
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.

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.

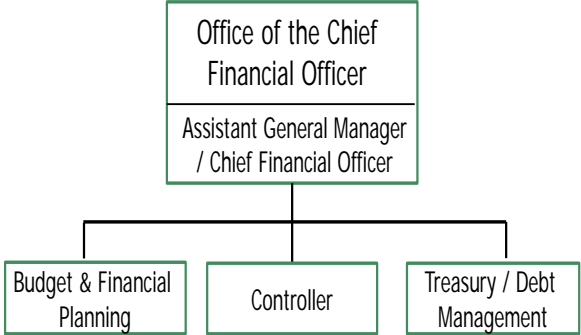
The Office of the CFO accomplishes its mission through the following programs or sections:

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.

Controller is responsible for safeguarding Metropolitan's assets, as well as recording and maintaining its official accounting records via the billing, accounts payable, payroll, and financial reporting functions.

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; and all commercial banking activities, including all payment processing, including but not limited to wires, checks, and automatic deposits; and administration of debt obligations including all issuance of bonds, and investor and bond rating agency relations.



GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, 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.

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 \$3.0 billion over the biennium 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 within 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

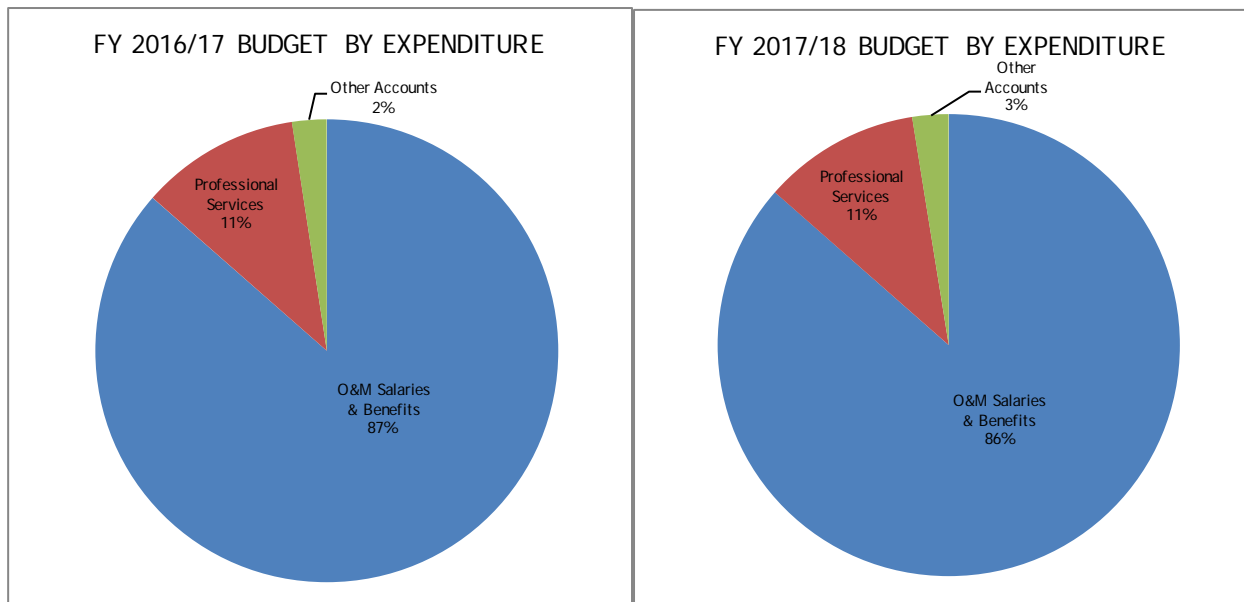
Continue to examine and consider the challenges associated with succession planning and future staffing requirements in light of the composition and age of the workforce.

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

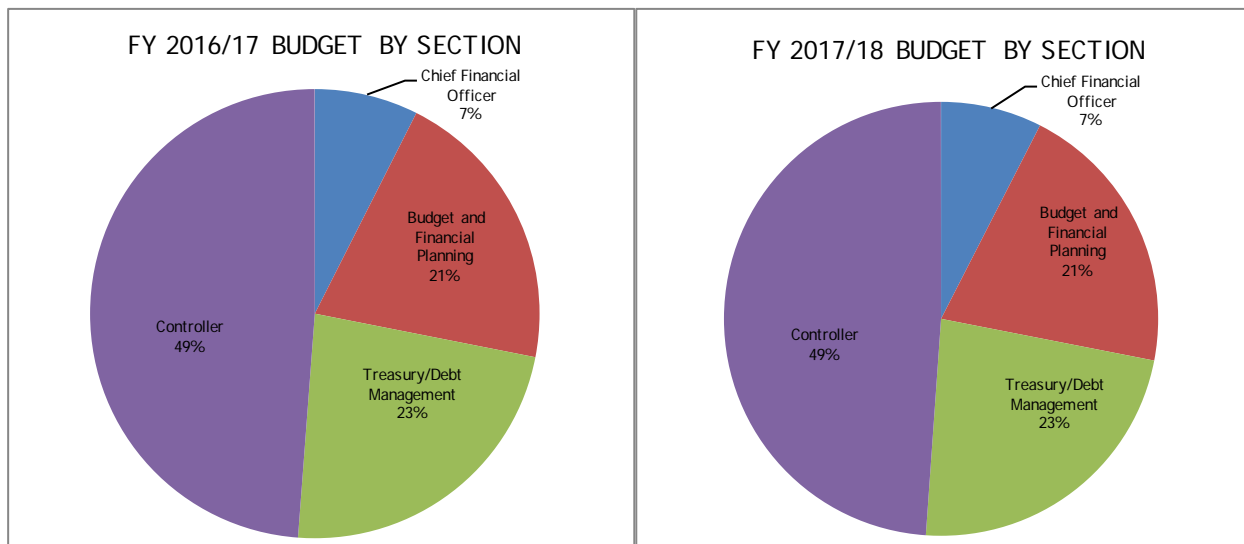
O&M Financial Summary

	2014/15 Actual	2015/16 Budget	2016/17 Proposed	Change from 2015/16	2017/18 Proposed	Change from 2016/17
Total Salaries and Benefits	8,232,800	8,604,300	7,835,300	(769,000)	7,943,300	108,000
Direct Charges to Capital	(113,600)	(157,600)	—	157,600	—	—
Total Salaries and Benefits	8,119,200	8,446,700	7,835,300	(611,400)	7,943,300	108,000
% Change		4.0%		(7.2%)		1.4%
Professional Services	837,400	984,400	1,007,900	23,500	1,009,100	1,200
Advertising	—	10,000	—	(10,000)	12,000	12,000
Materials & Supplies	79,800	44,600	74,500	29,900	74,500	—
Memberships & Subscriptions	42,500	49,000	46,100	(2,900)	47,600	1,500
Subsidies & Incentives	13,300	14,700	12,000	(2,700)	12,000	—
Training & Seminars Costs	7,600	19,000	15,000	(4,000)	15,000	—
Travel Expenses	46,600	36,900	40,800	3,900	41,000	200
Other Accounts	67,100	41,600	30,400	(11,200)	30,400	—
Total O&M	9,213,500	9,646,900	9,062,000	(584,900)	9,184,900	122,900
% Change		4.7%		(6.1%)		1.4%

Note – Totals may not foot due to rounding.



O&M BUDGET BY SECTION



	2015/16 Budget	2016/17 Proposed	Change from 2015/16	2017/18 Proposed	Change from 2016/17	Pers. 15/16	Pers. 16/17	Pers. 17/18
Budget and Financial Planning Section	1,969,029	1,870,560	(98,469)	1,887,659	17,099	8	8	8
Chief Financial Officer (81041)	910,261	675,824	(234,437)	692,084	16,260	3	3	3
Controller Section	4,424,907	4,423,125	(1,782)	4,490,899	67,774	26	28	28
Treasury/Debt Mgmt Section	2,342,635	2,092,521	(250,114)	2,114,258	21,737	7	7	7
Total O&M	9,646,832	9,062,031	(584,801)	9,184,901	122,870	44	46	46

Note - Totals may not foot due to rounding.

Personnel Summary

		2014/15 Actual	2015/16 Budget	2016/17 Proposed	Change from 2015/16	2017/18 Proposed	Change from 2016/17
Regular	Total	42	46	46	—	46	—
	O&M	41.6	44	46	2	46	0
	Capital	0.6	2	0	-2	0	0
Temporary	Total	0	—	—	—	—	—
	O&M	0.46	0	0	0	0	0
	Capital	0	0	0	0	0	0
Total Personnel	Total	43	46	46	—	46	—
	O&M	42.06	44	46	2	46	0
	Capital	0.6	2	0	-2	0	0

Note - Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

The Office of the CFO's biennial budget is \$9.1 million in FY 2016/17 and \$9.2 million in FY 2017/18 or a decrease of 6.1% and a slight increase of 1.4% respectively from the prior budget years. The change is primarily due to the following factors:

Salaries and benefits have been reduced by 5.9% over the biennium as a result of three positions being unfunded and several position classifications being downgraded. The budget reflects merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services and other non-labor costs which represent about 13% of the budget increased by 3.4% over the biennium primarily as a result of the increased cost of commercial banking services, portfolio investment management services, and software and licensing support costs for Business Continuity efforts.

The following are the significant changes by budget year.

FY 2016/17

Personnel-related issues

Total personnel count remains flat from the FY 2015/16 budget. This follows the elimination of five positions through the last several budget cycles. In addition, three positions have been unfunded and several position classifications have been downgraded over the biennium.

The budget reflects a decrease in capital labor following the completion of the Oracle upgrade.

Professional Services

The budget reflects increased cost of commercial banking services and portfolio investment management services and efforts associated with ad valorem property tax verification.

Materials & Supplies

The budget reflects software and licensing support costs for the Business Continuity Program Management System.

FY 2017/18

Personnel-related issues

Total personnel count remains flat from the FY 2016/17 budget. The slight increase in Salaries and Benefits budget is due to merit increases for qualified employees and an increase in retirement-related benefit costs.

Professional Services

The budget reflects increased cost of commercial banking services and portfolio investment management services.