipeline Intertie – I	\$14,500,000	2015	Complete construction
Lakeview Pipeline Intertie – II	\$16,500,000	2016	Complete construction
Greg Avenue Facility Improvements	\$3,000,000	2016	Complete construction
San Dimas and Live Oak Pumping Stations	\$2,500,000	2017	Begin design

Capital Investment Plan FY 2014/15 and 2015/16

Water Operations Control

15467

Total Appropriation Estimate:	\$130,600,000	Total Projected Through June 30, 2014:	\$2,617,000
Appropriated Amount:	\$4,540,000	Estimated Percent Complete:	2%
Biennial Estimate:	\$11,646,000	Estimated Completion Date:	2023

Scope

This appropriation is established to further coordinate the capabilities of Metropolitan's control system Supervisory Control and Data Acquisition (SCADA) with operational and business needs. The appropriation will focus on maintaining system reliability, system integration, and improving operational and business capabilities and efficiencies. There are three active projects including, Wadsworth Pumping Plant Control and Protection Upgrade Project, SCADA Remote Terminal Unit CPU (hardware) and OS (software) Replacement, and SCADA Remote Terminal Unit Input/Output (component) System Retrofit.

Purpose

Maintain the reliability and integrity of Metropolitan's control system.

Accomplishments Through FY 2013/14

Through FY 2013/14, one project has been completed.

Major project milestones in FY 2013/14:

Wadsworth Pumping Plant Control and Protection Upgrade – Completed preliminary design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Wadsworth Pumping Plant Control and Protection Upgrade	\$22,175,100	2019	Complete final design and begin pilot
Water System Control Master Plan	\$91,237,900	2023	Begin Standards, condition assessment and equipment and software preliminary design

Weymouth Plant Improvements

15369

Total Appropriation Estimate:	\$241,000,000	Total Projected Through June 30, 2014:	\$167,475,000
Appropriated Amount:	\$169,930,000	Estimated Percent Complete:	73%
Biennial Estimate:	\$18,123,000	Estimated Completion Date:	2021

Scope

This appropriation was established to plan and implement multiple projects at the Weymouth plant. The common driver for many of the projects in this program is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Weymouth plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, fourteen projects have been completed.

Major project milestones in FY 2013/14:

Weymouth Basin Drop Gate Replacement – Completed construction of first stage. Began final design of second stage

Weymouth Filter Building No. 1 Valve Rehabilitation – Began preliminary design

Weymouth Filter Buildings Seismic Upgrades – Began construction

Weymouth Incoming Electrical Service – Completed construction

Weymouth Power System Upgrade – Completed construction

Weymouth Washwater Tanks Seismic Upgrade – Continued final design

Weymouth Washwater Reclamation Reliability Upgrade – Continued construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Weymouth Basin Drop Gate Improvements	\$1,847,400	2016	Complete construction
Weymouth Administration and Control Building Seismic Upgrades	\$11,347,900	2019	Begin final design
Weymouth Filter Building Valve Replacement	\$23,537,000	2018	Begin final design
Weymouth Filter Buildings Seismic Upgrades	\$7,029,600	2015	Complete construction
Weymouth Power Systems Upgrade	\$39,055,300	2015	Complete project
Weymouth Washwater Reclamation Reliability Upgrade	\$3,993,400	2015	Complete construction

Capital Investment Plan FY 2014/15 and 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Perimeter Security Improvements	\$2,871,300	2016	Complete construction
Washwater Tanks Seismic Upgrade	\$3,927,500	2016	Complete construction
Basins Nos. 1 and 2 Rehabilitation	\$20,800,900	2021	Begin preliminary design

**Weymouth Plant Improvements for FY 2006/07 through
FY 2011/12**

15440

Total Appropriation Estimate:	\$73,100,000	Total Projected Through June 30, 2014:	\$13,987,000
Appropriated Amount:	\$14,215,000	Estimated Percent Complete:	21%
Biennial Estimate:	\$8,000,000	Estimated Completion Date:	2020

Scope

This appropriation was established to implement multiple rehabilitation projects at the Weymouth plant. The common driver for many of these projects is infrastructure reliability. Since its inception in FY 2006/07, numerous projects have been incorporated into this appropriation and completed including, the Reservoir Gate Repair, Combined Filter Outlet Conduit Repairs, and the Emergency Broadcast System Rehabilitation.

Purpose

To maintain reliability and ensure regulatory compliance of the Weymouth plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, two projects have been completed.

Major project milestones in FY 2013/14:

Weymouth Basin 5-8 Refurbishment Project – Began preliminary design

Weymouth Caustic and Ammonia Trench – Completed construction

Weymouth Dry Polymer System – Began final design

Weymouth Emergency Broadcast System Rehabilitation – Completed construction

Weymouth Finished Water Reservoir Gate Replacement – Completed installation of inlet gates and began final design of outlet and bypass gates.

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Weymouth Basin 5-8 Rehabilitation	\$44,909,600	2020	Begin final design
Weymouth Dry Polymer System Upgrade	\$4,528,700	2017	Complete final design
Weymouth Finished Water Reservoir Gate Replacement	\$4,379,100	2017	Complete installation

**Weymouth Plant Improvements for FY 2012/13 through
FY 2017/18**

15477

Total Appropriation Estimate: \$81,800,000 **Total Projected Through June 30, 2014:** \$3,965,600
Appropriated Amount: \$4,625,000 **Estimated Percent Complete:** 7%
Biennial Estimate: \$15,031,000 **Estimated Completion Date:** 2021

Scope

This appropriation was established to plan and implement multiple projects at the Weymouth plant. The common driver for many of the projects in the appropriation is infrastructure reliability.

Purpose

To maintain reliability and ensure regulatory compliance of the Weymouth plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, one project has been completed.

Major project milestones in FY 2013/14:

Weymouth Domestic Water Pipeline Replacement – Began construction

Weymouth Basin Inlet Channel Seismic Upgrades – Began preliminary design

Weymouth Filter Rehabilitation – Completed preliminary design

Weymouth Basin Inlet Gates – Began preliminary design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Weymouth Domestic Water Pipeline Replacement	\$822,400	2014	Complete construction
Weymouth Basin Inlet Channel Seismic Upgrades	\$1,085,300	2017	Begin final design
Weymouth Basin Inlet Gates Improvement	\$7,237,700	2015	Begin final design
Weymouth Chlorine System Upgrade	\$3,110,000	2018	Begin final design
Weymouth Combined Filter Outlet Mixing Improvements	\$426,200	2017	Begin preliminary design
Weymouth Filter Rehabilitation	\$46,000,000	2019	Begin construction
Weymouth Washwater Pumpback Improvement	\$689,300	2018	Begin final design

Capital Investment Plan FY 2014/15 and 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Storm Water Pollution Prevention	\$1,425,000	2020	Begin preliminary design
Weymouth Filter Building Sump Sparger Rehabilitation	\$380,500	2017	Begin preliminary design
Weymouth Water Quality Instrumentation Relocation	\$861,000	2016	Begin final design
Weymouth Chlorine Transloading	\$4,000,000	2018	Complete preliminary design
Weymouth Asphalt Refurbishment	\$2,236,000	2018	Begin preliminary design
Weymouth Hazardous Waste Staging and Containment	\$365,500	2018	Begin preliminary design
Weymouth Solids Handling Lift and Platform	273,800	2015	Begin final design

Weymouth Plant Oxidation Retrofit

15392

Total Appropriation Estimate:	\$270,000,000	Total Projected Through June 30, 2014:	\$136,700,000
Appropriated Amount:	\$238,012,000	Estimated Percent Complete:	50%
Biennial Estimate:	\$76,318,000	Estimated Completion Date:	2019

Scope

This appropriation was established to design and construct all systems and facilities that are required to provide ozone disinfection capability and to integrate those systems and facilities into the existing plant operations. This appropriation consists of the following projects: 1) Weymouth Filtration Plant Oxidation - Design, 2) Ozone Equipment Procurement, 3) Inlet Conduit Relocation, 4) Oxidation Facilities - Final Design, and 5) ORP Switchgear Construction.

Purpose

To reduce the level of disinfection by-products in the treated water supplied by the Weymouth plant in order to meet state and federal standards and provide consistent and equitable high quality treated water to all of Metropolitan’s member agencies.

Accomplishments Through FY 2013/14

Through FY 2013-14, one project has been completed.

Major project milestones in FY 2013-14:

Weymouth ORP Switchgear – Completed construction

Weymouth Oxidation Retrofit Facilities Construction – Began construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Weymouth Oxidation Retrofit Facilities Construction	\$170,447,800	2019	Continue construction
Weymouth Sodium Hypochlorite Tank Facility	\$9,611,304	2018	Complete final design
Ozone Equipment Procurement	\$2,621,000	2018	Continue procurement

Whitewater Siphon Protection 15341

Total Appropriation Estimate:	\$19,600,000	Total Projected Through June 30, 2014:	\$761,000
Appropriated Amount:	\$2,835,000	Estimated Percent Complete:	5%
Biennial Estimate:	\$6,222,000	Estimated Completion Date:	2018

Scope

This appropriation was established to design and construct a protective barrier for the Whitewater siphons to prevent further erosion of streambeds from undermining the siphons, and remediate the Whitewater Mining Pit in accordance with State regulations and prevent head-cutting of the mining pit from undermining the siphons in the event of a major flood.

Purpose

To prevent damage to the Whitewater Siphon due to storm flows on the Whitewater River and to ensure deliveries of CRA water.

Accomplishments Through FY 2013/14

Through FY 2013/14, completed a draft of the reclamation plan for the Whitewater Mining Pit.

Major project milestones in FY 2013/14:

Whitewater Siphon Protection Improvements – Completed final design

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Whitewater Siphon Protection Improvements	\$14,733,600	2018	Begin construction

Yorba Linda Power Plant Modifications 15446

Total Appropriation Estimate:	\$18,400,000	Total Projected Through June 30, 2014:	\$10,016,100
Appropriated Amount:	\$17,125,000	Estimated Percent Complete:	58%
Biennial Estimate:	\$7,250,000	Estimated Completion Date:	2016

Scope

This appropriation was established to retrofit the Yorba Linda Power Plant to operate under the Diemer Oxidation Retrofit new hydraulic conditions and to connect electrical power output into the Diemer plant's new Southern California Edison electrical service.

Purpose

To increase power reliability and generate clean hydro power to offset retail power purchases at the Diemer plant.

Accomplishments Through FY 2013/14

Through FY 2013/14, no projects have been completed.

Major project milestones in FY 2013/14:

Yorba Linda Power Plant Modifications – Begin construction

Objectives for 2014/15 – 2015/16

Project	Total Project Estimate	Estimated Completion	Planned Activity
Yorba Linda Power Plant Modifications	\$17,266,100	2016	Complete construction

20 x 2020 – 2009 Water Conservation Act goal of twenty percent reduction in per capita regional water use by 2020.

ACE – Association of Confidential Employees; an employee bargaining unit at Metropolitan.

Accrual – An accounting method that records revenues when earned and expenses when incurred regardless of the timing of when the cash is actually paid or received.

Acre-Foot (AF) – A unit of measure equivalent to 325,851.4 gallons of water and weighs approximately 62.4 pounds, which meets the needs of two average families in and around the home for one year.

ACWA – Association of California Water Agencies.

AFSCME – American Federation of State, County and Municipal Employees.

Appropriation – Money set aside for a specific purpose. The designation of the use to which a fund of money is to be applied.

Area of Origin – An area where the headwaters of a river or other significant water body originates. The "area" may be a county, region, or other geographic region of the state.

Area of Origin Litigation – Solano County Water Agency v. Department of Water Resources. In this litigation, Solano County Water Agency and other State Water Project Contractors including Butte County, Yuba City, and Napa County Flood Control and Water Conservation District who serve water to northern California communities in the areas of origin filed suit claiming rights to an increased share of the State Water Project water based on the area of origin statutes. The area of origin statutes can be used to prioritize water rights in the area that the water originated.

Assembly Bill 1234 - This bill requires a local agency that provides reimbursement for expenses to members of its legislative body to adopt a written policy on the duties for which legislative body members may receive compensation, other than meetings of the legislative body or an advisory body or attendance at a conference or organized educational activity. The bill requires such a governing body to adopt a written policy concerning what occurrences qualify a member to receive reimbursement of expenses for travel, meals, and lodging and would impose related requirements, including the filing of expense reports, which would be public records.

Assembly Bill 32 – The Global Warming Solutions Act of 2006, is California’s landmark global warming legislation. It will reduce California greenhouse gas emissions (GHG’s) to 1990 levels by 2020 and to 80 percent below 1990 levels by 2050.

Assembly Bill 72 - This bill changed the date that newly elected Municipal Water Directors begin their term from the first Monday after January to the first Friday in December.

Assembly Bill 803 (also known as the Water Recycling Act of 2013) – This bill harmonizes recycled water spill reporting requirements and authorizes Regional Water Quality Control Boards to permit the introduction of Advanced Treated Purified Water into conveyance systems prior to comingling with any raw water or other water source.

Assembly Bill 850 - This bill amended the Joint Exercise of Powers Act of the California Government Code to allow Joint Powers Authorities (JPAs) to issue rate reduction bonds which would be used to fund certain capital investments of municipally owned California water utilities.

AWWA – American Water Works Association.

Balanced Budget – Metropolitan considers the budget to be balanced when sources of funds equals the uses of funds.

Bay Delta – An environmentally sensitive area of the Sacramento/San Joaquin River Delta through and from which water flows to reach portions of California from the San Francisco Bay Area to San Diego. Moving water across the delta during the high-demand summer months is becoming more difficult as additional water is set aside to mitigate for environmental impacts.

BDCP – Bay Delta Conservation Plan. A long-term conservation strategy that sets forth actions needed for a healthy Delta.

Budget – A report of all anticipated expenditures and required reserves and the source of moneys to be used to meet such expenditures and provide such reserves.

Budgeted Position – A staff position approved by the Board of Directors for the fiscal year.

Business Outreach – This program's intent is to solicit participation in the performance of all construction contracts, professional services contracts, and procurement of supplies and equipment for Metropolitan by all individuals and businesses, including but not limited to small, locally owned, women owned, minority owned, and economically disadvantaged business enterprises.

CDPH – California Department of Public Health.

Capacity Charge – Recovers the cost of providing peak water service capacity within the distribution system. Member agencies pay the capacity charge based on their maximum daily flow during the summer months.

Capital Investment Plan (CIP) – Metropolitan's CIP is designed to refurbish existing facilities needed to ensure a reliable distribution system, expand treatment facilities to meet current and future water quality regulations, and expand storage and conveyance facilities to meet current and future storage requirements.

Capital Project – A project that results in a new asset (e.g., a facility, betterment, replacement, equipment, etc.) that has a total cost of at least \$50,000 and a useful life of at least five years. Computer software can be capitalized if it costs \$250,000 or more and has a useful life of at least three years.

CARB – California Air Resources Board. This is the "clean air agency", a regulatory department within the California Environmental Protection Agency. The goals of CARB include attaining and maintaining healthy air quality; protecting the public from exposure to toxic air contaminants; and providing innovative approaches for complying with air pollution rules and regulations.

The California Environmental Quality Act (CEQA) - A statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible.

Chromium 6 - Occurs naturally in the environment from the erosion of natural chromium deposits and industrial processes. People who use water containing total chromium in excess of the maximum contaminant level (MCL) over many years could experience allergic dermatitis.

Colorado River Aqueduct (CRA) – The 242-mile-long water conveyance system built by Metropolitan to carry water from the Colorado River to its Southern California service area.

Conservation Credits Program (CCP) – A program where Metropolitan provides financial assistance for the development of conservation programs (e.g. energy efficient washing machines, low flush toilets, etc.).

CUWCC – California Urban Water Conservation Council, a non-profit 501c3 formed as a partnership of water suppliers, environmental groups, and others interested in conserving California's greatest natural resource, water.

DHCCP – Delta Habitat Conservation and Conveyance Program. Formed in 2008 as a result of demands to protect the Delta, prompting studies to assess potential habitat restoration and water conveyance options. DHCCP will conduct an environmental review of the BDCP.

Debt Service – The annual cost of repaying outstanding debt.

Department of Water Resources (DWR) – A department within the California Resources Agency which is responsible for the state's management and regulation of water usage.

Distribution System – Refers to the network of pipelines and canals used for the conveyance of water from Metropolitan's terminal reservoirs to member agency service connections.

DVL – Diamond Valley Lake. A reservoir built by Metropolitan with a capacity of 800,000 AF.

EIR – Environmental Impact Report.

EMS – Energy Management System.

Endangered Species Act (ESA) – An act of the federal government enacted in 1973 that provides for the conservation of species that are endangered or threatened and the conservation of the ecosystems on which they depend. A species is considered endangered if it is in danger of extinction throughout all or a significant portion of its range. A species is considered threatened if it is likely to become an endangered species within the foreseeable future.

Enterprise Fund – To account for operations that are financed and operated where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Ethics Program – State law (SB 60) mandates that Metropolitan maintain a program to address and seek to avoid potential ethical abuses relating to business relationships, solicitation and/or receipt of campaign contributions, and public notice and approval procedures for contracts of \$50K or more. This program includes on-going training for board members and employees regarding ethics in the workplace.

FCC – Federal Communications Commission.

FERC – Federal Energy Regulatory Commission.

Fee Property – An estate in land for which Metropolitan has full ownership, generally referred to as fee simple absolute.

Fund – A self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objective in accordance with special regulations, restrictions, or limitations.

Fund Balance – Created from excess revenues over expenditures. This can be a combination of collections/revenues being higher than budget and actual expenditures being lower than budget.

GFOA – Government Finance Officers Association.

IID/Metropolitan Conservation Agreement – A water conservation agreement with the Imperial Irrigation District (IID) that allows for the development of certain water conservation capital structures by Metropolitan in the Imperial Valley. Metropolitan, in turn, gets the

quantity of water conserved during the term of this agreement, four years during construction, and 35 years after completion. It encompasses both the operating and maintenance, indirect, and capital cost of developing and implementing the program. This agreement is renewable.

Information Technology Strategic Plan (ITSP) – A roadmap for investment in IT projects over the next 3 to 5 years.

IRWMP – Integrated Regional Water Management Plan.

Integrated Resources Plan (IRP) – An open and participatory planning process that takes a broad view of all water resource options available to the region and searches for the right combination of investments to achieve water supply objectives in a cost-conscious and environmentally responsible manner.

Local Resources Program (LRP) – A program in which Metropolitan provides financial assistance to its member agencies for the development of local groundwater recycling and groundwater recovery projects.

Member Agency – Refers to any of the 26 cities or public water agencies that comprise the Metropolitan Water District and whose representatives constitute the Board of Directors of Metropolitan.

Metropolitan/Arizona Interim Surplus Guidelines Agreement – This May 23, 2001 agreement between the State of Arizona and Metropolitan was voided when the Quantification Settlement Agreement was not in full force and effect by December 31, 2002. Arizona and California have completed negotiations on a replacement agreement.

MAF (million acre-feet) – A unit measure of water.

Minute 319 – Agreement that amends the 1944 Treaty between Mexico and the United States by

establishing new rules in sharing Colorado River water and provides immediate plans to address current challenges. Parties to the agreement include Metropolitan Water District of Southern California, Southern Nevada Water Authority, Central Arizona Water Conservation District. Minute 319 allows Mexico to store water in Lake Mead as Intentionally Created Mexican Apportionment for future delivery and environmental flows. Stored water will be exchanged among the parties to the agreement.

MWDOC – Municipal Water District of Orange County; one of 26 member agencies that comprise Metropolitan.

MOU (Memorandum of Understanding) – Legal agreements entered into between Metropolitan and any of the four employee bargaining units that dictate terms and conditions of employment.

Ocean Plan – California's Ocean Plan contains regulations for ocean brine discharges and intakes, and the State Water Resources Control Board is proposing to add new regulations specifically for seawater desalination projects.

Ocean Protection Council – The Ocean Protection Council develops a five-year Strategic Plan to guide future ocean resource policies for other state agencies and has developed new policy recommendations for seawater desalination development.

Operating Equipment – Any portable equipment costing \$5,000 or more and having a useful life of five years or more.

Operations Maintenance Power & Recovery (OMP&R) – A component of the State Water Contract that is billed to the contracting agencies to maintain the system.

OPEB – Other Post Employment Benefits.

ORP – Oxidation Retrofit Program.

Ozone – Is a faintly blue gas with a pungent odor. It is an unstable form of oxygen composed of three-atom molecules that break down readily to normal oxygen and nascent oxygen. The latter is a powerful oxidizing agent and has germicidal action. Ozone is usually produced with on-site generators by passing high-voltage electricity through dry atmospheric air or pure oxygen between stationary electrodes. This process converts a small percentage of the oxygen in the air into ozone. It is usually injected into the water to be treated in a highly baffled mixing chamber.

PAYGO – The practice of funding construction expenditures from current operating revenues in lieu of using debt proceeds.

PVID – Palo Verde Irrigation District.

Palo Verde Land Management and Water Supply Program – Calls for the development of a flexible water supply of between 25,000 and 111,000 acre-feet per year for 35 years through a land management and crop rotation program to be implemented by participating farmers in the Palo Verde Valley. The maximum water supply that could be developed would be about 3.63 million acre-feet during the 35-year term while the minimum water supply required to be developed would be 1.76 million acre-feet.

Performance Excellence – A long-term effort to implement best practices in day-to-day operations and maintenance activities, emphasizing continuous improvement in operations and maintenance practices.

Performance Measure – An indicator of progress toward completing an initiative, achieving a goal, or implementing a strategy. Performance measures are quantifiable and tracked over time. Measures can indicate problem areas that need attention or be a guide for continual performance improvement through specific initiatives and actions.

PCCP – Pre-stressed Concrete Cylinder Pipe.

PPCP – Pharmaceutical and personal care products.

Power Recovery – Energy generated from the operation of sixteen Metropolitan-owned hydroelectric generating facilities. The term "recovery" derives from the capture of potentially wasted electrical energy from Metropolitan's water distribution system.

Quagga Mussel – a destructive non-native species of mussel from the Ukraine region that could clog pipes and water lines.

Quantification Settlement Agreement (QSA) – An agreement between the Coachella Valley Water District, Imperial Irrigation District, and Metropolitan regarding the priority, use, and transfer of Colorado River Water.

Readiness-To-Serve (RTS) Charge – A charge designed to provide firm revenue for Capital Investment Plan (CIP) debt service to meet the reliability and quality needs of existing and potential users.

RPDM – Real Property Development and Management (group); an organization within Metropolitan that provides real property related services.

Regional Urban Water Management Plan – A document prepared in response to the California Urban Water Management Act, Water Code Sections 10610 through 10656, enacted in 1983. The Act requires that every urban water supplier providing water for municipal purposes to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually prepare an adopt an urban water management plan that describes and evaluates reasonable, practical, and efficient water uses, recycling, conservation activities, and drought contingency planning. These plans must be updated every five years and filed with the California Department of Water Resources.

Replacement and Refurbishment (R&R) – Capital projects that invest in Metropolitan’s aging infrastructure by restoring them to optimal operating status.

Reserves – Funds set aside to comply with bond covenants, working capital policy, or other board policies as part of a prudent financial strategy.

Reserve Transfer – Fund transfers required to maintain a given level of fund balances in accordance with Board policies and bond covenants.

Revenue Remainder Fund – See Financial Policies for description.

SCADA – Supervisory Control and Data Acquisition; automated systems that are used to monitor, operate, and control Metropolitan’s water conveyance, treatment, and distribution systems.

SDCWA – San Diego County Water Authority; one of 26 member agencies that make up Metropolitan.

Senate Bill 60 - This bill requires Metropolitan to place increased emphasis on sustainable, environmentally sound, and cost-effective water conservation, recycling, and groundwater storage and replenishment measures and, commencing February 1, 2001, to prepare and submit to the Legislature a prescribed annual report relating to water conservation.

State Water Contract (SWC) – Metropolitan's agreement with DWR for a specified water supply in return for paying a portion of the costs associated with the construction and operation of the SWP, a major water conveyance system designed to transport water from the Bay Delta to central and southern portions of California. The term may also be used to refer to State Water Contractors.

State Water Project (SWP) – A water development and distribution system owned and operated by the State of California DWR to transport water from the Bay Delta to central and southern portions of California. It entails the development of an aqueduct system and power associated with pumping the water.

System Access Rate (SAR) – A volumetric rate that member agencies pay for use of Metropolitan’s conveyance and distribution system.

System Overview Study – An analysis of Metropolitan’s current delivery and treatment capacities versus projected needs during the planning horizon. The System Overview Study, coupled with the Integrated Area Study, analyzes various portfolios of projects that could be used to meet future demand and then develops a potential CIP. Finally, the System Overview Study analyzes the potential impact to rates from the proposed facilities.

System Power Rate (SPR) – A volumetric rate to recover the cost of pumping water through the Colorado River Aqueduct and the State Water Project.

TAF (thousand acre-feet) – A unit of measure of water.

Tier 1 Supply Rate – A rate applied to recover the cost of maintaining reliable water supplies.

Tier 2 Supply Rate – A rate that reflects the cost of north of the Delta transfers. The Tier 2 Rate is intended to encourage cost-effective water conservation, recycling, groundwater recovery as well as water transfers.

Total Dissolved Solids (TDS) – Refers to the total organic carbon concentration in water. Measurement of TOC removal is used as a surrogate for disinfection by-product precursor removal.

Treatment Plants – Facilities used by Metropolitan for the treatment of water to remove contaminants or total dissolved solids thus ensuring that such water is potable before it is distributed to member agencies.

Treatment Surcharge – Charge to users of treated water to pay the operations, maintenance and capital costs of treating imported water supplies.

U.S. Department of the Interior, Bureau of Reclamation (USBR) – Largest wholesaler of water and second largest supplier of hydroelectric power in the American West. Promotes water conservation, recycling, and reuse.

Vacancy Factor – A calculated reduction to the O&M labor budget that attempts to account for vacancies that occur within organizations throughout the year. Budgeted labor dollars assume that budgeted positions will be filled for the entire fiscal year (2,080 hours). However, positions routinely become vacant throughout Metropolitan for part of the year as staff transfer to other positions or leave employment in the company and time elapses during the recruitment period to refill the vacated positions.

WRSF – Water Rate Stabilization Fund. See Financial Policies for description.

WRM – Water Resource Management (group); an organization within Metropolitan that focuses on water resource planning and management, including conservation.

WSF – Water Stewardship Fund. See Financial Policies for description.

Water Stewardship Rate (WSR) – A volumetric rate to recover the cost of demand management programs including the Conservation Credits Program (CCP) and the Local Resources Program (LRP).

Water Supply Programs – Water transfer and storage programs that supplement Colorado River and State Water Project supplies.

Working Capital – A measure of both a company's efficiency and its short-term financial health. The working capital ratio is calculated as:

Working Capital = Current Assets – Current Liabilities.

WSO – Water System Operations (group); an organization within Metropolitan responsible for operating and maintain Metropolitan's water conveyance, treatment, and distribution system and its appurtenant systems.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

