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# OFFICE OF CHIEF FINANCIAL OFFICER

The office of the Chief Financial Officer (CFO) provides innovative, proactive, and strategic financial direction in support of the mission of Metropolitan, the Board of Directors, management, and employees.

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## PROGRAMS

The Office of the Chief Financial Officer is responsible for maintaining Metropolitan’s strong financial position and high credit ratings and helping to achieve equitable water rates and charges that generate sufficient revenues.

In addition, the Office of the CFO assists in the efficient management of Metropolitan’s financial resources, and ensures that adequate financial controls are in place to accurately record financial transactions, communicate financial results, and protect Metropolitan’s assets.

The Office of the CFO accomplishes its mission through the following programs or sections:

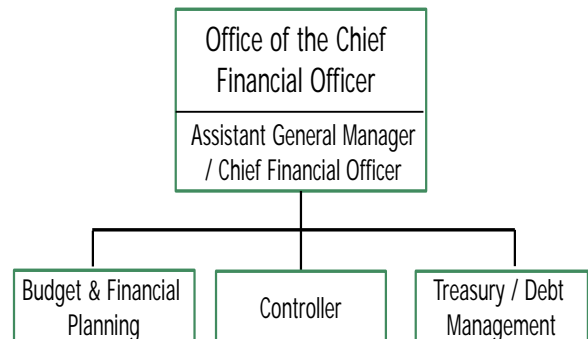
**Chief Financial Officer** is responsible for the overall administration of finance and accounting functions for Metropolitan including debt financing and management, financial planning and analysis, rate setting, budgeting, accounting, investing, financial reporting, payroll accounts payable, accounts receivable, and business continuity.

**Budget and Financial Planning** is 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.

**Treasury/Debt Management** is responsible for Metropolitan’s investment and treasury

obligations 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.

**Controller** is 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 financial reporting.



## GOALS AND OBJECTIVES

In FY 2014/15 and FY 2015/16, the Office of the CFO will focus on the following key issues:

### Cost of Service

Complete the annual cost-of-service analysis for rates and charges for calendar year 2017 and 2018.

### Financial Forecasts and Analysis

Provide an updated 10-year financial forecast in the biennial budget.

Continue to provide the Board with various analyses to manage financial performance for long-term rate stability, given the future potential implementation of BDCP.

Analyze the underfunding of financial obligations that have accrued over the past several years.

### Annexation/Tax Levy

Complete the annual annexation calculation and tax levy assessment.

### Rates and Charges

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

### Financial Reporting/Internal Controls

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.

Continue to improve communications of financial information to the Board, member agencies, management, and the financial community.

Work with each section within the Office of the CFO to establish staff back-up responsibilities for various work processes.

### Capital Financing

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.

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.

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.

### Investment

Prudently invest Metropolitan's funds with the objective of safety of principal, liquidity, and yield.

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.

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.

Manage outside portfolio managers to ensure compliance with Metropolitan's investment policy, and to monitor investment performance.

### Business Continuity

Refine the Business Continuity Plan and Program in accordance with the results of the Business Impact Analysis and internal audit recommendations. Conduct a Risk Assessment and implement an annual Business Continuity Plan update cycle utilizing the new Business Continuity Program Management System developed in the Fusion Framework system. Work with IT Disaster Recovery to identify actions required to meet the recovery requirements identified in the Business Impact Analysis and conduct exercises to test the program's capabilities to recover Metropolitan's business functions in the event of a significant regional disaster.

### Workforce Development & Succession Planning

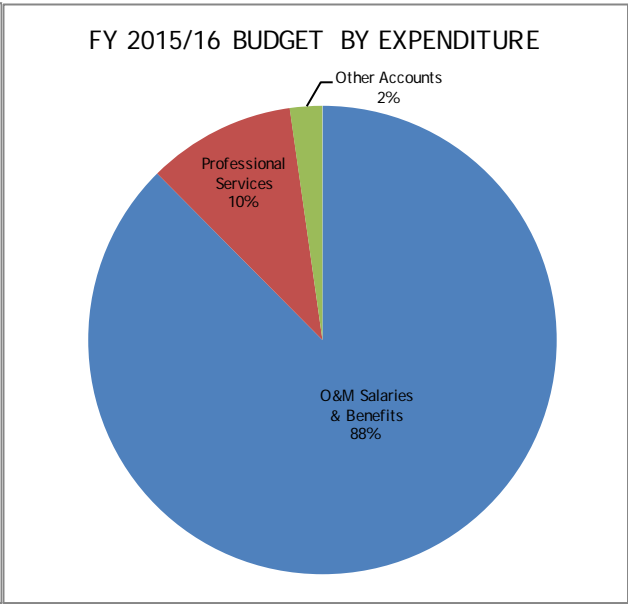
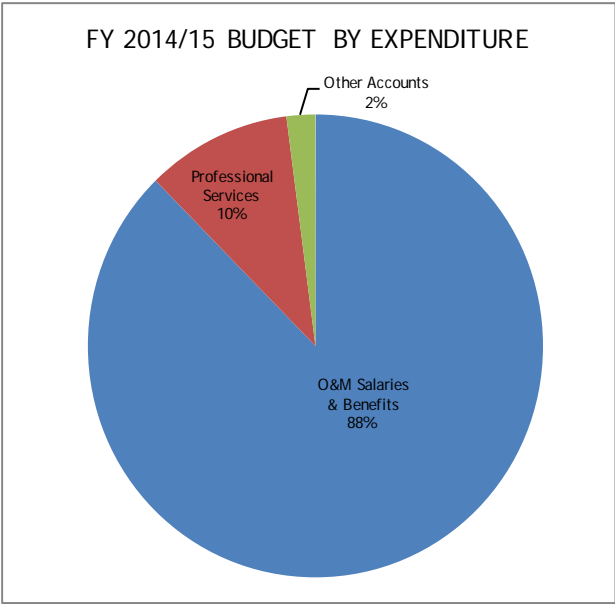
Continue to examine and consider the challenges associated with succession planning and future staffing requirements in light of the composition and age of the workforce.

Continue to develop and offer classes in the Finance Academy to foster employee development.

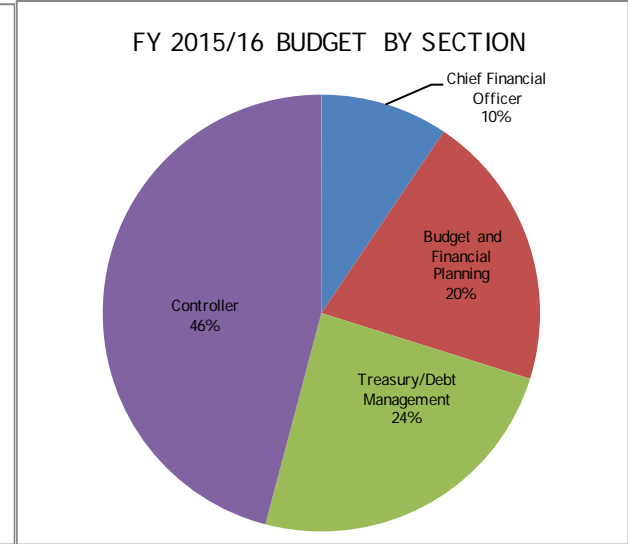
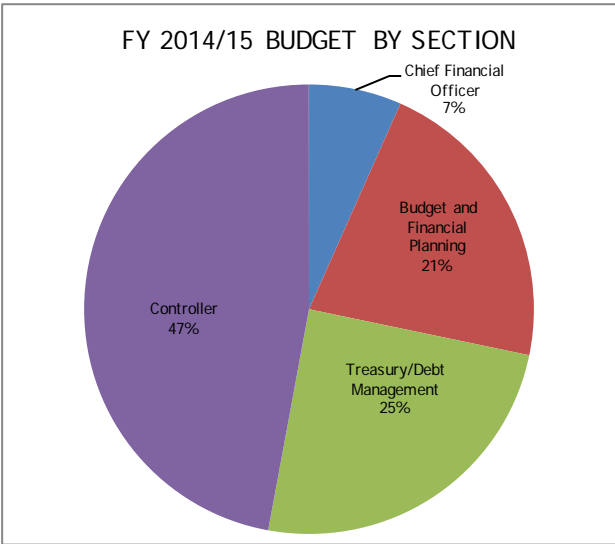
## O&M Financial Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	Change from 2013/14	2015/16 Budget	Change from 2014/15
Total Salaries and Benefits	7,434,700	7,847,800	8,566,700	718,900	8,604,300	37,600
<i>Direct charges to Capital</i>	0	(125,300)	(336,600)	(211,300)	(157,600)	179,000
<b>O&amp;M Salaries &amp; Benefits</b>	7,434,700	7,722,500	8,230,100	507,600	8,446,700	216,600
% Change		3.9%		6.6%		2.6%
Professional Services	855,200	974,900	968,800	(6,100)	984,400	15,600
Memberships & Subscriptions	39,700	51,600	47,400	(4,200)	49,000	1,600
Materials & Supplies	33,200	43,500	43,800	300	44,600	800
Travel Expenses	32,200	25,200	35,900	10,700	36,900	1,000
Training & Seminars Costs	7,600	15,300	19,000	3,700	19,000	0
Subsidies & Incentives	14,300	15,800	14,600	(1,200)	14,700	100
Graphics & Reprographics	12,300	23,300	12,300	(11,000)	22,800	10,500
Other Accounts	17,700	29,400	18,800	(10,600)	28,800	10,000
<b>Total O&amp;M</b>	<b>8,446,900</b>	<b>8,901,500</b>	<b>9,390,700</b>	<b>489,200</b>	<b>9,646,900</b>	<b>256,200</b>
% Change		5.4%		2.5%		2.7%

Note – Totals may not foot due to rounding.



O&M BUDGET BY SECTION



	2013/14 Budget	2014/15 Budget	Change from 2013/14	2015/16 Budget	Change from 2014/15	Personnel Budget		
						13/14	14/15	15/16
Chief Financial Officer	590,500	591,700	338,100	910,300	(19,500)	2	3	3
Budget and Financial Planning	1,711,800	1,925,000	1,900	1,969,000	42,100	9	8	8
Treasury/Debt Management	2,172,600	2,193,000	111,100	2,342,600	38,500	7	7	7
Controller	3,971,400	4,191,800	38,100	4,425,000	195,100	27	26	26
<b>Total O&amp;M</b>	<b>8,446,900</b>	<b>8,901,500</b>	<b>489,200</b>	<b>9,646,900</b>	<b>256,200</b>	<b>44</b>	<b>45</b>	<b>44</b>

Note – Totals may not foot due to rounding.

Personnel Summary

	2012/13 Actual	2013/14 Budget	2014/15 Budget	Change from 2013/14	2015/16 Budget	Change from 2014/15
Regular	44	46	46	0	46	0
O&M	44	45	44	(1)	44	0
Capital	0	1	2	0	2	0
Temporary	0	0	0	0	0	0
O&M	0	0	0	0	0	0
Capital	0	0	0	0	0	0
<b>Total Personnel</b>	<b>44</b>	<b>46</b>	<b>46</b>	<b>0</b>	<b>46</b>	<b>0</b>
O&M	44	45	44	(1)	44	0
Capital	0	1	2	0	2	0

Note – Totals may not foot due to rounding.

## SIGNIFICANT BUDGET ISSUES

CFO's biennial budget is \$9.4 million in FY 2014/15 and \$9.6 million in FY 2015/16 or an increase of 2.5% and 2.7% respectively from the prior budget years.

- Salaries and Benefits costs related to merit increases for qualified employees and an increase in retirement-related benefits costs is the principal factor in the increase.
- Non-labor costs represented only 3% of the total increase from the FY 2013/14 budget.

The following are the significant changes by budget year.

### FY 2014/15

#### Personnel-related issues

Total personnel count remains flat from the FY 2013/14 budget. This follows the elimination of five positions through the last several budget cycles.

The Business Continuity program and associated position was transferred from the Budget and Financial Planning Section to the Office of the CFO. This section reorganization has no impact on the overall CFO labor budget.

The budget reflects an increase in capital labor for the implementation of the Oracle AP Imaging System.

#### Professional Services

#### Other

### FY 2015/16

#### Personnel-related issues

Total personnel count remains flat from the FY 2014/15 budget.

The budget reflects capital labor for the implementation of the Oracle AP Imaging System.

## Professional Services

The budget reflects increased cost of commercial banking services and portfolio investment management services and efforts associated with Business Continuity services survey in 2014/15.

## Other