



● **Board of Directors**

3/8/2022 Board Meeting

7-6

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**Subject**

Approve the General Manager's Strategic Priorities; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

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**Summary**

Metropolitan's mission is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way. The General Manager's Strategic Priorities guide actions during the biennial budget period of fiscal years 2022/23 and 2023/24. As longer-term priorities, they would also be expected to continue through the subsequent biennial budget period.

The proposed Strategic Priorities guide key areas of focus, investment, and transformation for Metropolitan. They were founded on discussions and input from the Board of Directors, member agencies, executive management, and other interested parties.

While the Strategic Priorities focus on transformation to support the long-term stability of Metropolitan, they also reflect discussions and concerns raised in multiple venues. In October 2019, the Board began looking at the long-term vision of Metropolitan during a retreat focused on "Charting Metropolitan's Second Century." During the retreat, board members reviewed the benefits of regional collaboration in the past and began to explore how the regional model of cooperation and collaboration will best serve member agencies in the future. Then and since, any discussion about envisioning Metropolitan's future was informed by an awareness of shifting conditions due to climate change, growing expectations to integrate diversity and inclusivity, how successful conservation and local supply programs impact the demand for future wholesale water supplies, and the need for member agencies to share the benefits and costs of investments that ensure reliability for the region.

The five strategic priorities are stated simply here and developed further in Attachment 1.

- **Empower.** Empower the workforce and promote diversity, equity, and inclusion
- **Sustain.** Sustain Metropolitan's mission with a strengthened business model
- **Adapt.** Adapt to changing climate and water resources
- **Protect.** Protect public health, regional economy, and Metropolitan's assets
- **Partner.** Partner with interested parties and the communities we serve

Specific actions to further the Strategic Priorities will be developed by staff as part of the General Manager's Business Plan for FY 2022/23. In addition to the broad initiatives discussed here, the Business Plan will describe further change-oriented goals and measurable actions to further the broad initiatives described in **Attachment 1**.

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**Policy**

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Administrative Code Section 6416, Annual Report to Executive Committee

## California Environmental Quality Act (CEQA)

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### CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378(b)(2) and 15378(b)(5)) because it involves organizational or administrative activities and general policy and procedure making that would not result in a direct or indirect physical change to the environment.

### CEQA determination for Option #2:

None required

## Board Options

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### Option #1

Adopt the General Manager's Strategic Priorities.

**Fiscal Impact:** Activities highlighted in the Strategic Priorities are included in the proposed biennial budget for fiscal years 2022/23 and 2023/24.

**Business Analysis:** The Strategic Priorities will address ongoing workforce concerns, examine the business model, and provide direction to address water supply reliability and resilience challenges in the region. These priorities also expand Metropolitan's engagement with interested external parties.

### Option #2

Do not adopt strategic priorities at this time.

**Fiscal Impact:** Unknown. Changes to the Strategic Priorities may require adjustments to budget priorities within the proposed biennial budget for fiscal years 2022/23 and 2023/24.

**Business Analysis:** The General Manager would need to be provided with different direction to address critical priorities faced by Metropolitan.

## Staff Recommendation

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Option # 1



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Adel Hagekhalil  
General Manager

3/3/2022  
Date

## Attachment 1 – General Manager's Strategic Priorities

Ref# EO12680876

# General Manager's Strategic Priorities

## Introduction

Thirty years ago, our Board of Directors adopted our first mission statement:

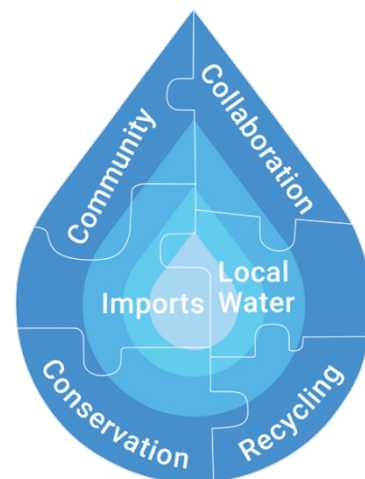
*"The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way."*

Much has been accomplished since then through consensus forged by the Board, the individual and cooperative efforts of the member agencies, and our employees' daily, dedicated work. Metropolitan developed its first Integrated Resources Plan, built drought-protective infrastructure such as Diamond Valley Lake and the Inland Feeder. It transformed water treatment through the installation of ozone and biological filtration. Metropolitan also forged water supply agreements in the region and along the two imported supply systems, advanced stewardship initiatives, and made water conservation a part of daily life in Southern California.

Some of you may have noticed something missing from our mission statement above. "Adequate" wasn't enough. Shortly after its initial adoption, the Board expanded the phrase from "adequate" to "adequate **and reliable**." The distinction is significant. A good working definition of reliable is "consistently good in quality or performance; dependable or capable of being trusted." There are two elements at work here: **performance** and **trust**.

Today we face a reliability challenge. Climate change has and continues to have considerable impacts on our imported supplies. As Southern California enters a third drought year, impacts to the State Water Project highlight vulnerabilities of portions of our service area. On our other imported supply, chronic aridification of the Colorado River watershed began accelerating 20 years ago and shows us that vast amounts of storage alone cannot single-handedly stabilize a river at risk. Simultaneous drought in both imported supply systems and within Southern California—called a "perfect drought"—threatens the continued performance of our mission without new approaches to planning, innovation, and leadership.

Reliable also means "capable of being trusted." As an organization, we operate on supplies of water and trust. Our "One Water" initiative involves an **integrated** planning and implementation approach to manage finite water resources for long-term **resilience** and **reliability** to meet both **community** and **ecosystem** needs. Our "We Are One" initiative recognizes the interrelatedness of improving the region's water supplies and valuing the diverse perspectives and needs of our employees, our member agencies, and the communities we serve. These themes repeatedly emerged throughout the development of proposed strategic priorities.



## Summary

These Strategic Priorities guide key areas of focus, investment, and transformation for Metropolitan over the next three to five years. They are necessarily high-level objectives that identify areas where the opportunity for change can deliver meaningful improvement. They were founded on discussions and input from the Board of Directors, member agencies, and executive management. The action steps and implementation of the Priorities will continue to take shape from a collaborative process among staff, member agencies, Board members, and other interested parties.

Strategic Priorities ensure consistency among the programs and initiatives of the organization and shape the implementation of other key plans and processes already underway. For example, the proposed Biennial Budget for FY 2022/23 and 2023/24 was developed concurrently with these Strategic Priorities in the draft form. The themes informed budget preparations to align with the activities presented in the budget. Ultimately, staff will align the Strategic Priorities with efforts, including implementation of the Integrated Resource Plan (IRP), the Climate Action Plan, and organizational assessments. The General Manager's Fiscal Year 2022/23 Business Plan will be developed with goals and actions to support these priorities and will be presented to the Board later this year. Progress on the implementation of the goals and actions supporting the Strategic Priorities will be reported to the Board regularly as part of the General Manager's Business Plan and monthly reports.

While these Strategic Priorities focus on transformation to support the long-term stability of Metropolitan, they also reflect discussions and concerns raised in multiple venues. In October 2019, the Board began looking at Metropolitan's long-term vision during a retreat focused on "Charting Metropolitan's Second Century." During the retreat, Board members reviewed the benefits of regional collaboration in the past. They began to explore how the regional model of cooperation and partnership will best serve member agencies in the future. Then and since, any discussion about envisioning Metropolitan's future is imbued with an awareness of shifting conditions due to climate change, growing expectations to integrate diversity and inclusivity, how successful conservation and local supply programs impact the demand for future wholesale water supplies, and the need for member agencies to share the benefits and costs of investments that ensure reliability for the region.

Shortly after joining Metropolitan in July 2021, General Manager Adel Hagekhalil convened member agency managers to solicit input on Metropolitan's key issues. In September 2021, the Chair of the Board convened a Board retreat focused on priorities, opportunities, challenges, and concerns. Executive Management met immediately following and developed the Draft Strategic Priorities presented below based on input and direction received from the Board and member agencies.

Following approval by the Board, staff will convene member agencies to further discuss implementation, and the General Manager will align the Priorities with his Business Plan.

## Strategic Priority #1: Empower

### Empower the workforce and promote diversity, equity, and inclusion

It is only through the combined efforts of many talented and dedicated employees that Metropolitan can meet the challenges of today's changing landscape. Metropolitan serves a diverse region through member agencies with varying local conditions and supplies, providing essential services to the full spectrum of communities and industries. Those who depend on us expect transparency in our actions and responsiveness to their needs.

To be as effective as possible, employees must be respected, empowered, and allowed to contribute. Goals and actions in this area may establish policies and procedures that build a culture of inclusion, support our managers and coworkers as they strive to meet performance expectations, and hold each other accountable for our actions.

Metropolitan must further develop its existing and future workforce to grow with the region, stay at the leading edge of technology and innovation, and be able to meet the many challenges ahead. Goals and actions in this area may propel training and skill development, forward-thinking succession planning as retirements increase, and expanding our reach to prospective employees that reflect the region's diversity. Increased diversity will help us recognize the diverse needs of our region, connect with more of our interested parties, and reach and support underserved communities.

#### Leading Goals

- 1.1 Build a safe, inclusive, and accountable workplace where all employees feel valued, respected, and able to meaningfully contribute to decisions about their work.
- 1.2 Prepare and support the workforce by expanding training and skill development and updating strategies to recruit and retain diverse talent at a time when Metropolitan's needs are evolving, and employee expectations about the workplace are changing.

## Strategic Priority #2: Sustain

### Sustain Metropolitan's mission with a strengthened business model

Metropolitan must make ongoing, significant investments to maintain and continue improving its vast infrastructure, robust water supply portfolio, and long-term water supply contracts. Demographic growth and rising regional water demands sustained much of the needed investments in the past. Today, however, conditions have changed. Demand projections have leveled and even show a decline, while drought, water quality, and a changing climate require immediate attention to ensure that we serve the critical needs of our member agencies and their millions of customers.

Metropolitan's mission requires forward-looking planning and actions to adapt to a changed future. Metropolitan was created out of a partnership, and likewise, our investments in the future depend on a business model in which member agencies equitably share both costs and benefits. Goals and actions in this priority area will review and affirm a rate structure that can support necessary system investments that are built upon a shared understanding among member agencies. At the same time, Metropolitan will seek to manage both risk and cost by leveraging its investments, securing external funding, and expanding innovation and partnerships.

#### Leading Goals

- 2.1 Review rate structure to ensure the business model can adapt to changing needs of the member agencies and support sustainable local and imported supplies.
- 2.2 Manage rate pressure on member agencies through aggressive and coordinated efforts to secure funding for projects with broad and multi-purpose benefits.

## Strategic Priority #3: Adapt

### Adapt to changing climate and water resources

Climate change and the latest severe drought that began in 2020 fundamentally threaten and may reshape our business model and the reliability of water resources that are core to our mission. We must act now to prepare for the future, reduce our contribution to climate change, diversify our water resources and increase our agility and resiliency. The consequences of failing to lead a collective response to this crisis could be dire, and Metropolitan is again being looked to for leadership in a time of uncertainty.

In October 2021, Governor Newsom declared a drought emergency for the entire state of California. This follows statewide drought emergencies proclaimed by Governors Brown in 2014 and Schwarzenegger in 2009. Collectively, we must take deliberate actions to prevent drought and a changing climate from constraining the prosperity of Southern California. This present acute drought emergency exposed particular vulnerabilities of the State Water Project system that are not felt equally across Metropolitan's service area. For example, some member agencies can rely entirely on local supplies, Colorado River deliveries, or other water supply programs. Individually, these supplies may provide near-term assurance, but they remain at risk due to drought, climate change, or other threats in the long term. Goals and actions in this area will align with the "One Water" approach to expand the reliability of any individual water source through system-wide planning and collective action.

In November 2021, the Board adopted a resolution declaring emergency conditions within parts of Metropolitan's service area. It further directed the General Manager to identify and implement measures to ensure all portions of the service area attain a high level of reliability against multi-year, severe droughts. We can better prioritize and scope the measures needed to achieve this reliability, having taken a new approach to Integrated Resource Planning that accounts for an increasingly uncertain future. Informed by that new approach, goals and actions in this priority area will support state and regional system improvements, local water supply development, new water storage opportunities, imported supply strategies, and water efficiency gains.

#### Leading Goals

- 3.1 Provide each member agency access to an equivalent level of water supply reliability through adaptive implementation of the IRP findings.
- 3.2 Advance the long-term reliability and resilience of the region's water sources through a One Water approach that recognizes the interconnected nature of imported and local supplies, meets both community and ecosystem needs, and adapts to a changing climate.

## Strategic Priority #4: Protect

### Protect public health, the regional economy, and Metropolitan's assets

Metropolitan's mission is fundamental to public health and a growing regional economy. It is essential that we consider and actively support these two core aspects of daily life as we provide water to Southern California. To succeed, we must ensure the integrity of our system and the wide range of assets on which our operations depend.

Metropolitan's two sources of imported supply face continuing uncertainty. The meager State Water Project allocation in 2021—and the low initial allocation for 2022—exposed limitations of the regional delivery system to sustain normal demands for all agencies. Though the system was operated in a manner that stretched Colorado River supplies as far as possible, and staff and member agencies implemented additional extraordinary actions to further address demands in the State Water Project dependent areas during this time, the resulting difference in water supply reliability spurred a call for action to shore up these and other potential vulnerabilities of the system. Meanwhile, other growing risks to the system compound the environmental stressors of drought and climate change, including physical and cybersecurity; earthquake, fire and flood; aging infrastructure; and emerging contaminants.

Metropolitan views resilience as both the ability to anticipate, prepare for and adapt to changing conditions, and the ability to withstand and recover rapidly from disruptions. Goals and actions in this priority area will reflect this vision of resilience. They will lead us in closer collaboration and partnership with our member agencies to protect existing supplies and infrastructure from disruption across the full range of threats and ensure continued high-quality water from source to tap. These goals also pursue maintenance and modernization of existing infrastructure using state-of-the-art technology, a commitment to innovation, and best practices to balance the costs and benefits of these investments while also maximizing the public good. To protect our most valuable asset, our workforce, Metropolitan will take proactive efforts to foster a strong safety culture within our workforce, focused on continued improvement.

#### Leading Goals

- 4.1 Proactively identify, assess, and reduce potential vulnerabilities to Metropolitan's system, operations, and infrastructure.
- 4.2 Apply innovation, technology, and sustainable practices across project lifecycles (design, construction, operations, maintenance, and replacement).



## Strategic Priority #5: Partner Partner with interested parties and the communities we serve

The preceding four Strategic Priorities speak to a transformation building the Metropolitan of the future, even while we remain resolute in reliable daily operations. Transformation demands difficult decisions, significant investments, and lasting commitments to new ways of thinking. This is a familiar story in the history of Metropolitan: we were formed as a partnership making long-term investments to transform water supplies for the region. Today, partnerships must include not only our member agencies but also a wide range of external forces.

Partnering speaks to taking a strategic approach to building mutual understanding and support among decision-makers, interested parties, and stewards of our water resources. It recognizes that our member agencies and the people of Southern California share a common interest in having a sustainable, affordable supply of high-quality water. It also seeks to build upon the strong foundation of communications and external relations already in place.

Partnering as a strategic approach means better informing our decision-making and building trust and support through two-way intentional engagement. Goals and actions in this area can help Metropolitan amplify its message through non-traditional messengers. They can help Metropolitan reach more diverse sets of interested parties by incorporating principles of diversity, equity, and inclusion into a broader set of communication and outreach strategies. Through this approach, we can broaden our support and influence and create new opportunities to tap into resources and expertise that result in multi-benefit outcomes.

### Leading Goals

- 5.1 Grow and deepen collaboration and relationships among member agencies, interested parties, and leaders on the issues most important to them.
- 5.2 Reach underserved communities and non-traditional interested parties to better understand their needs and ensure their inclusion in decision-making.