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OFFICE OF THE GENERAL MANAGER

The Office of the General Manager manages and administers all Metropolitan activities except those functions specifically delegated by statutes and Board order to the General Counsel, General Auditor, or Ethics Officer.

PROGRAMS

The Office of the General Manager provides overall leadership and management of Metropolitan’s mission. 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 and Metropolitan will focus on for the period covered by the biennial budget.

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

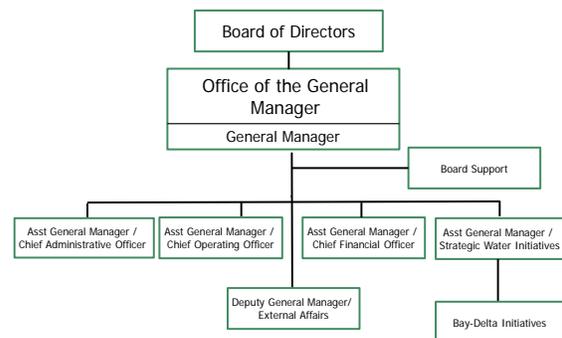
Office of the General Manager is responsible for the management and administration of Metropolitan’s activities including the management of all matters pertaining to the business of the Board and research on actions and policies of the Board by staff for directors, member agencies, and the public.

Bay-Delta Initiatives organization was created in recognition of the increased importance of the Bay Delta to Southern California’s long-term

reliability goals and opportunities available to advance the long-term needs of the Bay Delta. This organization spearheads efforts necessary to ensure a stable water supply from key sources in an environmentally responsible manner.

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.

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.



GOALS AND OBJECTIVES

For FY 2016/17 and FY 2017/18, the General Manager's Business Plan outlines five strategic priorities to support Metropolitan's mission.

Strategic Priority #1: Complete the Bay Delta Conservation Plan/California WaterFix (BDCP/CA WaterFix) Environmental Impact Report/Statement

During FY 2016/17 documentation and necessary financing agreements so that Metropolitan's Board of Directors can make a sound business decision on participation in and implementation of the BDCP/CA WaterFix.

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 (SWP) supplies. These actions include identifying and pursuing early-action habitat projects that satisfy current permit obligations and will also be compatible with the BDCP/CA WaterFix. 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 continue implementation of the Delta Flood Emergency Preparedness, Response 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. Should El Niño conditions create more supply, staff is prepared to maximize storage opportunities. On the other hand, should supply conditions not improve then 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 (WSDM) plan, and targeted outreach on conversation efforts. The past year's successful implementation of the Water Supply Allocation Plan (WSAP) will be reviewed and a determination will be made on what actions to take for FY 2016/17.

Strategic Priority #3: Embark on Strategic Review of Metropolitan's Mission and Programs

Periodically the Board has reviewed its policies and mission to ensure they fit with the times. Many significant policy issues have arisen from the historic drought conditions and were discussed in the 2015 Integrated Resources Plan (IRP) update. FY 2016/17 presents an opportune time for Metropolitan to look in the mirror and determine if changes to policies should be made as we make critical decisions on broader California water policy matters.

Strategic Priority #4: Educate the Public and Stakeholders on Critical Water Supply Conditions and Critical Water Management Decisions.

The coming two years will be a cross road for California water. The current drought gripping California has caused unprecedented water conditions for much of California and led to a dramatic response at the state and federal level. These conditions are likely to continue at least through 2017 if not beyond, complicated by the strong El Niño conditions and flooding

predictions. 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 impact California water for decades to come.

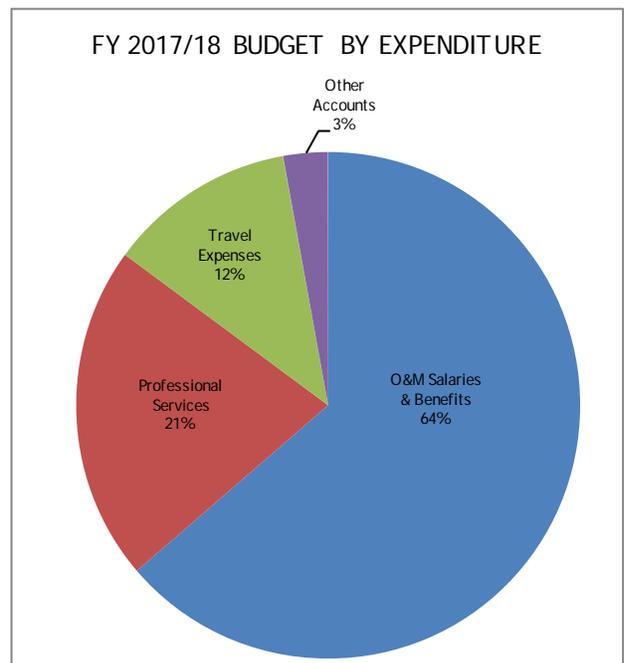
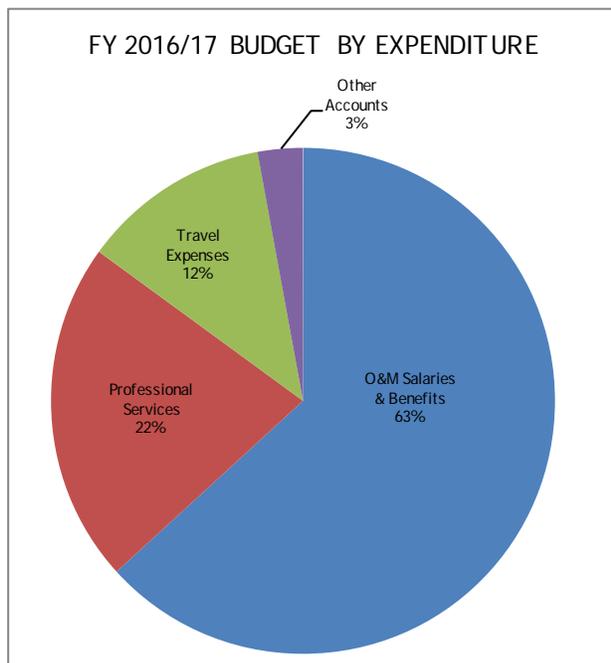
Strategic Priority #5: Employee Development

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 1,770. Recruitment activity will be expanded to keep pace with retirements and fund the work force at approximately 1,840 positions over the next two years. Increased employee cross-training and employee development efforts will be needed to meet the challenge of retirements brought about by an aging workforce.

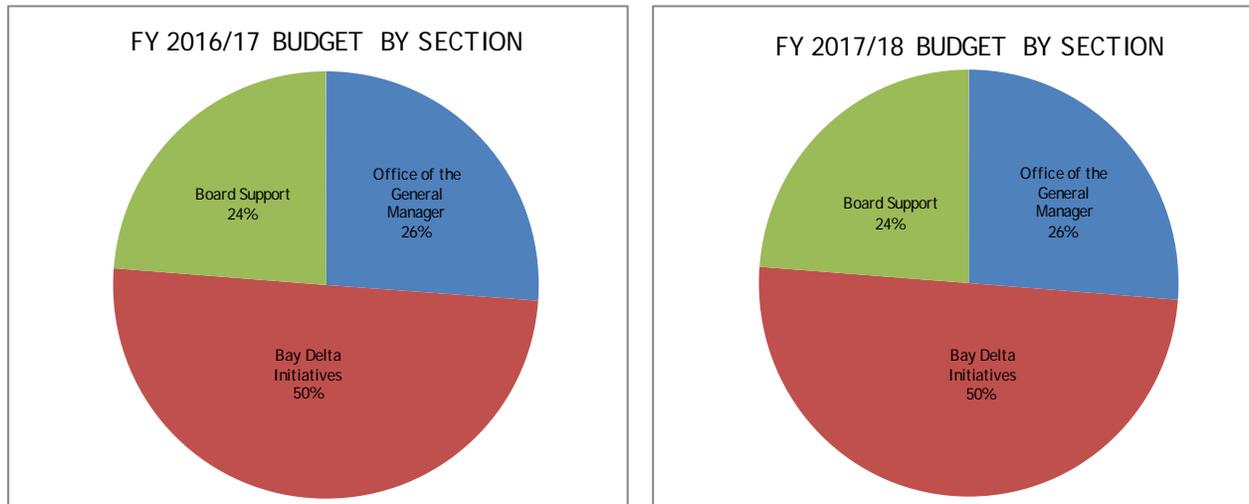
O&M FINANCIAL SUMMARY

	2014/15 Actual	2015/16 Budget	2016/17 Proposed	Change from 2015/16	2017/18 Proposed	Change from 2016/17
Total Salaries and Benefits	9,451,200	10,197,900	9,839,100	(358,800)	9,973,100	134,000
<i>Direct Charges to Capital</i>	—	—	—	—	—	—
O&M Salaries and Benefits	9,451,200	10,197,900	9,839,100	(358,800)	9,973,100	134,000
% Change		7.9%		(3.5%)		1.4%
Professional Services	4,171,100	3,666,100	3,391,700	(274,400)	3,353,600	(38,100)
Travel Expenses	1,529,200	1,654,200	1,883,900	229,700	1,882,900	(1,000)
Other Accounts	470,200	344,500	448,700	104,200	449,500	800
Total O&M	15,621,700	15,862,700	15,563,400	(299,300)	15,659,100	95,700
% Change		1.5%		(1.9%)		0.6%

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	Personnel Budget		
						15/16	16/17	17/18
Office of the General Manager	4,230,099	4,074,082	(156,017)	4,108,366	34,284	13	12	12
Bay-Delta Initiatives	8,126,390	7,791,754	(334,636)	7,826,794	35,040	19	19	19
Board Support	3,506,226	3,697,543	191,317	3,723,933	26,390	10	10	10
Total O&M	15,862,715	15,563,378	(299,332)	15,659,093	95,715	42	41	41

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
	O&M	37	41	40	(1)	40	—
	Capital	—	—	—	—	—	—
Temporary		—	1	1	—	1	—
	O&M	—	1	1	—	1	—
	Capital	—	—	—	—	—	—
Total Personnel		37	42	41	(1)	41	—
	O&M	37	42	41	(1)	41	—
	Capital	—	—	—	—	—	—

Note - Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

The Office of the General Manager's biennial budget is \$15.6 million in FY 2016/17 and \$15.7 million in FY 2017/18 or a decrease of 1.9% and an increase of 0.6%, respectively from the prior budget years. The main factors affecting these changes:

- Salaries and Benefits costs were reduced as a result of the elimination of one regular position.
- Travel costs which include inspection trips were increased to respond to and promote key initiatives, notably those related to the Bay Delta and Colorado River supplies.
- Offsetting these increases was a reduction in professional services mainly related to drought-related science projects funded in FY 2014/15 that are now nearing completion.

The following are the significant changes by budget year.

FY 2016/17

Personnel-related issues

Total personnel count was reduced by one from the FY 2015/16 budget with the elimination of a position.

Professional Services

The budget decrease is mainly due to the exclusion of funding for State and Federal Contractors Water Agency drought-related science projects that were funded in FY 2014/15 but are now nearing completion. Other Bay-Delta related projects undertaken by Engineering in FY 2014/15 and FY 2015/16 that were funded

through Bay Delta initiative are also not included in the budget for FY 2016/17.

FY 2017/18

Personnel-related issues

Total personnel count remains flat with FY 2016/17. Salaries and Benefits reflect merit increases for qualified employees and an increase in retirement-related benefits.

Professional Services

The budget decrease is due to the completion of some projects that are not anticipated to continue this year.

WATER SYSTEM OPERATIONS

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.

PROGRAMS

Water System Operations 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 surpassing drinking water standards.

WSO accomplishes its mission through the following programs or sections:

Office of Manager provides day-to-day operational management as well as strategic and organizational leadership, directing all initiatives and core business efforts of WSO. The office also provides support functions such as budgeting, administration, and security. The security function ensures that Metropolitan's employees, water infrastructure, and equipment are adequately protected.

Operations Support Services 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 refurbishment, underwater maintenance, and crane safety and certification. Construction Services unit performs general construction, large equipment transportation, equipment installation, and emergency response. The Fleet Services unit acquires and maintains vehicles and emergency generators. 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 helps member agencies with service connection requests.

Water Treatment 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 drinking water regulations. All five treatment plants are staffed and operated 24 hours a day, seven days a week. Four of the treatment plants (Jensen, Mills, Skinner, and Diemer) have been retrofit to use ozone as the primary disinfectant. Ozone construction is underway at the Weymouth plant and, by the end of this biennial budget, the nearly \$1.3 billion ozone retrofit program will be complete.

Water Conveyance and Distribution 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, and 9 storage and regulatory reservoirs that help Metropolitan meet peak flow periods.

Water Quality ensures that Metropolitan provides safe and aesthetically pleasing water

through the following activities: conducting chemical and biological analyses; optimizing existing treatment processes; testing new technologies to assure compliance with current and future regulations; and providing technical expertise, laboratory services, and troubleshooting of water quality issues for Metropolitan and its member agencies. Water Quality also works to preserve and improve source water quality through rigorous watershed surveys and advocating for measures to reduce the risk of point and non-point source pollution.

Water Operations and Planning 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 programs and maintains 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.

Safety and Environmental Services 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 integrates environmental, health and safety practices into Metropolitan’s operations and culture with the

goal of achieving a safe work place and eliminating environmental incidents.

In addition, the section manages technical skills training for maintenance craft employees and sponsors an accredited apprenticeship program which trains industrial mechanics and electricians over a four-year period of classroom and hands-on instruction.

Power Operations and Planning plans, acquires and accounts for the energy required to operate the Colorado River Aqueduct (CRA). This activity requires energy transactions with 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.

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.



GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, WSO will focus on the following key issues:

System Reliability

Manage and maintain the water system to ensure operational reliability for all reasonably expected demands.

As the drought eases, rebuild water storage into accounts that provide the greatest delivery flexibility and cost effectiveness.

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 the refurbishment of pre-stressed concrete cylinder pipelines.

Maintain eight-pump flow readiness and manage storage accounts to capture all available Colorado River supplies.

With member agency and regional partners, develop new water supplies to supplement the core SWP and Colorado River supplies including groundwater recovery, ocean desalination, and indirect potable reuse.

Participate with the California Department of Water Resources (DWR) on value-engineering efforts to ensure cost-effective rehabilitation of SWP conveyance, pumping, and generation facilities.

Fully utilize the manufacturing shops in La Verne to maintain Metropolitan's infrastructure reliability and support projects for DWR and the member agencies.

Establish vibration-based predictive maintenance program for all large electric motors, vertical turbine pumps, and emergency generators to improve equipment reliability and reduce unnecessary maintenance.

Provide secure facilities through employee training, access controls, incident monitoring, and

response for critical infrastructure sites and office locations.

Conduct emergency response exercises involving internal operational groups and member agencies.

Energy Management

Manage and limit price exposure for wholesale energy to support CRA pumping.

Secure an agreement for coordinated electrical operations of the CRA.

Workforce Development & Succession Planning

Conduct annual Management Academy to improve internal recruitment pool for entry-level supervisors.

Recruit and begin training a new apprentice class each year for the mechanical and electrical trades.

Water Quality, Environmental Protection, and Safety

Meet or surpass all drinking water standards and ensure delivery of aesthetically pleasing water.

Engage in the regulatory process to ensure full consideration of technical and economic feasibility for drinking water and environmental regulations.

Engage watershed stakeholders and regulators to ensure effective control of source water contaminants such as uranium, perchlorate, chromium, pharmaceuticals, nutrients, and algal toxins.

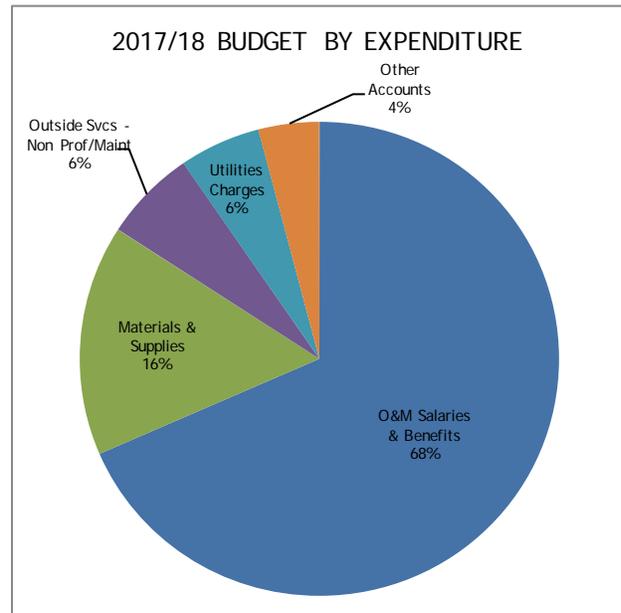
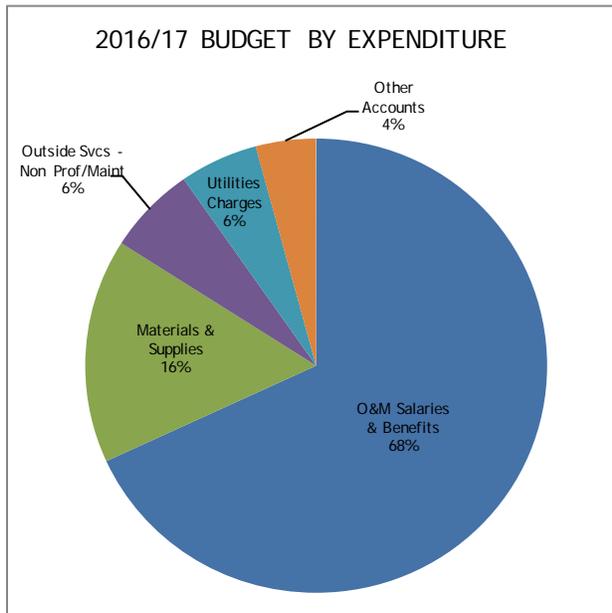
Complete implementation of ozone retrofit program with the startup of ozone at the Weymouth plant.

Provide safety and environmental services to ensure safe work practices and adhere to environmental and workplace health and safety regulations.

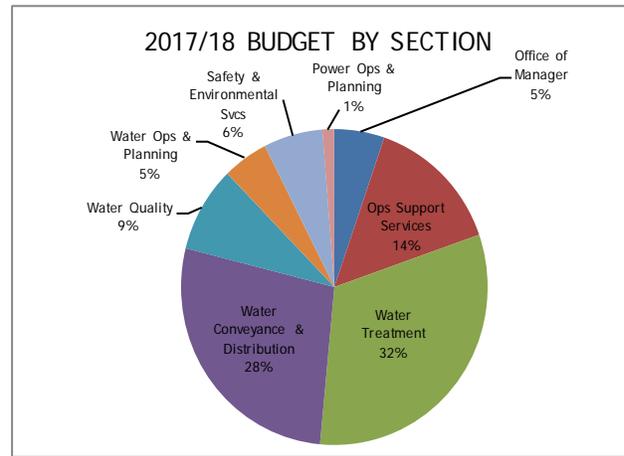
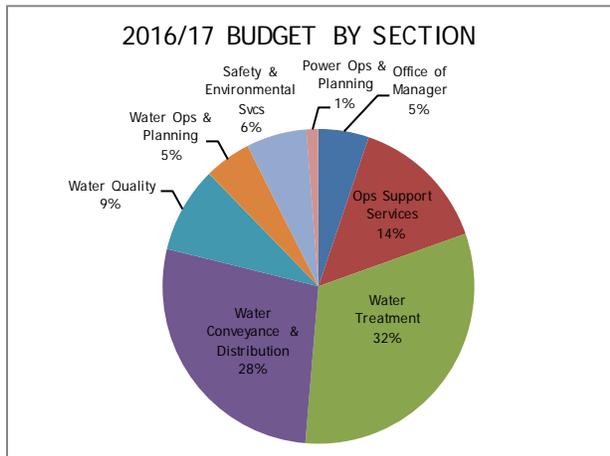
O&M FINANCIAL SUMMARY

	2014/15 Actual	2015/16 Budget	2016/17 Proposed	Change from 2015/16	2017/18 Proposed	Change from 2016/17
Total Salaries and Benefits	155,336,500	155,277,700	157,184,700	1,907,000	160,471,200	3,286,500
<i>Direct Charges to Capital</i>	<i>(7,391,500)</i>	<i>(7,222,700)</i>	<i>(6,897,300)</i>	325,400	<i>(6,931,700)</i>	<i>(34,400)</i>
O&M Salaries and Benefits	147,945,000	148,055,000	150,287,400	2,232,400	153,539,500	3,252,100
% Change		0.1%		1.5%		2.2%
Professional Services	1,325,900	2,377,000	1,119,000	(1,258,000)	1,060,500	(58,500)
Materials and Supplies	36,671,100	39,381,200	35,232,200	(4,149,000)	35,302,900	70,700
Outside Services - Non Professional / Maintenance	13,508,100	15,307,800	13,765,000	(1,542,800)	14,013,500	248,500
Utilities Charges	13,904,900	13,651,900	12,115,400	(1,536,500)	12,323,800	208,400
Other Accounts	9,076,100	7,687,300	8,199,700	512,400	8,136,800	(62,900)
Total O&M	222,431,100	226,460,200	220,718,700	(5,741,500)	224,377,000	3,658,300
% Change		1.8%		(2.5%)		1.7%
Operating Equipment	7,311,300	7,019,900	4,489,200	(2,530,700)	5,539,400	1,050,200
Total O&M and Operating Equipment	229,742,400	233,480,100	225,207,900	(8,272,200)	229,916,400	4,708,500
% Change		1.6%		(3.5%)		2.1%

Note – Totals may not foot due to rounding.



O&M BUDGET BY SECTION



	2015/16	2016/17	Change from	2017/18	Change from	Personnel Budget		
	Budget	Proposed	2015/16	Proposed	2016/17	15/16	16/17	17/18
Office of the Manager	12,769,264	11,545,518	(1,223,746)	11,821,074	275,556	20	19	19
Operations Support Services	32,292,809	31,679,221	(613,588)	32,226,823	547,601	153	161	161
Water Treatment	75,815,609	70,109,105	(5,706,504)	71,509,020	1,399,915	275	273	273
Water Conveyance and Distribution	57,196,047	60,648,097	3,452,050	61,567,315	919,217	267	271	271
Water Quality	20,409,372	19,512,811	(896,561)	19,719,056	206,245	95	93	93
Water Operations and Planning	10,691,259	10,654,174	(37,085)	10,778,585	124,411	43	43	43
Safety and Environmental Svcs	14,342,762	13,813,025	(529,737)	13,962,476	149,451	54	55	55
Power Operations and Planning	2,943,153	2,756,684	(186,469)	2,792,708	36,024	11	11	11
Total O&M	226,460,275	220,718,635	(5,741,640)	224,377,056	3,658,420	918	926	926

Note - Totals may not foot due to rounding.

PERSONNEL SUMMARY

		2014/15	2015/16	2016/17	Change from	2017/18	Change from
		Actual	Budget	Proposed	2015/16	Proposed	2016/17
Regular		883	949	951	2	951	—
	O&M	852	903	907	4	907	—
	Capital	31	46	44	(2)	44	—
Temporary		26	15	19	5	19	—
	O&M	24	15	19	5	19	—
	Capital	1	—	—	—	—	—
Total Personnel		909	964	969	7	970	—
	O&M	876	918	926	8	926	—
	Capital	33	46	44	(2)	44	—

Note - Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

WSO's biennial O&M and Operating Equipment budget is \$225.2 million in FY 2016/17 and \$229.9 million in FY 2017/18 or a decrease of 3.5% and an increase of 2.1%, respectively from the prior year budgets. The decrease is due primarily to the following factors:

- Lower treated water flows, falling worldwide commodity prices and lower chemical dosages needed to treat the more abundant Colorado River supplies has resulted in the reduction of chemical costs for water treatment.
- Lower-than-projected electrical rates and new solar energy production has resulted in decreased utility costs.
- A reduction in professional services primarily due to the deferral or winding down of projects.
- Overall reduction in security costs as a result of a highly competitive bid for new security guard contract.

The following are the significant changes by budget year.

FY 2016/17

Personnel-related issues

For O&M work, the complement of regular employees was increased by two positions to reflect increased support for servicing the vehicle fleet and a shift of two positions back to O&M as a result of decreasing capital work. In addition, the equivalents of 5 temporary employees were added to offset peak workload and long-term employee absences.

Professional Services

The budget reflects the deferral or winding down of projects. Budget is based on historical spending and planned projects.

Materials and Supplies

The budget reflects decreased chemical costs for water treatment due to lower treated water flows, falling worldwide commodity prices and lower chemical dosages needed to treat the more abundant Colorado River supplies.

Utilities Charges

The budget reflects decreased electricity costs due to lower-than-projected electrical rates and new solar energy production.

Other

The Outside Services-Non Professional/Maintenance budget reflects decreased security costs resulting from highly competitive bid for new security guard contract.

FY 2017/18

Personnel-related issues

Overall personnel count for both O&M and capital work remains flat from the FY 2016/17 budget. The rise in salary and benefits costs results from merit increases and an increase in retirement-related benefits.

Materials and Supplies

The budget reflects inflationary pressure anticipated on materials and supplies and increased chemical dosages when more SWP supplies become available as the drought eases.

Utilities Charges

The budget reflects higher anticipated electricity rates from FY 2016/17.

Other

Outside Services-Non Professional/Maintenance budget reflects increased cost anticipated for annual security guard contract.

Operating Equipment – FY 2016/17 and FY 2017/18

The operating equipment budget has been reduced in this biennial budget which results in a

slightly aging fleet, particularly for lighter-duty vehicles. Priority was placed on maintaining sufficient heavy equipment for emergency response and aqueduct maintenance. For emergency response, the goal is to enable an internal response to two simultaneous pipeline breaks.

WATER RESOURCE MANAGEMENT

Water Resource Management (WRM) plans, secures, and manages water resources that Metropolitan supplies to its member agencies in a reliable, cost-effective, and environmentally responsible manner.

PROGRAMS

Water Resource Management protects and optimally manages imported water quantity and quality; advances water-use efficiency; provides supply and demand forecasts that are the foundation for resource planning; and develops and implements timely resource planning, programs, and projects.

In addition, WRM assists member agencies in optimizing their use of local resources to benefit the entire Metropolitan service area and ensures Metropolitan receives a fair return on contractual investments in local and imported resources.

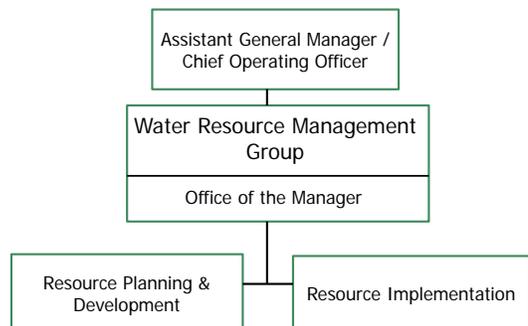
Water Resource Management accomplishes its mission through the following programs or sections:

Office of Manager directs the group's efforts in planning, securing, and managing Metropolitan's water resources; monitors and tracks the group's business plan, financial and budgetary initiatives; and provides administrative and business process support.

Resource Planning & Development 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 which sets the foundation for Metropolitan's resource mix and local supplies needed to meet demands. This 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 Integrated Resource Plan (IRP) and Water Surplus and Drought Management (WSDM) plan; and develops resource options, such as groundwater conjunctive use, regional recycling and seawater desalination; as well as alternatives for short-range planning and implementation through joint action with Water System Operations.

Resource Implementation 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, and conservation. 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.



GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, WRM will focus on the following key issues:

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 United States Bureau of Reclamation (USBR) to continue implementation of Minute 319 and coordinate emergency deliveries for Tijuana.

Continue administration of pilot system water projects that help keep Lake Mead levels above shortage triggers.

Develop strategy and tools for managing new agricultural land purchases in the Palo Verde Valley.

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 review and provide 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 supplement implementation of regional water conservation program initiatives.

Participate in activities leading to expanded use of recycled water and increased water use efficiency.

Administer agreements that provide incentives for conservation, recycled water, 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.

Continue to discuss and resolve disputed charges for the SWP.

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 and 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.

Continue participation in State Water Contractors, Inc., State Water Project Contractors Authority, and State and Federal Water Contractors Authority to coordinate activities at a statewide level.

Future Supply Actions

Staff will consider other future supply actions as 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 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 process.

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.

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.

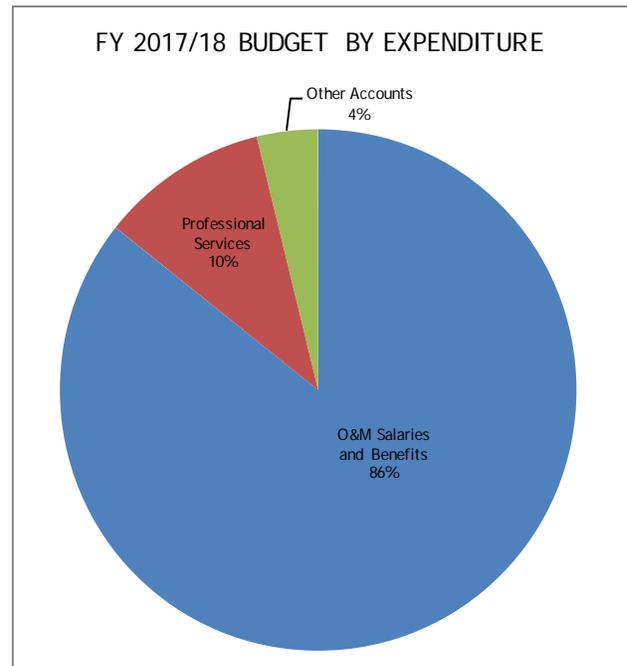
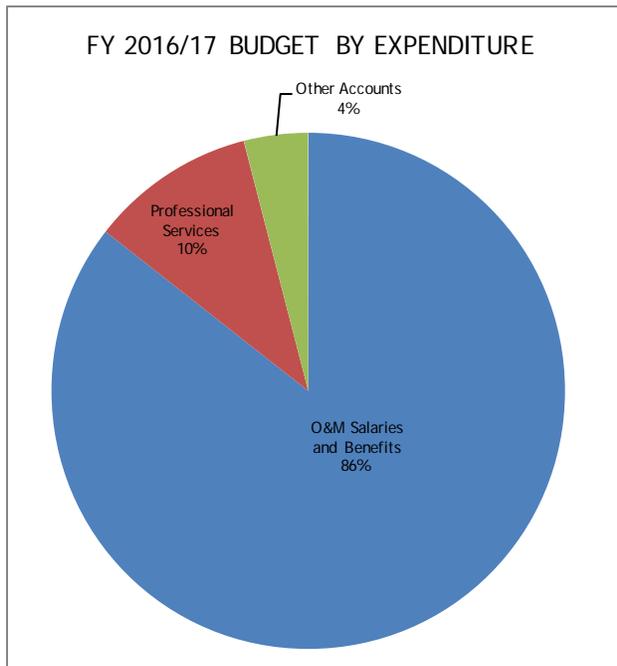
Workforce Development & Succession Planning

Continue to develop staff expertise in critical areas to prepare for future employee retirements or departures.

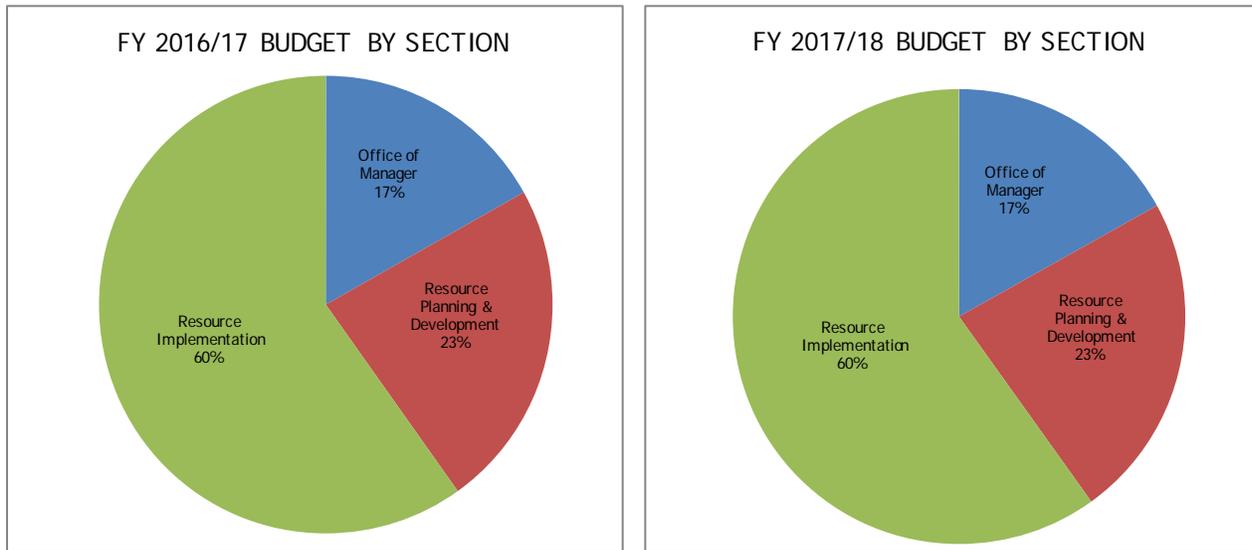
O&M FINANCIAL SUMMARY

	2014/15 Actual	2015/16 Budget	2016/17 Proposed	Change from 2015/16	2017/18 Proposed	Change from 2016/17
Total Salaries and Benefits	12,717,400	14,157,500	14,056,800	(100,700)	14,217,800	161,000
<i>Direct Charges to Capital</i>	<i>(2,000)</i>	—	—	—	—	—
O&M Salaries and Benefits	12,715,400	14,157,500	14,056,800	(100,700)	14,217,800	161,000
% Change		11.3%		(0.7%)		1.1%
Professional Services	1,322,100	2,113,200	1,710,000	(403,200)	1,740,000	30,000
Grant / Donation Expense	102,000	125,000	125,000	—	125,000	—
Graphics & Reprographics	11,200	79,900	35,700	(44,200)	25,700	(10,000)
Materials and Supplies	125,300	82,300	104,400	22,100	89,400	(15,000)
Memberships & Subscriptions	181,600	185,700	77,200	(108,500)	77,000	(200)
Rent & Leases	11,500	10,000	45,000	35,000	43,000	(2,000)
Training & Seminars Costs	10,700	46,000	36,200	(9,800)	36,200	—
Travel Expenses	139,200	156,500	126,000	(30,500)	126,100	100
Other Accounts	85,500	201,800	114,400	(87,400)	114,000	(400)
Total O&M	14,704,500	17,157,900	16,430,700	(727,200)	16,594,200	163,500
% Change		16.7%		(4.2%)		1.0%

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	Personnel Budget		
						15/16	16/17	17/18
Office of Manager	3,559,459	2,768,267	(791,192)	2,804,143	35,876	19	14	14
Resource Planning & Development	4,276,459	3,824,939	(451,520)	3,848,197	23,258	15	16	16
Resource Implementation	9,321,935	9,837,535	515,600	9,941,903	104,367	34	38	38
Total O&M	17,157,853	16,430,740	(727,113)	16,594,242	163,502	68	68	68

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	59	68	68	—	68	—
O&M	59	68	68	—	68	—
Capital	—	—	—	—	—	—
Temporary	—	—	—	—	—	—
O&M	—	—	—	—	—	—
Capital	—	—	—	—	—	—
Total Personnel	59	68	68	—	68	—
O&M	59	68	68	—	68	—
Capital	—	—	—	—	—	—

Note - Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

WRM's biennial budget is \$16.4 million in FY 2016/17 and \$16.6 million in FY 2017/18, or a decrease of 4.2% and an increase of 1.0%, respectively from the prior budget years. WRM achieved the 4.2% decrease while taking on additional responsibilities related to Colorado River Program Desert Land Management. The decrease was primarily due to the following factors:

- The primary factor, professional services, has been decreased through the reduction or deferral of various conservation research studies, system analysis technical studies, supply and aqueduct modeling, and water use investigations. The reduction may limit the ability to provide timely responses to technical studies and update models for the water resource evaluation.
- Various memberships were also eliminated that may reduce the ability to collaborate with other boards or agencies on statewide and federal issues.

The following are the significant changes by budget year.

FY 2016/17

Personnel-related issues

Total personnel count remains flat with the FY 2015/16 budget. Salaries and Benefits budget reflects anticipated retirements and vacancies filled at lower level job classifications.

Professional Services

The budget reflects reduced technical services for Colorado River water use mapping and monitoring, conservation research studies, IRP, system analysis technical studies and eliminated SWP supply and aqueduct modeling support. These reductions were offset by professional services related to Colorado River Program Desert Land Management.

Memberships and Subscriptions

Budget reflects the elimination of memberships and subscriptions for Western Urban Water

Coalition, California Urban Water Agencies, and WaterReuse Foundation.

Other

The budget reflects reduced travel associated with SWP, CRA, conservation, and local resources program and a reduction in conservation marketing materials and IRP reports.

FY 2017/18

Personnel-related issues

Total personnel count remains flat with the FY 2016/17 budget. Salaries and Benefits budget reflects merit increases for qualified employees and an increase in retirement-related benefits costs.

Professional Services

The budget reflects an increase related to the State Water Contract audit.

ENGINEERING SERVICES

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.

PROGRAMS

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

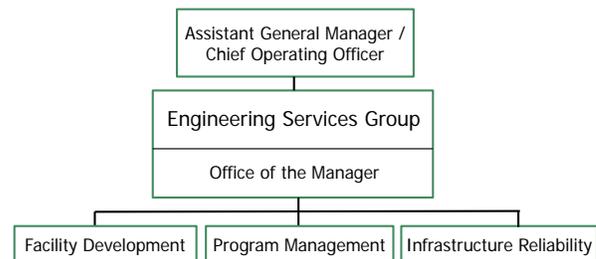
Engineering Services accomplishes its mission through the following programs or services:

Office of the Group Manager oversees the management of the Engineering Services group by providing strategic leadership on engineering initiatives and core business efforts, to ensure the continued reliability and quality of water deliveries.

Facility Development is responsible for providing design, environmental planning, and local and regional water-related facility planning services.

Infrastructure Reliability is responsible for construction management and for the monitoring and protection of Metropolitan's infrastructure.

Program Management is responsible for overall project delivery of capital and O&M projects, and serves as Metropolitan's "Owner's Engineer."



GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, Engineering Services will focus on the following key issues:

California Water Fix and California Eco Restore

Provide engineering and program management leadership in support of the California Water Fix and California Eco Restore initiatives.

Drought Management

Develop and execute projects to optimize water system operations and expand the delivery of Colorado River water to areas of the distribution system that are normally supplied by the State Water Project.

Expedite development of a Regional Recycled Water Supply Program including the design and construction of a demonstration-scale recycled water treatment plant, and preparation of a comprehensive feasibility study of a full-scale recycled water system.

Continue to support opportunities to collaborate with other agencies to enhance local water supplies.

Infrastructure Reliability

Manage and complete Board-authorized projects within the CIP to ensure the reliable delivery of water to Metropolitan's member agencies.

Provide engineering and technical services to support the operation and maintenance of Metropolitan's water conveyance, delivery, and treatment facilities.

Protect public safety, minimize future costs of infrastructure maintenance and repairs, avoid unplanned outages by monitoring Metropolitan's facilities and right-of-way, and performing essential technical assessments.

CIP Management

Execute and prioritize capital projects to address Metropolitan's short-term needs and long-term objectives, and optimize utilization of internal and external resources.

Evaluate project performance to identify and implement improvements in project delivery.

Employee Development

Lead workforce development and succession planning activities to optimally maintain technical expertise and skills needed in the future.

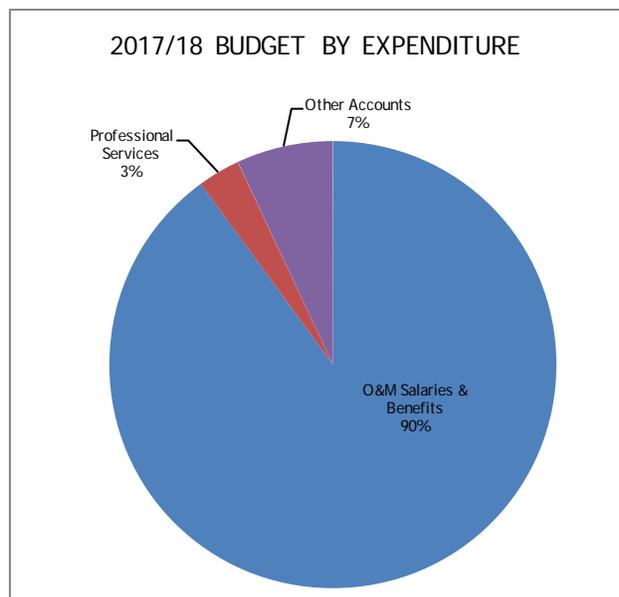
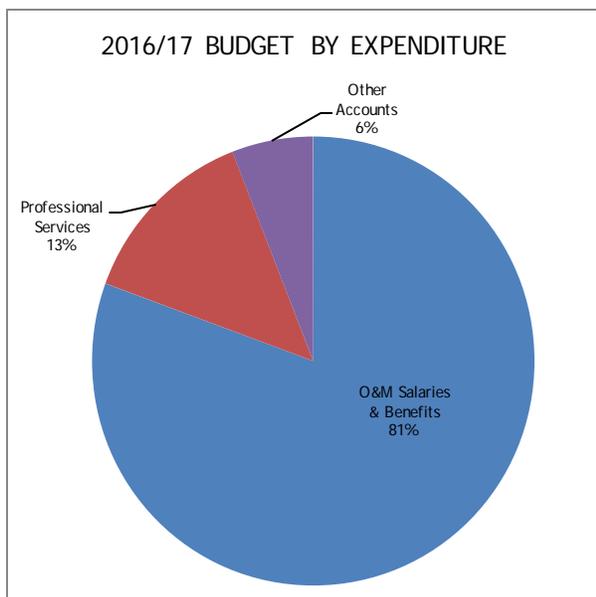
Customer Service

Provide technical leadership and services to meet Metropolitan's business needs.

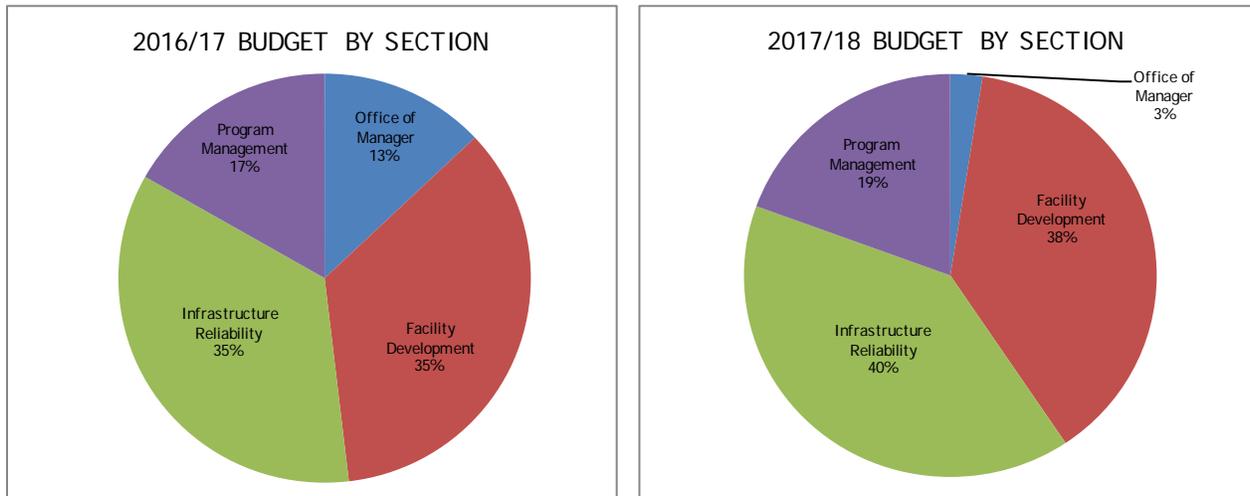
O&M FINANCIAL SUMMARY

	2014/15 Actual	2015/16 Budget	2016/17 Proposed	Change from 2015/16	2017/18 Proposed	Change from 2016/17
Total Salaries and Benefits	68,237,600	68,811,500	70,196,000	1,384,500	71,410,800	1,214,800
<i>Direct Charges to Capital</i>	<i>(41,307,600)</i>	<i>(41,895,500)</i>	<i>(43,990,800)</i>	<i>(2,095,300)</i>	<i>(46,375,100)</i>	<i>(2,384,300)</i>
O&M Salaries and Benefits	26,930,000	26,916,000	26,205,200	(710,800)	25,035,700	(1,169,500)
% Change		(0.1%)		(2.6%)		(4.5%)
Professional Services	1,161,600	1,445,300	4,371,000	2,925,700	851,000	(3,520,000)
Communication Expenses	95,200	130,000	100,000	(30,000)	100,000	—
Materials and Supplies	578,400	448,800	580,200	131,400	602,200	22,000
Memberships & Subscriptions	89,400	146,700	181,300	34,600	188,900	7,600
Taxes & Permits	371,500	302,000	320,000	18,000	330,000	10,000
Travel Expenses	167,600	261,900	140,400	(121,500)	130,000	(10,400)
Utilities Charges	166,800	240,000	180,000	(60,000)	180,000	—
Other Accounts	558,900	380,200	433,600	53,400	414,800	(18,800)
Total O&M	30,119,400	30,270,900	32,511,700	2,240,800	27,832,600	(4,679,100)
% Change		0.5%		7.4%		(14.4%)
Operating Equipment	566,200	406,300	435,400	29,100	258,800	(176,600)
Total O&M and Operating Equipment	30,685,600	30,677,200	32,947,100	2,269,900	28,091,400	(4,855,700)
% Change		0.0%		7.4%		(14.7%)

Note – Totals may not foot due to rounding.



O&M BUDGET BY SECTION



	2015/16	2016/17	Change from	2017/18	Change from	Personnel Budget		
	Budget	Proposed	2015/16	Proposed	2016/17	15/16	16/17	17/18
Office of Manager	1,117,679	4,214,834	3,097,155	696,824	(3,518,010)	8	1	1
Facility Development	12,010,151	11,429,533	(580,618)	10,599,684	(829,849)	55	50	45
Infrastructure Reliability	11,404,324	11,421,675	17,351	11,133,938	(287,736)	60	58	56
Program Management	5,738,743	5,445,638	(293,105)	5,402,154	(43,484)	23	30	29
Total O&M	30,270,897	32,511,680	2,240,783	27,832,601	(4,679,079)	146	139	131

Note - Totals may not foot due to rounding.

PERSONNEL SUMMARY

		2014/15	2015/16	2016/17	Change from	2017/18	Change from
		Actual	Budget	Proposed	2015/16	Proposed	2016/17
Regular		345	371	371	—	371	—
	O&M	134	146	139	(7)	131	(8)
	Capital	211	225	232	7	240	8
Temporary		2	—	—	—	—	—
	O&M	—	—	—	—	—	—
	Capital	2	—	—	—	—	—
Total Personnel		347	371	371	—	371	—
	O&M	134	146	139	(7)	131	(8)
	Capital	213	225	232	7	240	8

Note - Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

Engineering Services O&M budget is \$32.5 million in FY 2016/17 and \$27.8 million in FY 2017/18. As detailed below, Engineering Services' budget is influenced significantly by a new initiative, Metropolitan's Regional Recycled Water Supply Program. During FY 2016/17, a conceptual feasibility study for this program will be conducted that is categorized as a Major O&M project. This effort is planned to be completed within that fiscal year.

Total planned expenditures for FY 2016/17 are approximately \$2.2 million or 7.4% more than in FY 2015/16, with the addition of Major O&M support required for Metropolitan's Regional Recycled Water Supply Program. All support to the California Water Fix initiative is planned to be funded under a reimbursable agreement.

For FY 2017/18, planned expenditures are approximately \$4.7 million or 14.4% less than in FY 2016/17, due to completion of Major O&M work in support of the Regional Recycled Water Supply Program.

O&M	FY 2015/16	FY 2016/17	FY 2017/18
Labor	\$26,915,999	\$24,649,180	\$25,035,701
Non-labor	\$3,354,900	\$2,786,500	\$2,796,900
Total O&M	\$30,270,899	\$27,435,680	\$27,832,601
Recycled Water (labor & non-labor)	\$0	\$5,076,000	\$0
Total O&M & Special Initiative	\$30,270,899	\$32,511,680	\$27,832,601
% Change		7.4%	(14.4%)

Note: Excludes Operating Equipment

The following are the significant changes by budget year.

FY 2016/17

Personnel-Related Issues

Total personnel levels remain consistent with the previous fiscal year. However, the O&M and capital complement is different from the FY 2015/16 budget. This is primarily due to the shift in Major O&M work with the California Water Fix initiative no longer being funded under Major O&M as it is planned to be funded under a reimbursable agreement, and Major O&M support required for Metropolitan's Regional Recycled Water Supply Program.

Planned capital expenditures for FY 2016/17 are approximately \$56 million less than in FY 2015/16, with a total capital budget of \$180

million. This decrease in planned expenditures reflects a readjustment of project budgets and schedules to meet Metropolitan's overall biennial budgetary goals. Actual capital expenditures during the FY 2015/16 are also projected to be about \$33 million less than budgeted.

Professional Services

The budget primarily reflects increases to support Metropolitan's Regional Recycled Water Supply Program.

Materials and Supplies

The budget reflects an increase in design-related software maintenance costs.

Travel Expenses

The budget reflects decreases of travel-related expenses for the California Water Fix initiative, which is planned to be funded under a reimbursable agreement.

Utility Charges

The budget reflects an overall decrease in Engineering Services' utility costs at the La Verne facility based on current expenditure trends.

Other

Other nonlabor budget includes planned expenditures to support Metropolitan's Regional Recycled Water Supply Program and Engineering's workforce development programs (e.g., Career Launch, Mentoring Program, etc.).

FY 2017/18

Personnel-related issues

Total personnel levels remain consistent with the previous fiscal year. However, the O&M and capital complement is different from the FY 2016/17 budget. This is primarily due to the planned completion of Major O&M work in FY 2016/17 for Metropolitan's Regional Recycled Water Supply Program, resulting in a shift of O&M staffing to CIP in FY 2017/18.

Planned capital expenditures for FY 2017/18 will remain steady, with a total capital budget of \$180 million. High priority projects that will continue

during the fiscal year include the Weymouth Oxidation Retrofit Program, which will be completed; the Prestressed Concrete Cylinder Pipe (PCCP) Rehabilitation Program; the Colorado River Aqueduct (CRA) Reliability Programs; and the Right of Way and Infrastructure Protection Program.

Professional Services

The budget primarily reflects a decrease due to completion of support to Metropolitan's Regional Recycled Water Supply Program.

Materials and Supplies

The budget reflects anticipated increases in design-related software maintenance costs.

Other

The Conference and Meetings budget reflects decreases due to completion of support to Metropolitan's Regional Recycled Water Supply Program.

Operating Equipment – FY 2016/17 and FY 2017/18

The operating equipment budget reflects a slight increase from FY 2015/16 to FY 2016/17, and then a decrease in FY 2017/18 primarily due to the deferral of vehicle replacements. Other equipment identified to be replaced includes robotic total stations (field survey equipment) which have already exceeded their expected service life.

BUSINESS TECHNOLOGY

Business Technology Group (BTG) provides outstanding value to its customers for a wide range of administrative and technical services.

PROGRAMS

Business Technology group accomplishes its mission through the following programs or sections:

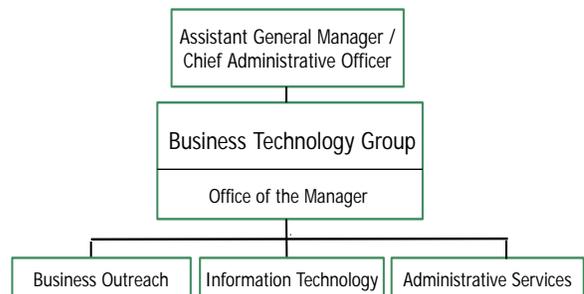
Office of the Manager oversees Metropolitan's annexation functions along with the group's business planning, budget development, performance management, strategic initiatives, and workforce development.

Administrative Services provides a range of services including contracting, procurement, inventory management, warehousing, graphics, videography and photography, technical writing, grant management, records management, facilities management for Union Station and the DVL Visitor Center, and administration of Metropolitan's Rideshare Program.

Information Technology delivers comprehensive technology services and solutions in water systems and business applications (e.g., laboratory information management system, financial and human resource systems, maintenance management system, etc.), geographic information systems,

telecommunications/networks, SCADA, programming, network communications, and computer hardware and software.

Business Outreach seeks to advance 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, local owned, women-owned, minority-owned, and veteran and economically disadvantaged business enterprises.



GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, BTG will focus on the following key issues:

Business Technology & Process Enhancement

Implement projects in support of the Information Strategic Plan (ITSP) update. Expected initiatives include additional migration to mobile technology and implementation of cloud solutions to enhance productivity and streamline business processes, mitigate cost or cost avoidance.

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.

Continue to evaluate emerging technology advancements in the business environment to determine their application for Metropolitan.

Continue to promote procurement training methods including online training for credit card use and agreement administration to further the customer's knowledge of available procurement tools and value added opportunities for Metropolitan.

Continue to monitor and participate in local and national efforts aimed at enhancing security capabilities for water utilities.

Partner with the Engineering Services and Water Systems Operations groups to begin deployment of a Water Systems Asset Information Program that will support ongoing and future planning, engineering, operations, maintenance, and asset management.

Initiate the design phase of the Enterprise Content Management (ECM) system to satisfy existing and future compliance of physical and electronic records in line with fiscal, legal, and regulatory requirements. As part of a strong ECM strategy and design, the system will provide a framework for collaboration and automation while protecting Metropolitan by reducing risk of exposure in litigation, enhancing efficiency of core business

processes, and supporting the enterprise business continuity plan.

Information Systems Upgrades and Projects

Complete upgrade for Enterprise Learning Management.

Initiate project to replace the critical data storage devices at Metropolitan Headquarters datacenter to provide sufficient computing power and modernize the datacenter to meet current and future needs.

Deploy phase one of a three-phase project to improve the reliability, performance, and capacity of Metropolitan's wireless network infrastructure comprising of microwave radio wide-area networks (WANs) and wireless access point local-area-networks (LANs).

Begin the first phase of the project to implement power, grounding, and HVAC upgrades to computer rooms and communications facilities to ensure that critical IT, WSO, and business systems remain operational for required emergency durations in the event of a temporary electrical power outage.

Deploy the upgrade of audio, video and information technology-related equipment in the main board room and all committee rooms in Metropolitan's headquarters building.

Complete final design and seek Board approval for a construction contract to upgrade the control and electrical protection systems at the Wadsworth Pumping Plant to ensure continued reliability of the facility.

Continue enhancements to Metropolitan's cyber security capabilities to ensure protection against evolving cyber threats.

Complete deployment of the emergency two-way radio system to improve its coverage, reliability, ease of use and durability during emergencies.

Initiate an infrastructure upgrade at Metropolitan's IT Disaster Recovery Facility (DRF) in Riverside County. The upgrade will equip the

facility with necessary upgrades to hardware and software to recover critical IT systems at a desired performance level and reduce risk of disruption of these business systems.

Business Outreach

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 25% or better for contracting dollars to small business.

Continue to participate as a host of the Annual California Construction Expo where Metropolitan and other state agencies present public works construction opportunities to contractors and suppliers.

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 advance public water agencies’ role in the development of water and power related technologies.

Sustainability Efforts

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.

Facility & Energy Management

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.

Begin implementation of findings from an energy management/usage audit of Union Station designed to reduce energy costs and improve operational efficiency.

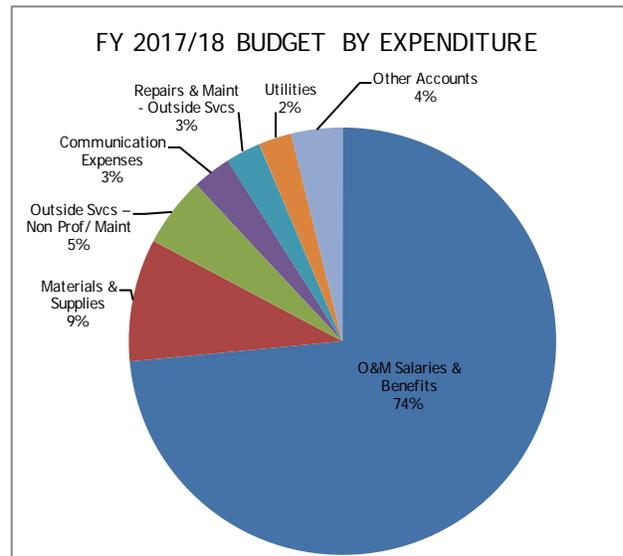
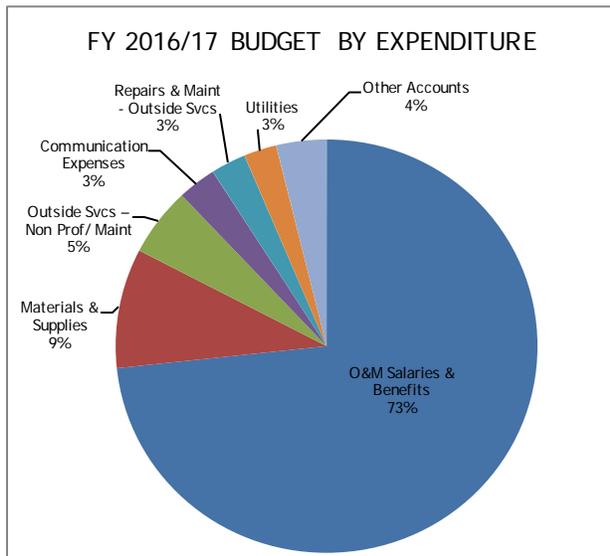
Continue to partner with Real Property Development and Management to effectively utilize space and to support leasing space for revenue generation.

Manage critical rehabilitation projects of Union Station Headquarters as the facility ages beyond 17 years old; repairing and replacing equipment only as required.

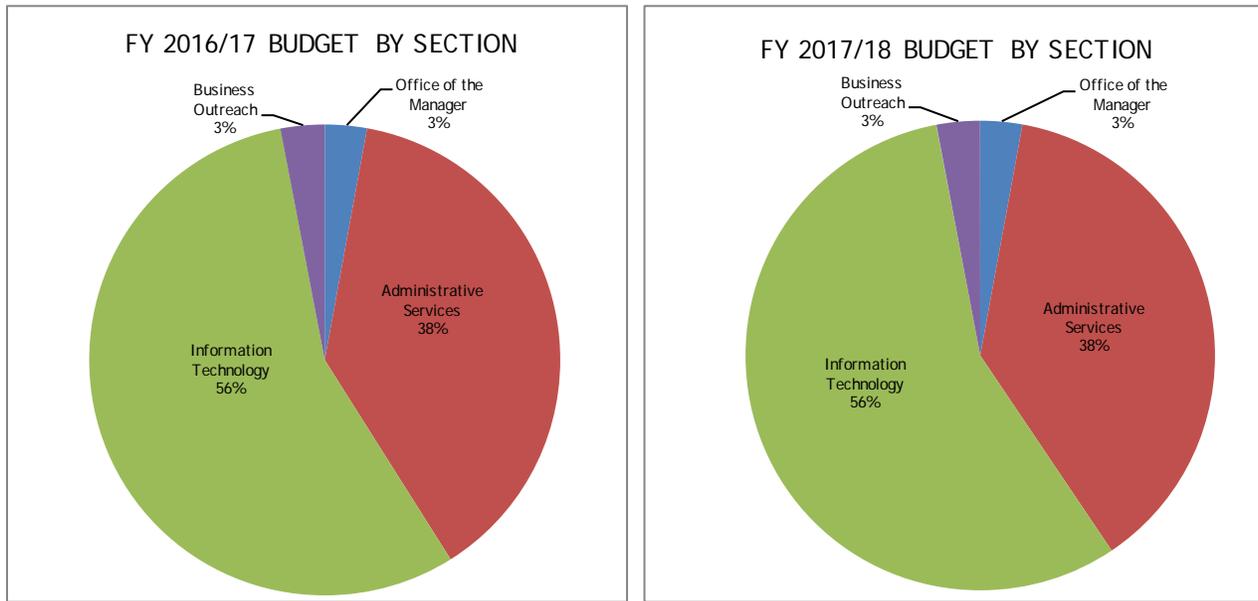
O&M FINANCIAL SUMMARY

	2014/15 Actual	2015/16 Budget	2016/17 Proposed	Change from 2015/16	2017/18 Proposed	Change from 2016/17
Total Salaries and Benefits	40,428,100	43,838,800	40,121,200	(3,717,600)	40,736,600	615,400
<i>Direct Charges to Capital</i>	<i>(1,307,200)</i>	<i>(966,100)</i>	<i>(1,309,200)</i>	<i>(343,100)</i>	<i>(1,319,300)</i>	<i>(10,100)</i>
O&M Salaries and Benefits	39,120,900	42,872,700	38,812,000	(4,060,700)	39,417,300	605,300
% Change		9.6%		(9.5%)		1.6%
Professional Services	493,100	452,700	524,500	71,800	540,700	16,200
Communication Expenses	1,550,800	1,571,300	1,574,200	2,900	1,574,200	—
Materials and Supplies	5,106,700	5,357,500	4,943,800	(413,700)	4,979,200	35,400
Outside Services - Non Professional / Maintenance	2,446,200	2,867,100	2,822,600	(44,500)	2,827,900	5,300
Rent & Leases	696,500	818,600	704,500	(114,100)	729,500	25,000
Repairs & Maintenance - Outside Services	998,800	1,511,800	1,420,600	(91,200)	1,427,600	7,000
Utilities Charges	1,093,900	1,461,400	1,332,600	(128,800)	1,332,600	—
Other Accounts	1,000,800	863,600	807,600	(56,000)	808,600	1,000
Total O&M	52,507,700	57,776,700	52,942,400	(4,834,300)	53,637,600	695,200
% Change		10.0%		(8.4%)		1.3%
Operating Equipment	936,200	764,000	698,700	(65,300)	627,800	(70,900)
Total O&M and Operating Equipment	55,443,900	58,540,700	53,641,100	(4,899,600)	54,265,400	624,300
% Change		9.5%		(8.4%)		1.2%

Note – Totals may not foot due to rounding.



O&M BUDGET BY SECTION



	2015/16	2016/17	Change from	2017/18	Change from	Personnel Budget		
	Budget	Proposed	2015/16	Proposed	2016/17	15/16	16/17	17/18
Office of the Manager	1,660,154	—	(1,660,154)	—	—	7	—	—
Administrative Services	21,777,738	20,784,043	(993,695)	21,049,189	265,146	98	102	102
Information Technology	32,608,483	30,375,495	(2,232,988)	30,794,005	418,510	124	123	123
Business Outreach	1,730,299	1,782,841	52,542	1,794,401	11,560	7	7	7
Total O&M	57,776,674	52,942,379	(4,834,295)	53,637,595	695,216	236	232	232

Note - Totals may not foot due to rounding.

PERSONNEL SUMMARY

		2014/15	2015/16	2016/17	Change from	2017/18	Change from
		Actual	Budget	Proposed	2015/16	Proposed	2016/17
Regular		223	241	239	(2)	239	—
	O&M	217	236	232	(4)	232	—
	Capital	5	5	7	2	7	—
Temporary		3	—	2	2	1	(1)
	O&M	3	—	—	—	—	—
	Capital	—	—	2	2	1	(1)
Total Personnel		226	241	241	—	240	(1)
	O&M	220	236	232	(4)	232	—
	Capital	6	5	9	4	8	(1)

Note - Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

Business Technology's biennial O&M and Operating Equipment budget is \$53.6 million in FY 2016/17 and \$54.3 million in FY 2017/18 or a decrease of 8.4% and a slight increase of 1.2%, respectively from the prior budget years. The decrease is due to the following factors:

- The primary factor, Salary and Benefits, has been reduced as a result of the elimination of a position, the unfunding of nine positions and the anticipated vacancies from retirements and position movements. In addition, resources are anticipated to be shifted to Capital Projects in lieu of the use of consultants. BTG is preparing its customers for O&M service delays over this biennium period as workload will be tightly managed and prioritized in order to meet budget reductions.
- Software maintenance costs were eliminated for any new corporate/business applications that have not come online with some costs passed back to the user.
- Lower outside service maintenance costs are expected for IT servers as a result of new servers installed over the past biennium that are under warranty.
- Additional maintenance reductions/deferrals for Union Station Headquarters and DVL Facilities are also planned.

The following are the significant changes by budget year.

FY 2016/17

Personnel-related issues

Total personnel count remains flat with the FY 2015/16 budget.

Salaries and Benefits budget reflects the elimination of one regular position, a transfer of a regular position to Human Resources, nine unfunded positions, and planned vacancies that will negatively impact service levels in the areas of Union Station HQ and DVL Facility Maintenance, Records Management, and Warehouse systems. In the areas of information technology, service level delays and/or reductions are planned for the areas of new mobile technology, software compliance monitoring, database administration for Oracle Financials, and desktop/helpdesk support.

Capital labor budget reflects an increase in scheduled demands for ongoing rehabilitation and upgrades of IT facilities in support of the Water System Operations and Engineering Services groups. These include upgrades to the DVL Controls at the Wadsworth Pumping Plant, the Emergency Two-way Radio system, the Water Asset Information System, Water Systems Control

Master Plan, Cyber Security Enhancements and the Communications Infrastructure Upgrade.

Professional Services

The budget reflects additional IT support in the areas of video streaming for board and committee rooms and initiatives associated with the ITSP.

Materials and Supplies

The budget reflects reduced levels of software licensing/support agreements as a result of deferred capital projects associated with capital reporting, Enterprise Content Management, and Emergency Radio Communications. Any contractual cost increases of existing software maintenance and licensing will be absorbed. The budget also reflects reductions in janitorial and building maintenance supplies due to deferring building maintenance at Union Station and DVL facilities.

Outside Services – Non Professional and Repairs/Maintenance

The budget reflects a decrease due to deferral/delays for Union Station and DVL visitor building maintenance and services for maintenance of IT Servers and equipment.

Other

The utilities budget reflects a decrease to align with current usage at Union Station and DVL Facilities along with the assumption of a zero-percent change to utility rates. The rents and leases budget reflects the current costs for rideshare vehicles and reprographic equipment.

FY 2017/18

Personnel-related issues

Total regular personnel count for both O&M and capital work remains flat from the FY 2016/17 budget. The slight increase of 1.6% in the Salaries

and benefits budget is due to merit increases for qualified employees and an increase in retirement-related benefit costs.

Operating Equipment – FY 2016/17 and FY 2017/18

The operating equipment budget reflects the critical replacement of IT servers, routers, and storage devices used for Metropolitan applications; and replacement of Union Station headquarters equipment at end of life.

The operating equipment budget is decreasing slightly between budget years FY 2016/17 and FY 2017/18 primarily as a result of fewer IT equipment replacements.

HUMAN RESOURCES

Human Resources (HR) strategically, and cost effectively, recruits, retains, motivates, rewards, and develops Metropolitan's employees.

PROGRAMS

The focus of Human Resources is to work closely with management to foster effective people management, prepare for future workforce challenges, partner with customers on people solutions and provide excellent HR services that ensure compliance to numerous HR laws, regulations, and responsibilities.

HR services include employee and labor relations, recruitment and selection, equal employment opportunity (EEO), benefits, retirement, leave administration, classification and compensation administration, medical screening, workers compensation, training, organizational development, workforce and career development, and Metropolitan's casualty insurance and risk management programs to minimize exposure to loss.

HR accomplishes its mission through the following programs or sections:

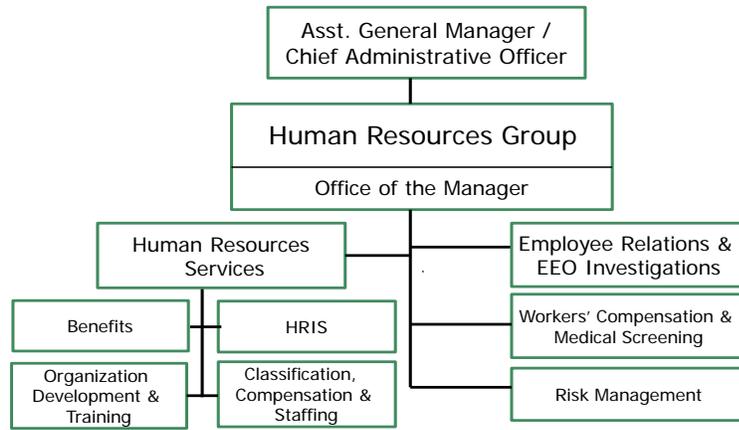
Office of Human Resource Group Manager provides strategic leadership and direction for Metropolitan's Human Resources functions. Organizations reporting directly to it include Employee Relations, Human Resources Services, Risk Management and Workers' Compensation and Medical Screening.

Employee Relations 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. The staff also serves as a resource to managers and supervisors on such matters as grievances, disciplinary actions, and workplace conflicts. The section also provides ongoing training to managers on all facets of employer-employee relations.

The section also has responsibility for diversity and inclusion and investigating internal complaints of unlawful discrimination. Diversity and inclusion includes partnering with Employee Resource groups and external affinity groups to outreach to future applicants. EEO investigations staff meet 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.

Human Resources Services is responsible for the strategic design and implementation of Metropolitan's compensation, benefits, recruitment, training and the Human Resources Information Systems programs. The section leads and participates in continuous process improvement and cost optimization studies for all plans. Responsibilities include job analysis, market assessments, recruitment, active employee and retiree benefit program administration, partnering with management on new initiatives, and implementing new programs and agreements.



GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, HR will focus on the following key issues that support the GM's objective of Employee Development and additional HR priorities:

Ensure Effective People Management

Strong people management skills are essential to meeting Metropolitan's future challenges and successes. HR will ensure that the role of management is defined and that current managers have the tools and training needed to provide effective people management.

A formal, multi-tiered Management and Leadership Development program will help managers better understand their roles and responsibilities as they progress through management.

Learning opportunities will be provided to employees to prepare for future management positions from the entry level manager all the way to the executive level.

Ongoing events, workshops and forums will provide opportunities to deliver consistent expectations and tools for management.

Build Partnerships with HR Customers

Effective people solutions require that HR partner with its customers which includes management, labor, employees, retirees and others. HR must understand the customer's business needs and then build working relationships that develop effective solutions to people-related challenges. This working partnership will minimize misdirected efforts, speed decision-making, reduce rework and, ultimately, produce a better workplace at a reduced cost.

Strengthen HR/customer partnerships and communication to identify areas for improvement in HR products, services, support and messaging.

Ensure Risk Management, Employee Relations, EEO and Legal Department coordinate to avoid unnecessary litigation of liability claims and cost-

effectively resolve claims that are addressed by these organizations.

Prepare to Meet Challenges of Future Workforce Changes

Based on current workforce demographics, it is a certainty that Metropolitan will face increasing staff turnover over the next decade. This will create opportunities for existing employees and challenges for management. As employees are promoted or hired, management needs to examine opportunities for re-organizing work, restructuring functions, supporting diversity and managing change.

This will include a focus on learning, development, knowledge capture, cross-training opportunities, and building pipelines for future vacancies.

HR will develop new strategies, support existing efforts and ensure Metropolitan remains competitive when compared to other organizations.

HR will support career development activity undertaken by employees to enhance knowledge, skills, and abilities for future work and promotional opportunities, including support of internship and mentoring initiatives.

Provide Excellent Human Resources Services

HR provides a wide range of services and support from pre-hire to retirement and impacts almost every aspect of the organization. To make maximum contribution, all HR functions must serve as trusted advisors that speak with one voice, listen well and provide consistent guidance on people-related matters.

HR will continue to simplify policies, processes, and procedures to reduce the costs of HR administration by utilizing technology, reducing redundancies or implementing new approaches to existing services.

HR will develop standard reports to enhance management access to employee data and assist with decision-making.

HR will administer a full range of benefit services for health, leave, deferred compensation and retirement programs.

HR will continue to review the recruitment process and procedures to improve quality of hire and time-to-fill.

Ensure Compliance with Laws and Regulations

HR manages compliance to four MOUs and the Administrative Code, and addresses many sensitive and confidential personnel issues.

HR will continue to monitor a wide array of changing legal and regulatory requirements while adapting HR processes and systems to conform to these changing requirements.

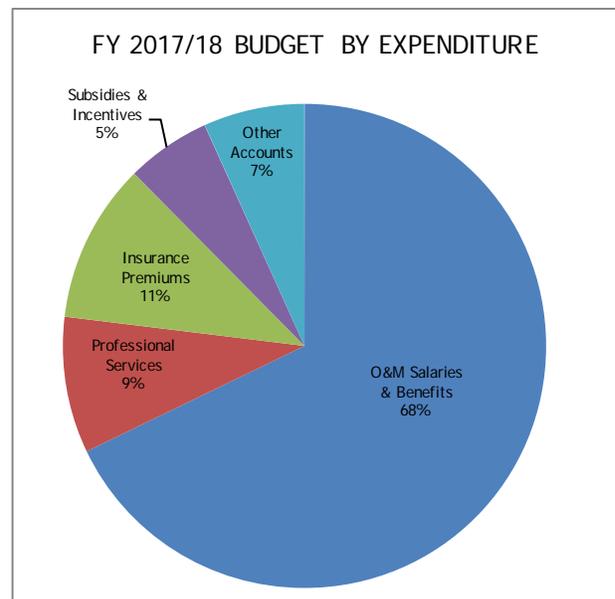
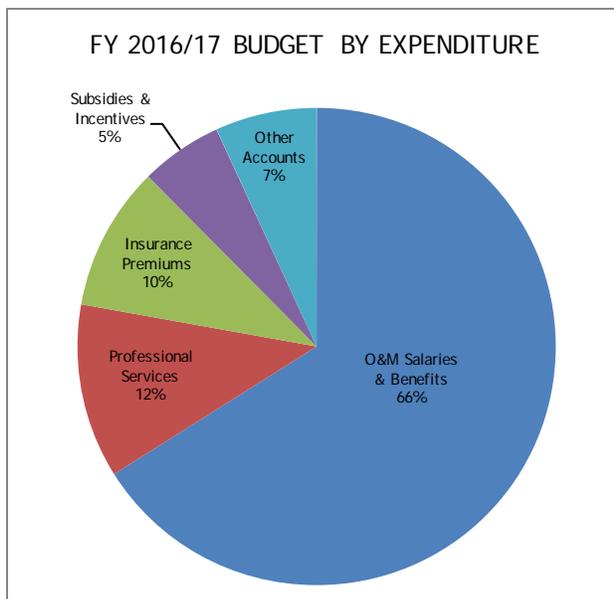
HR will ensure Metropolitan meets Equal Employment Opportunity requirements and numerous Federal, State, and Local laws and regulations and Public Sector codes and rulings.

HR will maintain fiduciary responsibilities in the management of financial and retirement programs, comply with the Affordable Care Act, privacy and data security requirements.

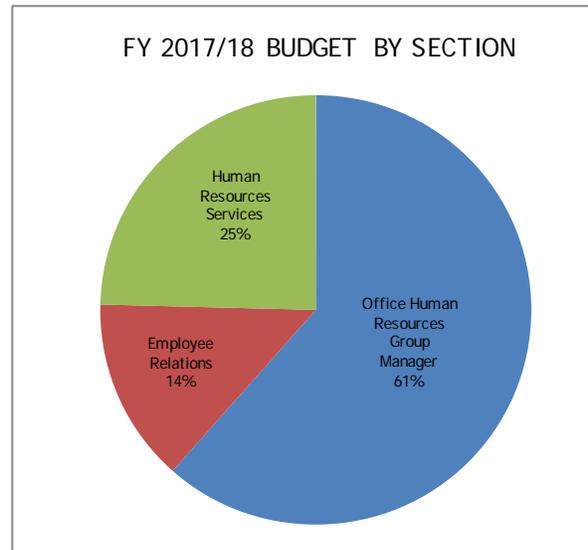
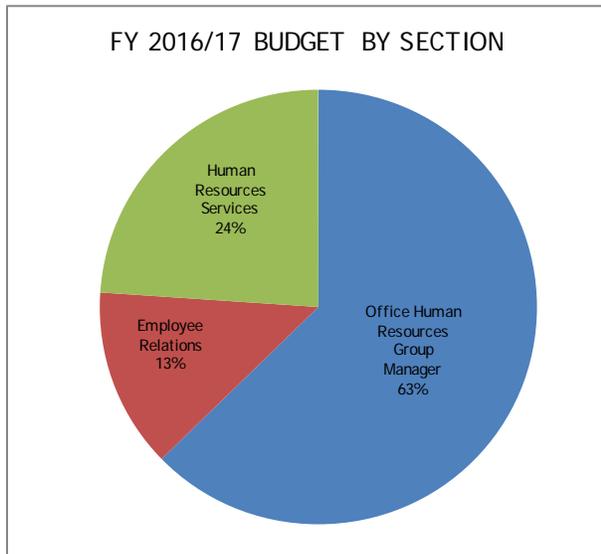
O&M FINANCIAL SUMMARY

	2014/15 Actual	2015/16 Budget	2016/17 Proposed	Change from 2015/16	2017/18 Proposed	Change from 2016/17
Total Salaries and Benefits	8,073,200	8,254,300	8,117,800	(136,500)	8,277,000	159,200
<i>Direct Charges to Capital</i>	—	—	—	—	—	—
O&M Salaries and Benefits	8,073,200	8,254,300	8,117,800	(136,500)	8,277,000	159,200
% Change		2.2%		(1.7%)		2.0%
Professional Services	911,100	1,279,600	1,451,800	172,200	1,110,400	(341,400)
Advertising	165,700	165,000	150,000	(15,000)	150,000	—
Insurance Premiums	1,122,400	1,300,000	1,200,000	(100,000)	1,300,000	100,000
Outside Services - Non Professional / Maintenance	120,800	277,000	197,000	(80,000)	202,000	5,000
Subsidies & Incentives	956,600	680,000	681,200	1,200	688,500	7,300
Training & Seminars Costs	181,800	132,800	186,200	53,400	160,200	(26,000)
Other Accounts	326,400	292,000	311,000	19,000	314,000	3,000
Total O&M	11,858,000	12,380,700	12,295,000	(85,700)	12,202,100	(92,900)
% Change		4.4%		(0.7%)		(0.8%)
Operating Equipment	12,800	—	—	—	—	—
Total O&M and Operating Equipment	11,870,800	12,380,700	12,295,000	(85,700)	12,202,100	—
% Change		4.3%		(0.7%)		(0.8%)

Note – Totals may not foot due to rounding.



O&M BUDGET BY SECTION



	2015/16	2016/17	Change from	2017/18	Change from	Personnel Budget		
	Budget	Proposed	2015/16	Proposed	2016/17	15/16	16/17	17/18
Office of the Manager	7,221,901	7,709,392	487,491	7,508,435	(200,957)	19	21	21
Employee Relations	1,650,190	1,642,278	(7,912)	1,692,063	49,785	7	7	7
Human Resources Services	3,508,510	2,943,309	(565,201)	3,001,559	58,250	15	14	14
Total O&M	12,380,601	12,294,979	(85,622)	12,202,057	(92,922)	41	42	42

Note - Totals may not foot due to rounding.

PERSONNEL SUMMARY

		2014/15	2015/16	2016/17	Change from	2017/18	Change from
		Actual	Budget	Proposed	2015/16	Proposed	2016/17
Regular		39	41	42	1	42	—
	O&M	39	41	42	1	42	—
	Capital	—	—	—	—	—	—
Temporary		2	—	—	—	—	—
	O&M	2	—	—	—	—	—
	Capital	—	—	—	—	—	—
Total Personnel		41	41	42	1	42	—
	O&M	41	41	42	1	42	—
	Capital	—	—	—	—	—	—

Note - Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

HR's biennial budget is \$12.3 million in FY 2016/17 and \$12.2 million in FY 2017/18 or a decrease of 0.7% and 0.8% respectively from the prior budget years. The decrease is due primarily to the following factor:

- Based on an assessment of future training needs and priorities, more in-house training versus hiring consultants will be done. As a result, professional services decrease by 13% over the biennium.

The following are the significant changes by budget year.

FY 2016/17

Personnel-related issues

Personnel count increased by one from FY 15/16 budget for an analyst to support workers compensation and medical screening. Salaries and Benefits budget is lower due to hiring replacement employees at lower levels and unfunding a position.

Professional Services

The budget reflects services related to bargaining unit negotiations.

Insurance Premiums

The budget is anticipated to remain lower in 2016/17 based on 2015/16 negotiated rates.

Advertising

The budget is anticipated to be lower due to a declining number of recruitments.

FY 2017/18

Personnel-related issues

Personnel count remains flat from FY 16/17. Salaries and Benefits budget reflects merit increases for qualified employees and retirement-related benefit increases.

Professional Services

The budget is anticipated to be lower due to the completion of labor negotiations.

Insurance Premiums

The budget reflects anticipated increases in 2016/17 rates.

REAL PROPERTY DEVELOPMENT & MANAGEMENT

The Real Property Development and Management (RPDM) group plans, secures and manages Metropolitan’s real property assets, proactively seeking to enhance revenue while ensuring that Metropolitan’s core business is protected.

PROGRAMS

The Real Property Development and Management group accomplishes its mission through the following programs or sections:

Office of the Group Manager directs the group’s efforts in planning, acquiring, and managing Metropolitan’s real property assets; monitors and tracks the group’s business plan, financial and budgetary initiatives; and provides administrative and business process support.

The Office of the Group Manager is also responsible for the development of real property policies and strategies.

The Office of the Group Manager includes the Planning & Acquisition unit, the Revenue & Property Management unit and the Business Management – Real Estate team.

Planning & Acquisition Unit is responsible for the planning and acquisition of property and property rights for O&M and capital projects including the Right of Way and Infrastructure Protection Program, Regional Recycled Water Supply Program, and Bay Delta Initiatives.

Revenue & Property Management Unit strategically seeks to generate supplementary 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 Team handles property tax and lease payments, contract support, Board letter and report coordination and all other administrative functions related to property acquisition and management.



GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, RPDM will focus on the following key issues:

Revenue Enhancement Strategies

Continue to implement revenue enhancement strategies and opportunities for Metropolitan 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 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.

Property Management System Improvement

Continue efforts to improve procedures, tools, technologies, and practices for public sector property management in light of current and future trends.

Complete implementation of REPortfolio, the group's new real property management system software.

Real Property Asset Protection & Stewardship

Protect rights-of-way and facilities for optimal operating conditions and promote stewardship and sustainability of real property assets.

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.

Complete annual site inspections of conveyed property.

Improve land security practices to further decrease incidences of trespass.

Revise right-of-way operating policies to reflect contemporary best practices.

Continue efforts to detect and address right-of-way encroachments in a responsible manner.

Monitor compliance with terms of licensing and leasing agreements (e.g., invoicing, insurance coverage, accounts receivable).

Monitor legislation regarding eminent domain, relocation assistance, and public agency real estate acquisition and appraisal practices.

Bay Delta Initiatives Support

Provide property planning, research, and valuation in support of the California Water Fix and Eco Restore efforts.

DVL Management

Continue to manage DVL and explore new marina opportunities, expand lease revenues, and improve trail access and public use.

Property & Right of Way Acquisition

Provide real property and right-of-way acquisition, negotiations, and relocation services for Metropolitan projects.

Conduct real property valuation, feasibility and cost studies for proposed and planned infrastructure and water reliability projects.

Capital Projects Support

Appraise and acquire all permanent and temporary easements for the Right of Way and Infrastructure Protection program.

Prepare a land use study, perform site analysis, and appraise construction areas for the Prestressed Concrete Cylinder Pipe (PCCP) Rehabilitation and Replacement program.

Acquire temporary easements for construction laydown areas for the Conveyance and Distribution System Rehabilitation program.

Prepare real property feasibility and cost studies for the Regional Recycled Water Supply program.

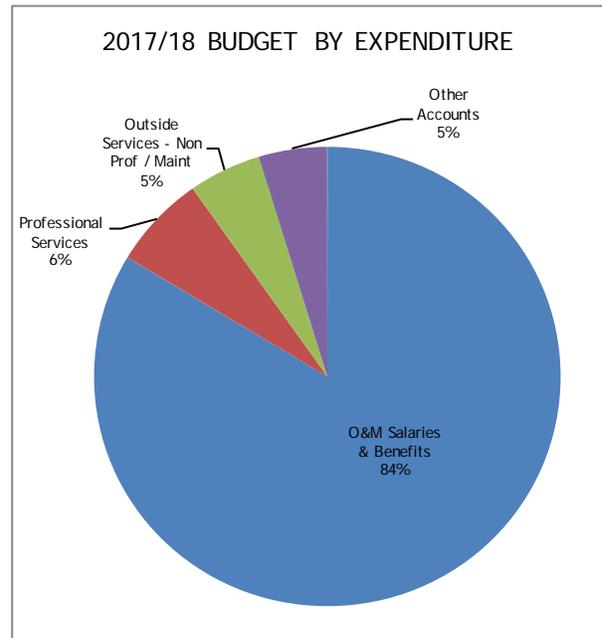
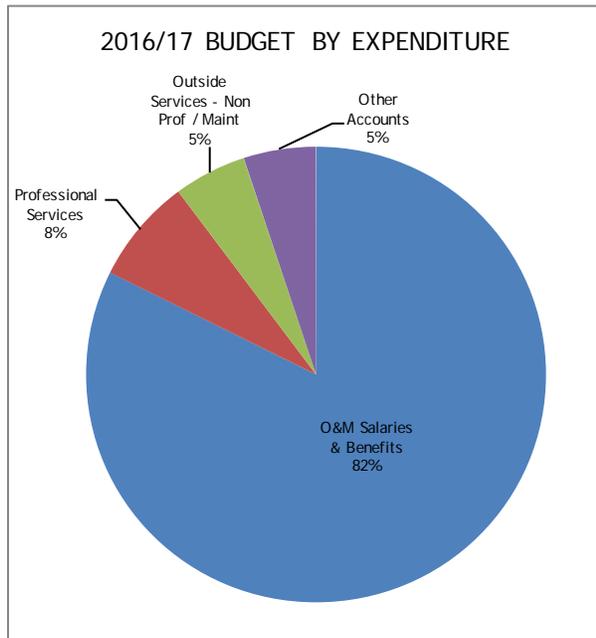
Workforce Development & Succession Planning

Expand knowledge, skills, and abilities of staff through training, succession planning, and educational workshops.

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	4,160,800	4,851,400	4,930,900	79,500	5,071,300	140,400
Direct Charges to Capital	(241,200)	(289,800)	(572,800)	(283,000)	(577,200)	(4,400)
O&M Salaries and Benefits	3,919,600	4,561,600	4,358,100	(203,500)	4,494,100	136,000
% Change		16.4%		(4.5%)		3.1%
Professional Services	263,300	372,000	393,000	21,000	353,000	(40,000)
Materials and Supplies	28,100	29,500	30,000	500	30,000	—
Memberships & Subscriptions	41,600	65,500	46,000	(19,500)	46,000	—
Outside Services - Non Professional / Maintenance	282,300	320,000	270,000	(50,000)	270,000	—
Repairs & Maintenance - Outside Services	15,700	25,000	28,000	3,000	28,000	—
Training & Seminars Costs	14,400	22,000	28,000	6,000	28,000	—
Travel Expenses	6,300	39,700	40,300	600	40,300	—
Other Accounts	87,400	119,100	97,400	(21,700)	82,400	(15,000)
Total O&M	4,658,700	5,554,400	5,290,800	(263,600)	5,371,800	81,000
% Change		19.2%		(4.7%)		1.5%

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		22	28	28	—	28	—
	O&M	21	25	25	—	25	—
	Capital	2	3	3	—	3	—
Temporary		1	3	1	(2)	1	—
	O&M	1	3	1	(2)	1	—
	Capital	—	—	—	—	—	—
Total Personnel		23	31	29	(2)	29	—
	O&M	22	28	26	(2)	26	—
	Capital	2	3	3	—	3	—

Note - Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

RPDM's biennial budget is \$5.3 million in FY 2016/17 and \$5.4 million in FY 2017/18, a decrease of 4.7% and an increase of 1.5% respectively from the prior budget years. The decrease is due primarily to the following factors:

- A reevaluation and reduction in classifications prior to recruitments for previously vacant positions and the elimination of two district temps.
- A reduction in law enforcement in the DVL recreation area and DVL landscape maintenance services.
- Reduced participation fees for the Western Riverside County Agricultural Coalition, formed to inform and educate agricultural producers about regulator issues and to coordinate with county and state regulatory agencies.

The following are the significant changes by budget year.

FY 2016/17

Personnel-related issues

Total personnel count reflects a reduction of two district temps from FY 2015/16.

The budget reflects an increase in capital labor due to increased support of the Right of Way and Infrastructure Protection program, the Prestressed Concrete Cylinder Pipe Rehabilitation and Replacement program, and the Conveyance and Distribution System Rehabilitation program.

Professional and Non Professional Services

The budget reflects an increase in consulting services anticipated for management of the Verbena properties, offset by a reduced need for law enforcement due to lower lake elevations and the resulting decrease in visitors, and a reduced landscape maintenance contract that incorporates a sharing of costs with other property tenants.

Other

Memberships & Subscriptions budget reduction is a result of reassessed participation fees for the Western Riverside County Agricultural Coalition.

FY 2017/18

Personnel-related issues

Personnel count remains flat from FY 2016/17 budget. The 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 the reduced need for law enforcement due to lower lake elevations and the resulting decrease in visitors.

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:

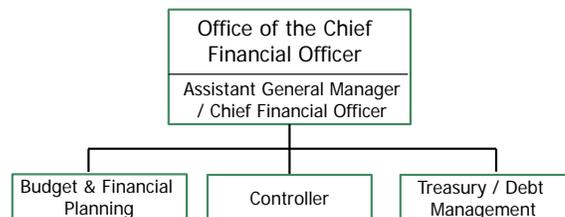
Chief Financial Officer is responsible for the overall administration of finance and accounting functions for Metropolitan including debt and investment management; financial planning and analysis including rate setting and budgeting; accounting and control including financial reporting, payroll, accounts payable, accounts receivable; and business continuity. The business continuity program ensures that Metropolitan takes the necessary steps to identify the impacts of potential losses and maintain viable recovery strategies, recovery plans, and continuity of operations.

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 maintaining internal controls that safeguard 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/CA WaterFix.

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

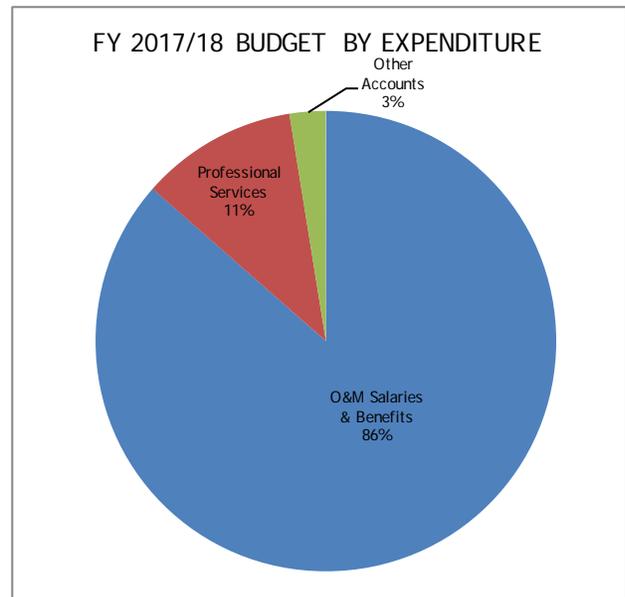
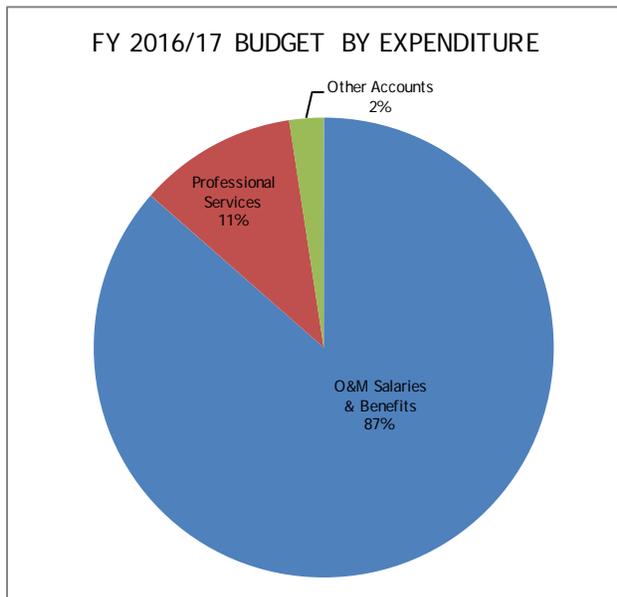
Continue to examine and consider the challenges associated with succession planning and future staffing requirements in light of the composition and age of the workforce.

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

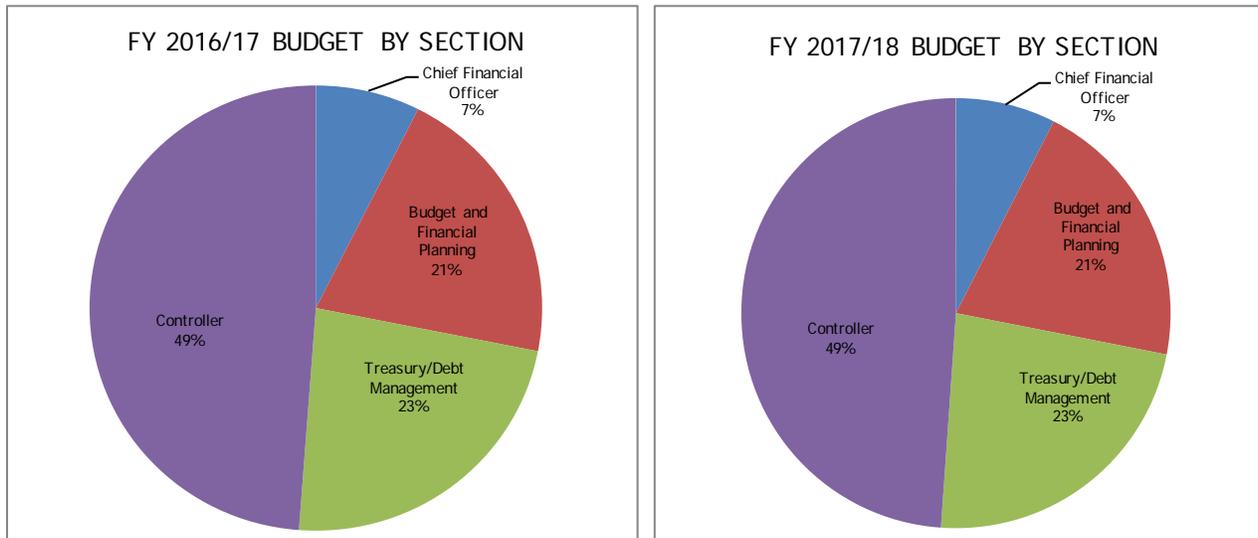
O&M FINANCIAL SUMMARY

	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
<i>Direct Charges to Capital</i>	<i>(113,600)</i>	<i>(157,600)</i>	—	157,600	—	—
O&M 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 and 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	2016/17	Change from	2017/18	Change from	Personnel Budget		
	Budget	Proposed	2015/16	Proposed	2016/17	15/16	16/17	17/18
Chief Financial Officer	910,261	675,824	(234,437)	692,084	16,260	3	3	3
Budget and Financial Planning	1,969,029	1,870,560	(98,469)	1,887,659	17,099	8	8	8
Controller	4,424,907	4,423,125	(1,782)	4,490,899	67,774	26	28	28
Treasury/Debt Management	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	2015/16	2016/17	Change from	2017/18	Change from
		Actual	Budget	Proposed	2015/16	Proposed	2016/17
Regular		43	46	46	—	46	—
	O&M	42	44	46	2	46	—
	Capital	1	2	—	(2)	—	—
Temporary		—	—	—	—	—	—
	O&M	—	—	—	—	—	—
	Capital	—	—	—	—	—	—
Total Personnel		43	46	46	—	46	—
	O&M	42	44	46	2	46	—
	Capital	1	2	—	(2)	—	—

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 and 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.

EXTERNAL AFFAIRS

External Affairs is charged with working with state and federal legislators to enhance and protect the operational interests of Metropolitan and its member agencies.

PROGRAMS

External Affairs is responsible for advancing Metropolitan's policy objectives and communicating with external audiences on its behalf. Because Metropolitan's water supplies and operations are influenced significantly by state, federal and even international policy, External Affairs manages strategic offices in Sacramento, Washington, D.C. and San Diego, and conducts its core business at the Union Station headquarters. Personnel in External Affairs' remote offices execute Metropolitan's state and federal legislative advocacy, provide strategic counsel and extend community outreach to these regions. Personnel at the Union Station office give voice to Metropolitan's policy priorities and project initiatives through external communications, regional outreach and educational initiatives in support of the General Manager's business plan.

Office of Group Manager oversees the Legislative Services, Conservation & Community Services, Media & Communications Sections, Customer Services Unit and the Business Management Team. The Group Manager directs the activities of the group, establishes the communication plans, and manages and deploys resources in support of Metropolitan's policy objectives in coordination with the board, executive management and other groups in the organization.

The Customer Services Unit, which reports directly to the Group Manager, provides support services to member agencies; manages outreach efforts regarding Metropolitan's facility operations, construction activities, conservation and other water resource initiatives; works with and supports member agencies, local government

and the community-at-large; provides staff support for the Agriculture and Industry Relations Committee; and directs research efforts to support External Affairs programs.

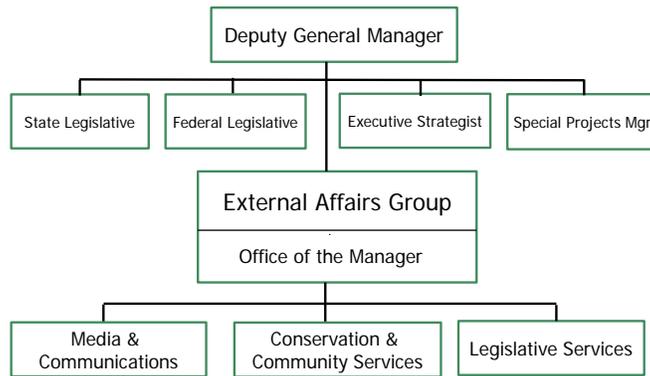
Media & Communications develops, coordinates and communicates messages, information and achievements to support Metropolitan's key objectives and programs. The section is responsible for strategic communications planning, handling media inquiries and press conferences; developing news releases, videos, fact sheets, talking points, brochures and opinion pieces; and managing Metropolitan's websites, e-newsletters, blogs and its growing presence on social media platforms.

Conservation and Community Services advances public awareness through advertising, education and community outreach. The Community Programs Unit coordinates and manages Metropolitan's sponsorships for education and research programs, exhibits, water forums, events, and community memberships. The Education Unit develops and distributes printed and online materials to support a comprehensive, standards-based water education curriculum and oversees programs that support Metropolitan's initiatives for students and teaching staff in elementary and secondary schools, colleges and universities.

Legislative Services promotes and protects the interests of Metropolitan and its member agencies before executive, legislative, and regulatory agencies of the state and federal governments. The section advances Metropolitan's policy objectives and board-adopted legislative priorities

with legislators and other water policymakers to meet Metropolitan’s legislative and regulatory objectives, and supports an effective and growing

outreach program with member agencies and other stakeholders to mobilize and sustain support for legislative and regulatory policies.



GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, External Affairs will continue to focus on the following key issues and objectives:

Legislative Policy Objectives

Work with the board, member agencies and executive management to secure support for and/or sponsor federal and state legislation and regulatory policies that advance Metropolitan's policy objectives, including strategic water quality and supply initiatives, conservation and drought responses, Delta solutions, regional water resources projects, and sustainable water and energy management.

Conduct briefings, presentations, and inspection trips for elected officials, government leaders and environmental and business organizations to inform about the impacts of legislative and regulatory policies on Metropolitan operations and the overall management of water programs, policies and sustainability initiatives throughout Southern California.

Communication and Outreach Efforts

Develop and implement strategic, creative and well-coordinated communication plans to inform the public, businesses, environmental and other stakeholder groups about Metropolitan's important role and leadership to ensure safe, reliable water supplies now and into the future through its operations, policies, objectives, and programs.

Expand public outreach efforts to disseminate information on Metropolitan and its programs, policies and objectives through broad-based direct contact with the news media and through production of publications, videos, social media/Internet platforms and the Your Water e-newsletter that inform and educate. Continue to develop and utilize cost-effective social, digital and online platforms to provide information to target audiences and engage with stakeholders.

Strengthen the Community Partnering Program's capacity to enhance communication and information sharing with community leaders,

stakeholder groups and the public on water issues and stewardship in communities throughout Southern California.

Water Supply Reliability, Conservation and Sustainability

Develop and implement paid advertising and other effective outreach campaigns using available resources for multi-cultural and multi-media communications efforts that increase public awareness of drought and water supply conditions and support for long-term conservation strategies.

Provide communication support for Metropolitan programs and projects that ensure water supply reliability including existing water operations, imported supplies from the Colorado River and State Water Project, local resource programs that diversify the region's water portfolio, expanded conservation actions and innovative water supply technologies.

Increase awareness of Metropolitan's long-standing efforts to promote environmental stewardship through its actions and investments for projects, programs, research, and collaboration that protect, restore and enhance habitat, ecosystems, watersheds, and water quality.

Bay Delta Initiatives

Provide information and secure support of stakeholders, the public and legislators for Metropolitan's positions on policies that promote water supply reliability and an environmentally sustainable Bay-Delta. This includes programs and policies related to the California WaterFix and EcoRestore.

Member Agency Support

Facilitate ongoing communication and coordination between Metropolitan and its member agencies through regular meetings of general managers, legislative and education coordinators and public information officers.

Respond promptly to member agency requests regarding Metropolitan’s services and infrastructure, conservation, environmental and legislative issues, and public outreach.

Engage in research and related activities that provide accurate and timely information on public opinions, consumer/customer attitudes and awareness to help inform future outreach activities with member agencies, stakeholders and the public.

Board and Committee Activities

Provide primary support to the Communications and Legislation Committee and the Agriculture and Industry Relations Committee, and ensure that committee presentations, board letters and associated activities such as inspection trips and community events provide timely, accurate, important information on programs, trends and activities that can help inform board actions and ensure transparency.

Engage in research and related activities that provide accurate and timely information on public opinions, consumer/customer attitudes and awareness to help inform future outreach activities with member agencies, stakeholders and the public.

Educational Programs

Continue to update and expand distribution of Metropolitan’s comprehensive K-12 water education curriculum that meets state standards for each grade level in the areas of science, math, language arts and social studies.

In coordination with member agencies and the educational community, advance the use of online services and new technologies to reach more students, teachers and classrooms including underserved and culturally diverse populations. Explore opportunities to expand services for all educational levels in traditional classrooms, homeschool and online education services, and after school programs.

Continue support for Metropolitan’s unique educational programs including Solar Cup, World Water Forum and the Student Art Contest.

Emergency Management and Crisis Communication

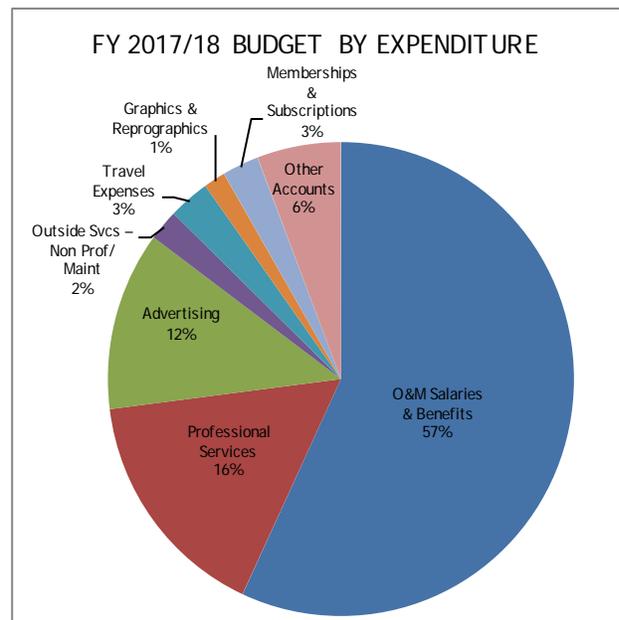
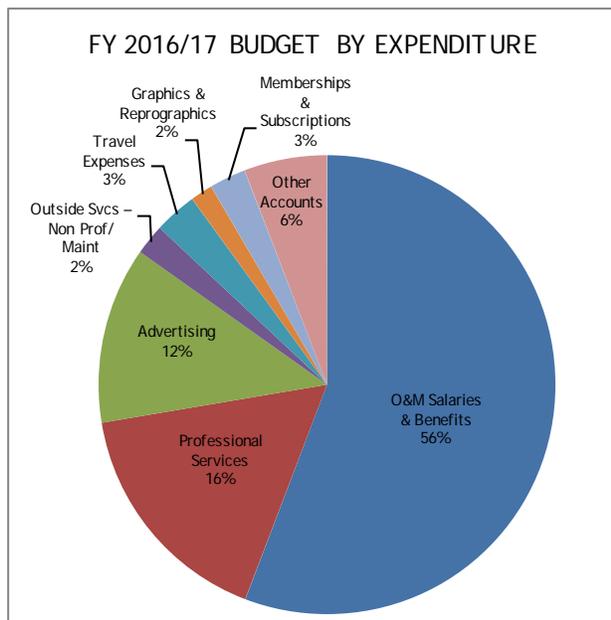
Support Metropolitan’s emergency preparedness with a responsive, updated crisis communications plan and trained staff for emergency response.

Expand capabilities of social media and other communications technologies to provide essential services to Metropolitan staff and the public during times of emergency and in response to natural and man-made disasters.

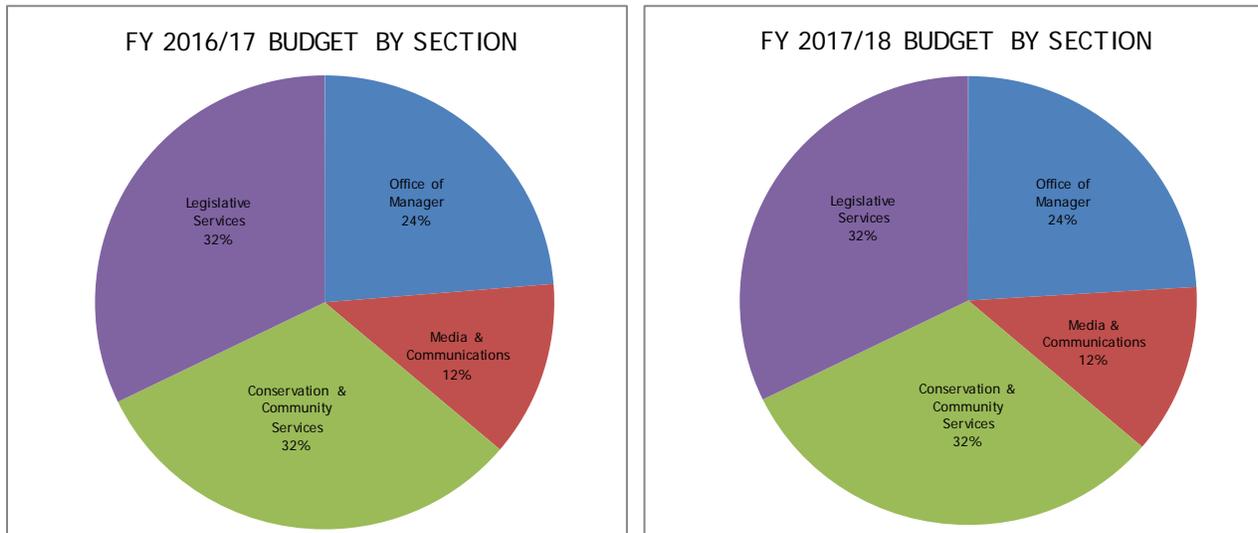
O&M FINANCIAL SUMMARY

	2014/15 Actual	2015/16 Budget	2016/17 Proposed	Change from 2015/16	2017/18 Proposed	Change from 2016/17
Total Salaries and Benefits	8,828,900	10,084,300	9,859,700	(224,600)	10,259,900	400,200
<i>Direct Charges to Capital</i>	—	—	—	—	—	—
O&M Salaries and Benefits	8,828,900	10,084,300	9,859,700	(224,600)	10,259,900	400,200
% Change		14.2%		(2.2%)		4.1%
Professional Services	2,324,200	2,876,700	2,919,700	43,000	2,889,700	(30,000)
Advertising	1,529,600	3,148,600	2,200,000	(948,600)	2,200,000	—
Memberships & Subscriptions	380,500	379,100	379,100	—	379,100	—
Outside Services - Non Professional / Maintenance	461,200	546,400	535,400	(11,000)	514,400	(21,000)
Sponsorships	282,700	282,000	277,000	(5,000)	272,000	(5,000)
Travel Expenses	263,800	436,000	456,000	20,000	456,000	—
Other Accounts	757,300	1,219,000	1,038,500	(180,500)	1,050,500	12,000
Total O&M	14,828,200	18,972,100	17,665,400	(1,306,700)	18,021,600	356,200
% Change		27.9%		(6.9%)		2.0%

Note – Totals may not foot due to rounding.



O&M BUDGET BY SECTION



	2015/16	2016/17	Change from	2017/18	Change from	Personnel Budget		
	Budget	Proposed	2015/16	Proposed	2016/17	15/16	16/17	17/18
Office of Manager	4,257,223	4,187,855	(69,368)	4,331,108	143,253	15	15	15
Media & Communications	2,193,086	2,209,450	16,364	2,206,344	(3,106)	8	9	8
Conservation and Community Services	6,919,965	5,579,372	(1,340,593)	5,670,128	90,755	11	11	11
Legislative Services	5,601,830	5,688,680	86,850	5,814,017	125,336	14	14	14
Total O&M	18,972,104	17,665,358	(1,306,746)	18,021,597	356,239	48	49	48

Note - Totals may not foot due to rounding.

PERSONNEL SUMMARY

		2014/15	2015/16	2016/17	Change from	2017/18	Change from
		Actual	Budget	Proposed	2015/16	Proposed	2016/17
Regular		40	48	48	—	48	—
	O&M	40	48	48	—	48	—
	Capital	—	—	—	—	—	—
Temporary		1	—	1	1	—	(1)
	O&M	1	—	1	1	—	(1)
	Capital	—	—	—	—	—	—
Total Personnel		42	48	49	1	48	(1)
	O&M	42	48	49	1	48	(1)
	Capital	—	—	—	—	—	—

Note - Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

External Affairs' biennial budget is \$17.7 million in FY 2016/17 and \$18.0 million in FY 2017/18 or a decrease of 6.9% and an increase of 2.0%, respectively from the prior budget years. In an effort to achieve budget savings, advertising and outreach efforts have been reexamined with the following impacts:

- **Advertising:** In FY 2014/15 and 2015/16, the board authorized a \$5.5 million multi-media and multi-lingual advertising and outreach campaign to promote greater awareness of water conditions and conservation activities. With the currently proposed funding for the next two fiscal years, a limited advertising campaign using social and digital media, radio and some outdoor advertising could be implemented. To run a full-scale advertising campaign on drought response or other important water management issues, board authorization and additional funding will be necessary in FY 2016/17 and FY 2017/18.
- **Capital Projects Outreach:** Communications and public outreach support for capital improvements and other major operational and policy initiatives, including the Regional Recycled Water Supply program and refurbishment of existing infrastructure such as the Second Lower Feeder and other pipe rehabilitation projects will require funding from the capital projects.
- **Diamond Valley Lake:** External Affairs inherited the responsibility for the exhibits and education materials at the DVL Visitors Center without an O&M budget and the exhibits have fallen into disrepair. To update and maintain the exhibits at DVL Visitors Center at a level of quality consistent with Metropolitan's standards and provide information that engages audiences to discover more about the history and future of water management in Southern California, new funding will be required in future budgets for the visitor center and activities in the community.

The following are the significant changes by budget year:

FY 2016/17

Personnel-related issues

The number of authorized positions in the External Affairs office will remain at 48, maintaining staffing reductions made since 2008/09 when the group was budgeted for 55 positions. The budget for Salary and Benefits reflects anticipated vacancies from retirements and unfilled positions.

Other

The budget reflects reductions in funding for sponsorship, materials and supplies, advertising, non-professional and graphics to achieve budget savings. These changes have been carefully evaluated to ensure External Affairs will be able to successfully carry out its core mission and objectives in these areas effectively and efficiently.

The budget identifies and redirects existing funding for new research and related activities

that provide accurate and timely information on public opinions, consumer/customer attitudes and awareness to help inform future outreach activities with member agencies, stakeholders and the public.

FY2017/18

Personnel-related issues

The budget for Salary and Benefits reflects merit increases and an increase in retirement-related benefits.

GENERAL COUNSEL DEPARTMENT

The Legal Department provides a full range of legal services in a professional, timely, cost-effective, and creative manner.

PROGRAMS

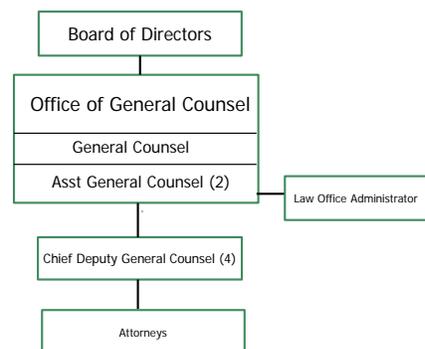
The General Counsel is the chief legal spokesperson for Metropolitan and the Board of Directors and oversees the Legal Department's administrative functions.

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 legislations 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 interests relating to water supply matters, including Bay Delta resources, Colorado River supply, the State Water Contract, groundwater and water transfer issues, California Environmental Quality Act and Endangered Species Act issues, energy issues, and water delivery and treatment.
- Represents Metropolitan's interest 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.
- Reviews, analyzes, and monitors pending state and federal legislation and drafts legislative recommendations.



GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, the Office of the General Counsel will focus on the following key issues:

Water Supply Reliability

Pursue a comprehensive legal strategy that proactively addresses legal issues associated with the comprehensive solutions in the proposed California WaterFix while vigorously asserting and defending Metropolitan's interest in litigation and administrative proceedings.

Provide legal advice in support of the development of the California WaterFix and the California EcoRestore, including Delta conveyance options, and the associated environmental documentation and implementing agreements in a manner supportive of Metropolitan's goals and objectives.

Represent Metropolitan, as a separate party or working through the State Water Contractors, in litigation and regulatory proceedings relating to operation of the State Water Project (SWP), water diversions in and affecting the Delta or SWP supplies, construction of new conveyance facilities, and other matters relating to the Delta.

Provide legal advice regarding implementation, financing, and governance of a Delta conveyance system and any resulting amendments to Metropolitan's long-term water supply contract with the Department of Water Resource.

Provide legal advice and support relative to water supply, delivery and water quality issues resulting from the drought and the reduced allocation from the SWP. Provide legal advice and support for initiatives to address the proclaimed emergency due to drought conditions. Provide legal advice and support for proposed water transfers and exchanges and development of local resources, desalination and conservation projects and programs. Provide legal advice and support with respect to implementation of Metropolitan's Water Supply Allocation Plan, water delivery and other issues related to drought conditions. Provide legal support for capital projects required

to provide additional flexibility in the operation of Metropolitan's distribution system.

Provide legal advice and support for update and implementation of Metropolitan's Integrated Water Resources Plan Update and Urban Water Management Plan, including development of the Long-Term Conservation Plan and resource programs to assist the region in meeting the goal of reducing retail water consumption by 20 percent by the year 2020.

Provide legal advice and support in connection with the proposed extension and amendment of the State Water Contract (SWC) and preparation of supporting environmental documents under the California Environmental Quality Act (CEQA) and any separate amendment of the SWC relating to the development and operation of new or additional conveyance facilities.

Continue to defend and enforce the terms of the Quantification Settlement Agreement and related agreements among the participating agencies and other agencies with Colorado River contracts.

Assist in developing, negotiating and documenting new water conservation and augmentation projects to address the long-term supply and demand issues identified in the Bureau of Reclamation's 2012 Colorado River Basin Water Supply and Demand Study.

Provide legal support for Metropolitan's efforts to protect and make optimal use of its Colorado River rights and related water transfer, storage, and exchange programs. Provide legal support for initiatives to identify and obtain new water supplies on the Colorado River, and to protect existing Colorado River water supplies against erosion by unlawful or unreasonable uses.

Finance

Provide legal advice regarding adoption of rates and charges. Continue to defend Metropolitan against challenges to its rate structure.

Provide legal advice and assist with amendments to existing bond resolutions and the development of a subordinate lien bond resolution.

Operations

Negotiate and prepare service connection agreements for new or modified member agency connections. Provide legal assistance on regulatory and real estate issues, including CEQA issues, arising from service connection requests.

District Governance

Continue to provide timely advice to the board and committees on governance and legal compliance matters.

Serve as the point of contact and coordinate Metropolitan responses to Public Records Act requests (PRAs).

Corporate Resources/District Infrastructure

Provide legal support for capital investment and repair and replacement plans, including professional services and procurement contracts.

Provide legal support for environmental analysis under CEQA of Metropolitan's projects and other discretionary actions, in addition to analyzing potential environmental impacts of other agencies' projects on Metropolitan properties and facilities.

Workforce /Human Resources

Provide proactive counsel and advice on workforce issues.

Continue to defend Metropolitan in PERB matters, as well as grievance and disciplinary matters.

Real Property

Assist Real Property Development and Management Group (RPDAM) in the negotiation and documentation of real property acquisitions and the surplusing of real property. Negotiate and provide legal support for the lease and licensing of Metropolitan property. Provide legal support for the grant and acceptance of easements and entry permits.

Support the expanded work efforts of RPDAM.

Technology

Work with the Business Technology Group, Human Resources and External Affairs on social media policies.

Energy Costs and Management

Assist with implementation of the Energy Management Plan, including providing advice on wholesale energy transactions, renewable energy projects and energy-related contracts and legislation.

Provide legal support to ensure that SWP energy needs are met in a cost-effective and sustainable manner.

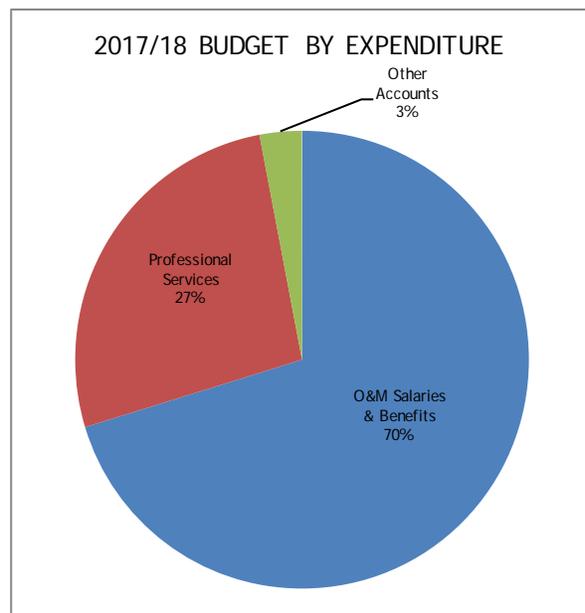
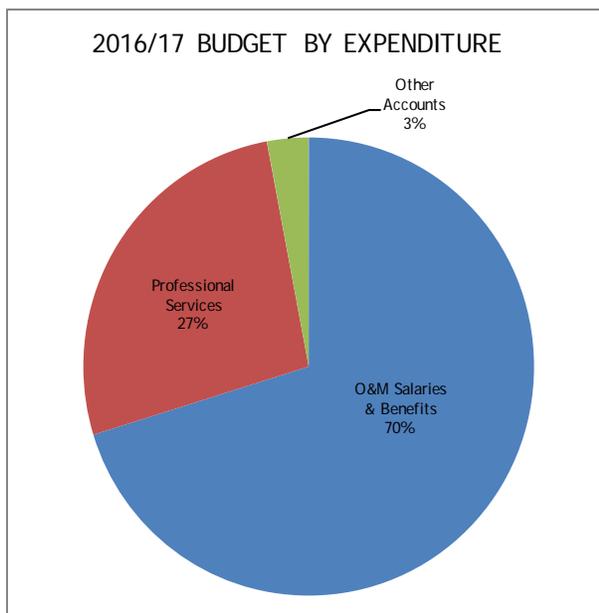
Legal Department Administration

Continue to aggressively manage outside counsel costs, while obtaining effective representation to protect Metropolitan's interests. Continue to work with IT staff on implementation of the electronic discovery management system to enable Metropolitan's Legal and IT staff to more effectively and efficiently respond to litigation and PRAs.

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	8,900,800	9,195,500	9,392,100	196,600	9,518,900	126,800
<i>Direct Charges to Capital</i>	—	—	—	—	—	—
O&M Salaries and Benefits	8,900,800	9,195,500	9,392,100	196,600	9,518,900	126,800
% Change		3.3%		2.1%		1.4%
Professional Services	1,082,300	3,620,000	3,588,400	(31,600)	3,625,000	36,600
Materials and Supplies	28,000	60,000	50,000	(10,000)	50,000	—
Memberships & Subscriptions	95,100	110,000	100,000	(10,000)	100,000	—
Outside Services - Non Professional / Maintenance	24,900	40,000	30,000	(10,000)	30,000	—
Rent & Leases	14,800	20,000	20,000	—	20,000	—
Subsidies & Incentives	51,000	55,000	55,000	—	55,000	—
Travel Expenses	105,700	90,000	110,000	20,000	120,000	10,000
Other Accounts	16,400	38,000	33,000	(5,000)	33,000	—
Total O&M	10,319,000	13,228,500	13,378,500	150,000	13,551,900	173,400
% Change		28.2%		1.1%		1.3%

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		34	36	36	—	36	—
	O&M	34	36	36	—	36	—
	Capital	—	—	—	—	—	—
Temporary		1	2	2	—	2	—
	O&M	1	2	2	—	2	—
	Capital	—	—	—	—	—	—
Total Personnel		35	38	38	—	38	—
	O&M	35	38	38	—	38	—
	Capital	—	—	—	—	—	—

Note – Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

The Office of the General Counsel’s biennial budget is \$13.4 million in FY 2016/17 and \$13.6 million in FY 2017/18 or an increase of 1.1% and 1.3% respectively from the prior budget years. The increase is primarily due to the following factors:

- Professional services costs increase reflects anticipated expenses for Bay Delta legal costs, water quality litigation, employment litigation and water rates litigation.
- Salaries and Benefits costs were also impacted by merit increases for qualified employees and an increase in retirement-related benefits costs.

GENERAL AUDITOR DEPARTMENT

The Audit Department provides independent, professional, and objective assurance and consulting services designed to add value to and improve Metropolitan’s operations.

PROGRAMS

The Audit 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
- 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.



GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, the Audit Department will focus on the following key issues:

Risk Analysis, Risk Mitigation and Internal Controls

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 risk.

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.

Workforce Development

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.

Management and Leadership

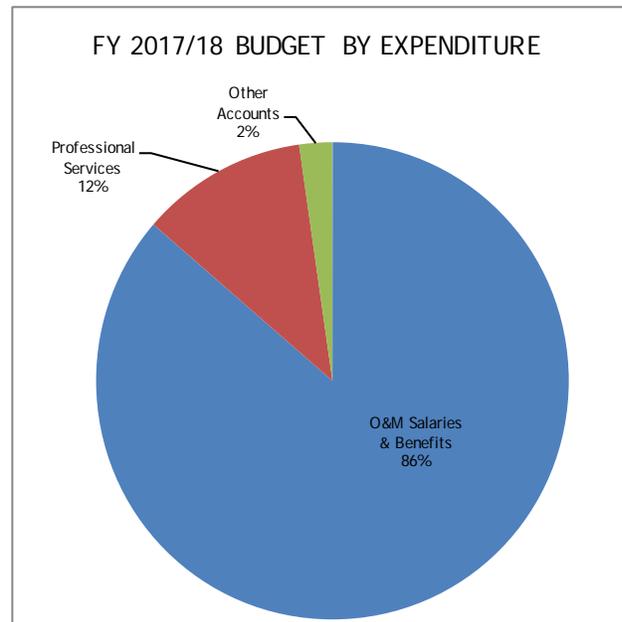
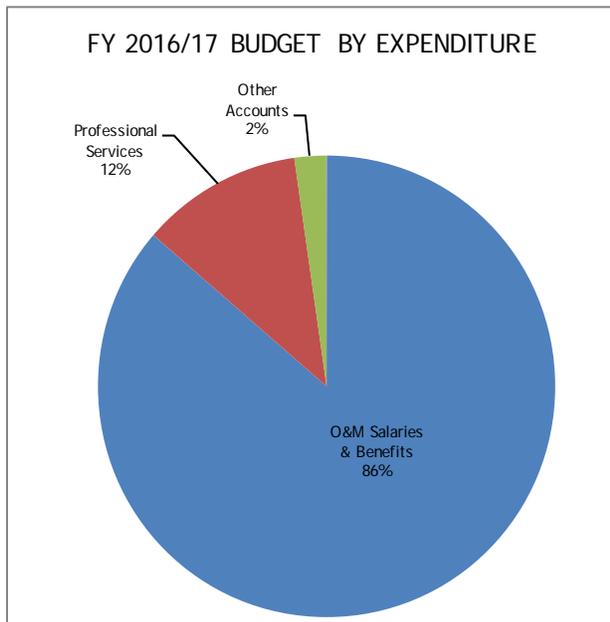
Efficiently manage the department's budget for maximum effectiveness of state budgetary objectives.

Uphold the mission, roles, and responsibilities of the Audit Department.

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	2,247,500	2,652,500	2,652,500	—	2,652,500	—
<i>Direct Charges to Capital</i>	—	—	—	—	—	—
O&M Salaries and Benefits	2,247,500	2,652,500	2,652,500		2,652,500	
% Change		18.0%		0.0%		0.0%
Professional Services	305,000	350,000	350,000	—	350,000	—
Materials and Supplies	13,400	14,500	15,000	500	15,000	—
Memberships & Subscriptions	4,200	5,500	5,500	—	5,500	—
Rent & Leases	3,200	5,500	5,500	—	5,500	—
Subsidies & Incentives	9,500	15,000	15,000	—	15,000	—
Training & Seminars Costs	5,600	14,500	15,000	500	15,000	—
Travel Expenses	1,000	5,000	5,000	—	5,000	—
Other Accounts	5,300	9,500	8,500	(1,000)	8,500	—
Total O&M	2,594,700	3,072,000	3,072,000		3,072,000	
% Change		18.4%		0.0%		0.0%

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		10	12	12	—	12	—
	O&M	10	12	12	—	12	—
	Capital	—	—	—	—	—	—
Temporary		—	—	—	—	—	—
	O&M	—	—	—	—	—	—
	Capital	—	—	—	—	—	—
Total Personnel		10	12	12	—	12	—
	O&M	10	12	12	—	12	—
	Capital	—	—	—	—	—	—

Note - Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

The Audit Department's biennial budget is \$3.1 million in FY 2016/17 and FY 2017/18. There are no significant budget issues.

ETHICS OFFICE

The Ethics Office promotes 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.

PROGRAMS

Metropolitan's Ethics Office was established by special legislation enacted in 2000. As an independent department head, the Ethics Officer maintains a small staff and reports directly to the Board of Directors. The operations of the Ethics Office run the gamut of standard ethics and compliance functions: from training employees and board members on ethics rules and standards to policy-making to compliance. An important objective has been to balance these various responsibilities and to execute them in an integrated fashion to maximize their effectiveness.

Metropolitan's evolving approach to ethics is grounded in objective, measurable elements. Establishing clear and consistently applied rules is an essential condition of fair and predictable enforcement as well as practical and unambiguous advice and education. As a free-standing department, the Ethics Office continues to review and periodically recommend revisions to Metropolitan's internal ethics rules and standards to promote compliance through advice, education, and investigation of alleged violations.

The Ethics Office accomplishes its mission through the following programs or services:

Ethics Compliance Serving as filing officer for state-mandated financial interest disclosures for directors and hundreds of employees who make or participate in making decisions affecting outside financial interests. Maintaining and updating Metropolitan's code for designating positions and disclosure categories narrowly tailored to the unique responsibilities of each designated position.

Advice Providing advice, counseling, or other assistance to any director, officer, employee, or contractor regarding application or interpretation of Metropolitan's ethics rules or policies. Typically, this advice focuses on options for avoiding conflicts of interest or other violations of standards of conduct for public officials.

Policy Analysis and Program Development Performing risk assessment, drafting of proposed rules and procedures, preparing board and committee presentations, drafting strategic planning documents, analyzing procedural justice issues, and preparing case memoranda and correspondences.

Investigation Performing comprehensive investigations, including investigation planning, gathering of evidence, document review, witness interviews, comparative analysis of facts, drafting of reports, and organization and indexing of evidence.

Education Developing training programs, drafting publications, and preparing website content. The Office also facilitates sexual harassment prevention training for directors, and provides orientations for new directors and employees about Metropolitan's internal ethics provisions.

Outreach Holding events at headquarters and field facilities to communicate availability, purpose, and process of Ethics Office.

Management Providing oversight, planning, and administration of all Ethics Office programs.

Proactively engaging, coordinating with, and receiving feedback from the board, senior management, and other interested persons.

Administration Providing case docketing and information management, intake administration,

matter tracking, budget preparation, contract administration, and preparation of quarterly, semi-annual, and annual reports.

GOALS AND OBJECTIVES

In FY 2016/17 and FY 2017/18, the Ethics Office will focus on the following key issues and initiatives:

Policy Development

In 2013 and 2014, the Ethics Office proposed and the board approved amendments to the foundational ethics rules within Metropolitan's Administrative Code. Some issues were deferred for later consideration. The Ethics Office plans to initiate further analysis and review of alternatives for promoting transparency and maintaining the integrity of procurements and other official decisions that can affect outside financial interests. The Office also plans to consider alternatives for identifying the relative seriousness of various potential violations, in order to provide guidelines for the board and department heads to apply when considering responsive actions related to investigation findings.

Investigation Process

Besides reviewing and updating procedures and guidelines, develop human resources capacity to plan, implement, and document investigations of alleged violations in accordance with best practices for quality, integrity, objectivity, and professionalism. Clarify responsibilities and duties of employees and others to cooperate fully in any investigation, along with consequences of non-cooperation, false statements, or obstruction.

Program Development

Provide annual assessments of overall program effectiveness in annual business plans.

Develop and track metrics for accurately gauging the health of Metropolitan's ethics culture at any given time, in accordance with emerging findings and research in the ethics and compliance industry.

Maintain open lines of communication with the Audit and Ethics Committee and the Board, along with the other departments about program needs, trends, and directions.

Education and Outreach

Develop Ethics Office materials to increasingly and effectively communicate the Ethics Office's role at Metropolitan and how it can advance Metropolitan's core missions. Increase awareness among directors, employees, and other interested persons of how they can interact directly with the Ethics Office to address individual concerns. Update public website to enable easy access to program materials and public information.

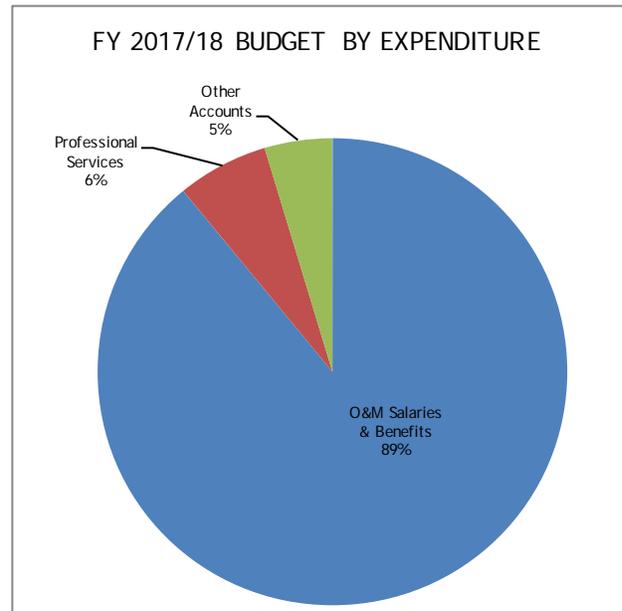
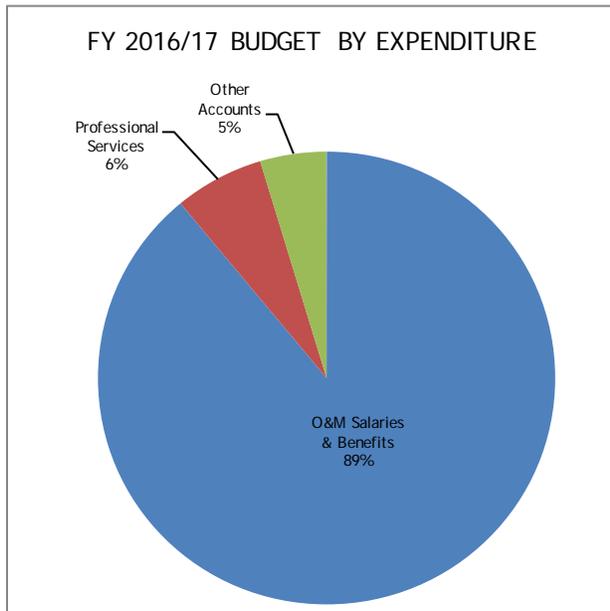
Modernization of Business Processes

Implement an electronic system for compiling, and analyzing information and records for cases, investigations, advice responses, education, and administration. Develop automated reporting tools to promote clear reporting for auditing, board review, or other oversight purposes.

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	927,300	939,700	1,196,500	256,800	1,205,700	9,200
<i>Direct Charges to Capital</i>	—	—	—	—	—	—
O&M Salaries and Benefits	927,300	939,700	1,196,500	256,800	1,205,700	9,200
% Change		1.3%		27.3%		0.8%
Professional Services	40,300	100,000	85,000	(15,000)	85,000	—
Memberships & Subscriptions	2,400	3,500	15,000	11,500	15,000	—
Outside Services - Non Professional / Maintenance	11,900	—	15,000	15,000	15,000	—
Rent & Leases	2,000	3,500	3,500	—	3,500	—
Subsidies & Incentives	9,500	11,000	13,000	2,000	13,000	—
Training & Seminars Costs	—	4,000	6,000	2,000	6,000	—
Travel Expenses	600	4,000	6,000	2,000	6,000	—
Other Accounts	1,900	9,500	4,600	(4,900)	4,600	—
Total O&M	995,900	1,075,200	1,344,600	269,400	1,353,800	9,200
% Change		8.0%		25.1%		0.7%

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		4	4	5	1	5	—
	O&M	4	4	5	1	5	—
	Capital	—	—	—	—	—	—
Temporary		—	—	—	—	—	—
	O&M	—	—	—	—	—	—
	Capital	—	—	—	—	—	—
Total Personnel		4	4	5	1	5	—
	O&M	4	4	5	1	5	—
	Capital	—	—	—	—	—	—

Note – Totals may not foot due to rounding.

SIGNIFICANT BUDGET ISSUES

The Ethics Office's biennial budget is \$1.3 million in FY 2016/17 and \$1.4 million in FY 2017/18 or an increase of 25.1% and 0.7% respectively from the prior budget years. The increase is due primarily to the following:

- The Ethics Officer has proposed a re-organization, modifications of positions, and addition of one full-time employee, as described below.

The following are the significant changes by budget year.

FY 2016/17

Personnel-related issues

The Ethics Officer has proposed a reorganization and reorientation of its personnel resources in order to:

- Provide capacity for the Ethics Office to perform its core responsibilities with its own personnel.
- Enable the Ethics Office to function at the highest levels of professionalism, expertise, and integrity in the field of governmental ethics and compliance, and to meet the best practices standards in this emerging field.
- Enable the Ethics Officer to dedicate more time to addressing high-level issues with directors and senior management staff; and to

- Ensure continuation of operations in the event the Ethics Officer is absent or otherwise unable to act in person.

One existing position (Ethics Policy Analyst) would be altered to an Assistant Ethics Officer position, reporting directly to the Ethics Officer. This position would ensure consistency and coordination with the Ethics Officer's priorities and assist the Ethics Officer in considering actions or policies recommended by other professional staff. Also, consistent with the other three departments, this designation would enable continuation of operations in the event the Ethics Officer is absent or otherwise unable to act in person.



A new job classification Deputy Ethics Officer would be added. This classification would involve essential functions and qualifications consistent with mid- or advanced-level professionals in the field of government ethics and compliance. One Deputy Ethics Officer position would focus on investigations, fact-finding, and analysis. The other Deputy Ethics Officer position would focus on advanced research, writing, analysis, and drafting of policies, rules, and procedures, provide focused advice, and develop educational programs and materials.

One Deputy Ethics Officer position would be modified from a Principal Administrative Analyst classification. The other Deputy Ethics Officer position would be added as a new position within the Ethics Office.

As a result of these changes, the Ethics Office staff (including the Ethics Officer) would increase from four to five employees.

Professional Services

The Ethics Office does not anticipate major changes to its professional services requirements in the next two-year budget cycle.

FY 2017/18

Personnel-related issues

No additional anticipated changes.

Professional Services

No additional anticipated changes.