



- **Board of Directors**  
***Legal and Claims Committee***

2/13/2024 Board Meeting

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7-10

## Subject

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Approve amendments to the Metropolitan Water District Administrative Code to modify the structure and duties of various committees; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

## Executive Summary

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The proposed amendments to Administrative Code Division II, Chapters 2, 4, and 7, Division IV, Chapters 3 and 5, Division V, Chapters 1 and 3, Division VI, Chapter 4, and Division VIII, Chapter 1 will update the Code to modify the structure and duties of various committees to provide clarity and conform the committee structure to the current workload and priorities of the Board.

## Proposed Action(s)/Recommendation(s) and Options

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### Staff Recommendation: Option #1

#### Option #1

Approve amendments to the Metropolitan Water District Administrative Code to modify the structure and duties of various committees.

**Fiscal Impact:** None

**Business Analysis:** Will provide clarity and conform the committee structure to the current workload and priorities of the Board.

#### Option #2

Do not approve amendments to the Metropolitan Water District Administrative Code to modify the structure and duties of various committees.

**Fiscal Impact:** None

**Business Analysis:** Will not provide clarity or conform the committee structure to the current workload and priorities of the Board.

## Alternatives Considered

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Not applicable

## Applicable Policy

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Metropolitan Water District Administrative Code Section 2451: Duties and Functions [Legal and Claims Committee]

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

## **Related Board Action(s)/Future Action(s)**

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Future changes will be based on the workload and priorities of the Board as they change.

## **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 because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5).)

### **CEQA determination for Option #2:**

None required

## **Details and Background**

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This letter sets forth recommendations by the Chair of the Board for amendments to Metropolitan's Administrative Code Division II, Chapters 2, 4, and 7, Division IV, Chapters 3 and 5, Division V, Chapters 1 and 3, Division VI, Chapter 4, and Division VIII, Chapter 1 relating to the Board committee structure and duties to provide clarity and consistency with the Board's current workload and priorities. The recommendations include the termination and creation of certain ad hoc and subcommittees, as set forth below. The proposed amendments creating new ad hoc and subcommittees are contingent upon the acceptance and implementation of the recommended changes herein.

The proposed changes include:

- Eliminate the Subcommittee on Audits and the Ad Hoc Committee on the Implementation of the State Audit, and transfer their audit-related responsibilities to a new Audit Subcommittee of the Executive Committee.
- Rename the Finance, Audit, Insurance, and Real Property Committee (FAIRP) as the Finance and Asset Management Committee. Delete the audit-related duties from FAIRP and transfer them to the new Audit Subcommittee of the Executive Committee.
- Increase the number of nonofficer members from three (3) to four (4) serving on the Executive Committee.
- Rename the Legislation, Regulatory Affairs and Communications Committee (LRAC) as the Legislation and Communications Committee. Delete regulatory matters from the duties of this committee; such matters will be addressed by the appropriate committee based upon the substance of the regulation. Further, eliminate the LRAC Subcommittee on Public Affairs Engagement.

The proposed amendments, and the amendments authorized by the Board at the January 9, 2024 meeting are set forth in **Attachment 1**, with overstrikes reflecting deletions and underlining reflecting additions. **Attachment 2** sets forth the sections as they will appear in the Administrative Code if the changes are approved.

The Administrative Code is proposed to be amended as follows:

1. Eliminate FAIRP's Subcommittee on Audits in Section 2204(3)(a) and the Board's Ad Hoc Committee on the Implementation of the State Audit. Recommend that the current audit responsibility of these two committees be transferred to the proposed Audit Subcommittee of the Executive Committee at Section 2416(f)(6). Add Section 2416(f)(6) to require the Executive Committee to form an Audit Subcommittee, whose membership will include the at-large members of the Executive Committee. This subcommittee

shall have the responsibility to monitor compliance with the recommendations of the California State Audit (April 2022) and, with respect to the duties and functions of the General Auditor, shall be responsible to:

- i. Study, advise and make recommendations with regard to:
  - a. All reports of the General Auditor and external auditors, including the audited financial statements of the District.
  - b. The Audit Department's annual business plan and biennial budget.
  - c. Requests from other committees of the Board and individual Board members for audits and review not included in the Audit Department's annual business plan.
- ii. Monitor and oversee the duties and responsibilities of the Audit Department and the external auditors as those duties and responsibilities relate to the effectiveness of the District's internal control system.
- iii. Review and approve the Audit Department business plan containing the key priorities for the coming year of the General Auditor and the Audit Department in advance of the July Board meeting.
- iv. As part of the Department Head's annual evaluation process, be responsible for engaging in periodic performance expectations discussions, including progress checks, with the General Auditor.

Make conforming, non-substantive amendments to Administrative Code Sections 2703 and 2722 transferring the General Auditor's annual and quarterly reporting functions from FAIRP to the Executive Committee. Make further conforming, non-substantive amendments to Administrative Code Division VI, Sections 6416, 6436(b), 6450(a), (b), (d), (e), and (f), 6451(b), (d), and (e), and 6453 transferring the General Auditor's duties and responsibilities outlined in Article 4 (General Auditor) from FAIRP to the Executive Committee. Rename the Vice Chair for Finance, Audit, and Planning as the Vice Chair for Finance and Planning at Section 2204(3).

2. Amend Administrative Code Sections 2204(3)(a), 2400, 2440, and 2441 to rename FAIRP as the Finance and Asset Management Committee. Delete Administrative Code Sections 2441(h), (i), and (j) and (o), in relevant part, and transfer these audit duties from FAIRP to the Executive Committee, and renumber the remaining provisions therein.

Make conforming, non-substantive amendments to rename FAIRP as the Finance and Asset Management Committee at Administrative Code Division II, Sections 2701(b), 2720(b) and (c), and 2750 and Division V, Sections 5104(b), 5107(a), and 5305 concerning reporting duties of the General Manager, Treasurer, and Controller and the biennial budget process, Division IV, Sections 4304(a), (b), (c), (d), 4305(a) and (b) and 4507(g)(3) concerning water service policies, and Division VIII, Sections 8248(b) and 8257 concerning real property reporting duties of the General Manager.

3. Amend Administrative Code Sections 2410 and 2411 to increase the number of nonofficer members from three (3) to four (4) serving on the Executive Committee.
4. Amend Administrative Code Sections 2460 and 2461 to rename LRAC as the Legislation and Communications Committee, delete references to regulations from Sections 2461(a), (b), and (c), and amend Administrative Code Section 2204(2)(a) to eliminate the LRAC Subcommittee on Public Affairs Engagement.

5. Amend Administrative Code Section 2204(1)(b) to delete the Subcommittee on Bay-Delta to conform to the Board's January 2024 approval of this action.



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Adán Ortega, Jr.  
Chair of the Board

2/7/2024  
Date

**Attachment 1 – The Administrative Code of The Metropolitan Water District of Southern California (with changes marked)**

**Attachment 2 – The Administrative Code of The Metropolitan Water District of Southern California (clean copy)**

Ref# 112692328

## Division II

### PROCEDURES PERTAINING TO BOARD, COMMITTEES AND DIRECTORS

#### Chapter 2

#### BOARD OFFICERS

##### § 2204. Delegation of Duties to Vice Chairs.

The Vice Chairs selected by the Chair shall act in the Chair's absence, failure or inability to act. The Vice Chairs shall have ex officio membership on standing committees, subcommittees, or special committees as designated in this Code. The Chair assigns the following duties to the designated Vice Chairs as follows:

(1) Vice Chair for Climate Action will provide guidance to the following committees:

- (a) Engineering, Operations and Technology Committee and the Subcommittee on Pure Water Southern California and Regional Conveyance; and
- (b) One Water and Stewardship Committee and the ~~Subcommittee on Bay Delta~~ and the Subcommittee on Demand Management and Conservation Programs and Priorities.

(2) Vice Chair for Strategic Communications and Stakeholder Engagement Policy will provide guidance to the following committees:

- (a) Legislation, ~~Regulatory Affairs~~, and Communications Committee ~~and the Subcommittee on Public Affairs Engagement~~.

(3) Vice Chair for Finance, ~~Audit~~, and Planning will provide guidance to the following committees:

- (a) Finance, ~~Audit, Insurance, and Real Property and Asset Management~~ Committee ~~and the Subcommittee on Audits~~, and the Subcommittee on Long-Term Regional Planning Processes and Business Modeling.

(4) Vice Chair for Organizational Integrity and Accountability will provide guidance to the following committees:

- (a) Ethics, Organization and Personnel Committee;
- (b) Legal and Claims Committee; and
- (c) Equity, Inclusion, and Affordability Committee.

## Chapter 4

### STANDING COMMITTEES

| Article  | Sec. |
|--|------|
| 1 General  | 2400 |
| 2 Executive  | 2410 |
| 3 Engineering, Operations and Technology Committee   | 2430 |
| 4 Finance, <del>Audit, Insurance and Real Property</del> <u>and Asset Management</u> Committee | 2440 |
| 5 Legal and Claims Committee   | 2450 |
| 6 Legislation, <del>Regulatory Affairs</del> and Communications Committee                      | 2460 |
| 7 Ethics, Organization and Personnel Committee   | 2470 |
| 8 One Water and Stewardship Committee  | 2480 |
| 9 Equity, Inclusion and Affordability Committee  | 2490 |

#### Article 1

#### GENERAL

##### § 2400. Identification of Standing Committees.

The Standing Committees of the Board of Directors are:

Executive Committee

Engineering, Operations and Technology Committee

Finance, ~~Audit, Insurance and Real Property~~ and Asset Management Committee Legal and Claims Committee

Legislation, ~~Regulatory Affairs~~ and Communications Committee Ethics, Organization and Personnel Committee

One Water and Stewardship Committee

Equity, Inclusion and Affordability Committee

#### Article 2

#### EXECUTIVE COMMITTEE

##### § 2410. Membership.

The Executive Committee shall consist of the Chair, Vice Chairs, Secretary, all past Chairs of the Board who are directors of the District, and the Chairs of the standing committees in addition to the Executive Committee, and ~~three~~ four (4) additional directors as nonofficer members.

##### § 2411. Selection of Nonofficer Members.

The ~~three~~ four (4) nonofficer members of the Executive Committee shall be nominated from the floor and elected at the January meeting of the Board.

**§ 2416. Duties and Functions. [Executive Committee]**

(a) The Executive Committee shall study, advise, and make recommendations with regard to:

- (1) Public information for governmental and other entities and officials, and for the citizens of California regarding matters affecting the District's interests;
- (2) Official dealings with the United States Government, the State of California or other states, member public agencies or their sub-agencies, foreign governments and other entities or persons in matters of public policy or other activities as deemed appropriate;
- (3) Policies and procedures to be considered by the Board or committees thereof, except for policy matters within the jurisdiction of a specific standing committee;
- (4) Matters relating to the Colorado River Board of California;
- (5) Major policy issues to be considered by the Board, including proposed amendments to the Metropolitan Water District Act;
- (6) Questions raised by the officers and staff in intervals between meetings of the Board and in unexpected situations and emergencies.
- (7) The terms and conditions of employment of all consultants and advisors not within the jurisdiction of other committees;
- (8) Resolution of conflicting committee recommendations pursuant to ~~§~~ [Section](#) 2314;
- (9) The progress of, and propose modifications to, the Board's goals in light of then existing and projected future conditions; and
- (10) Such other matters as may be required by Division II of this Code.

(b) The Executive Committee shall:

- (1) Review and approve board and committee agendas and, notwithstanding the jurisdiction of the other standing committees in the Code, have the authority to direct which committee shall consider an item;
- (2) Review and approve the scheduling of board and committee meetings;
- (3) Be responsible for the oversight and management of the organization including, but not limited to, the form of the District's organization and the flow of the authority and responsibility. This includes monitoring and overseeing the duties and responsibilities of management; and
- (4) Consider the effectiveness of the District's internal control system, including information technology security and control.

(c) The Executive Committee shall retain ultimate responsibility for those duties as are specifically assigned to the subcommittees of the Executive Committee.

(d) The Executive Committee shall be responsible for reviewing and approving the annual business plan containing the General Manager's key priorities for the coming year.

(e) As part of the Department Head annual evaluation process, the Executive Committee shall be responsible for engaging in periodic performance expectations discussions, including progress checks, with the General Manager.

(f) The Executive Committee shall also:

(1) Act on behalf of the Board in unexpected situations and emergencies, subject to subsequent approval or ratification of the actions taken whenever such approval or ratification is required by law.

(2) Provide policy guidance where appropriate to those directors and District staff members who are associated with organizations in which the District has membership.

(3) Conduct hearings on appeals of protest denials involving Purchasing Contracts and Professional and Technical Services Contracts pursuant to Section 8150(b).

(i) Hearings shall be held by the committee at its next regular meeting to be held at least 72 hours after the filing of the notice of appeal of the General Manager's determination under Section 8150(b). The decision of the committee shall be final unless the committee chooses to refer the notice of protest to the Board.

(ii) The Chair of the Executive Committee may re-delegate duties provided for under subparagraph (i) above to a minimum of three members of the Executive Committee who shall act in place of the committee.

(4) Resolve disputes over inspection dates and monitor conduct of inspection trips to assure maximum effectiveness.

(5) Address substantiated allegations of discrimination, harassment, and retaliation against directors, the General Manager, General Counsel, General Auditor, and Ethics Officer:

(i) The Executive Committee shall create an ad hoc subcommittee of three members and two alternates that will serve for a period of one year to address substantiated findings of violations determined as a result of Equal Employment Opportunity (EEO) investigations conducted for alleged violations of Section 2131 made against a director and for alleged violations of Section 6305 made against the General Manager, General Counsel, General Auditor, or Ethics Officer. If any director serving on the three-member subcommittee is an involved party to an EEO investigation, or has a conflict of interest with any involved party, the conflicted director shall recuse themselves from the matter. The Chief EEO Officer (EEO Officer) will select an alternate director to fulfill all subcommittee duties related to the particular matter. If the EEO Officer has a conflict of interest in the same matter, the Ethics Officer and/or General Counsel will select an alternate director. Directors serving as alternates will not participate in ad hoc committee matters unless or until called to serve.

(ii) The Executive Committee will also select an external law firm to serve as counsel to the ad hoc subcommittee to provide guidance, as needed, for post investigation actions.

(iii) The ad hoc subcommittee shall delegate to the EEO Officer the responsibility to designate an external investigator to conduct a fact-finding EEO investigation pursuant to this section. ALL EEO investigations will be fair, impartial, timely, and promptly initiated and completed by qualified personnel. Detailed EEO investigative procedures,



pursuant to this section can be found in *EEO Investigative Procedures for the Board and its Direct Reports*. The EEO Officer shall refer substantiated findings of EEO investigations to the ad hoc subcommittee to determine recommended appropriate action. At its discretion, the ad hoc subcommittee may consult with the EEO Officer, Ethics Officer, and/or General Counsel on appropriate action regarding a director or department head. The ad hoc subcommittee shall report a substantiated finding of an EEO violation by a director or department head and recommend appropriate action for the Board's consideration. Appropriate action for directors may include, but is not limited to, counseling, training, a private warning letter, public censure, temporary or permanent removal from committee assignments, or referral to the Director's appointing authority requesting appropriate action. Appropriate action for department heads may include, but is not limited to, counseling, training, performance review, or the imposition of discipline, as deemed appropriate under the circumstances.

(iv) When the General Manager is a party to the complaint or when in the judgment of the EEO Officer that matter should be handled differently to avoid real or perceived conflicts of interest, or to avoid potential bias or threats to impartiality, the EEO Officer shall delegate to the Ethics Officer the responsibility to retain an external investigator to conduct a fact-finding EEO investigation pursuant to this section. If the Ethics Officer has a conflict of interest in the particular case, the EEO Officer would delegate to the General Counsel the responsibility to retain an external investigator to conduct a fact-finding investigation pursuant to this section. Substantiated EEO findings under this subsection shall be referred directly to the ad hoc subcommittee to determine recommended appropriate action for the Board's consideration.

(v) A deviation of this investigation protocol by the EEO Officer may occur, in certain circumstances, with a written justification and approval of the ad hoc subcommittee responsible for EEO investigations of directors and department heads

(vi) On a quarterly basis, the Chief EEO Officer will report to the Executive Committee EEO case statistics regarding EEO complaints filed against the Board and its direct reports.

(6) Audit Subcommittee. The Executive Committee shall create an Audit Subcommittee, whose membership shall include the at-large members of the Executive Committee. This committee shall have the responsibility to monitor compliance with the recommendations of the California State Audit (April 2022) and, with respect to the duties and functions of the General Auditor, shall be responsible to:

(i) Study, advise and make recommendations with regard to:

a. All reports of the General Auditor and external auditors, including the audited financial statements of the District;

b. The Audit Department's annual business plan and biennial budget; and,

c. Requests from other committees of the Board and individual Board members for audits and review not included in the Audit Department's annual business plan.

(ii) Monitor and oversee the duties and responsibilities of the Audit Department and the external auditors as those duties and responsibilities relate to the effectiveness of the District's internal control system.

(iii) Review and approve, in advance of the July Board meeting, the Audit Department annual business plan containing the key priorities of the General Auditor and the Audit Department.

(iv) As part of the Department Head annual evaluation process, be responsible for engaging in periodic performance expectations discussions, including progress checks, with the General Auditor.

#### Article 4

### ~~FINANCE, AUDIT, INSURANCE AND REAL PROPERTY~~ AND ASSET MANAGEMENT COMMITTEE

#### § 2440. Day of Regular Meetings.

The regular meetings of the Finance, ~~Audit, Insurance and Real Property~~ and Asset Management ~~Committee~~ shall be held on the Monday preceding regular Board meetings or on the Tuesday of regular meetings.

#### § 2441. Duties and Functions.

The Finance, ~~Audit, Insurance and Real Property~~ and Asset Management Committee shall study, advise and make recommendations with regard to:

- (a) Preparation of budgets;
- (b) Policies and procedures related to budget development and cost containment;
- (c) Sale of bonds and borrowing and repayment of money;
- (d) Disposition and investment of funds;
- (e) Authorization of appropriations, except appropriations for capital projects;
- (f) The determination of revenues to be obtained through water transactions, including, but not limited to, sales, exchanges, and wheeling of water, water standby or availability of service charges, and the levying of taxes;
- (g) The financial impact and requirements of policies concerning annexation;

~~(h) With respect to the duties and functions of the General Auditor, this Committee shall study, advise and make recommendations with regard to:~~

~~i. All reports of the General Auditor and external auditors, including the audited financial statements of the District;~~

~~ii. The Audit Department's annual business plan and biennial budget; and~~

~~iii. Requests from other committees of the Board for audits and reviews not included in the Audit Department's annual business plan.~~

~~(i) Monitoring and overseeing the duties and responsibilities of the Audit Department and the external auditors as those duties and responsibilities relate to the effectiveness of the District's internal control system. It shall review and approve the Audit Department business plan containing the key~~

~~priorities for the coming year of the General Auditor and the Audit Department in advance of the July Board meeting.~~

~~(j) As part of the Department Head annual evaluation process, be responsible for engaging in periodic performance expectations discussions, including progress checks, with the General Auditor.~~

~~(k) The financial aspects of the District's risk management program;~~

~~(l) Questions pertaining to insurance coverage and self-insurance;~~

~~(m) The selection of financial and insurance consultants and the determination of the scope of their assignments;~~

~~(n) Form and contents of accounts, financial reports, and financial statements;~~

~~(o) Proposed amendments to the Metropolitan Water District Act affecting the finance, audit, insurance and real property and asset management functions of the District;~~

~~(p) Goals and objectives related to financial planning for Metropolitan, including but not limited to revenues, operating expenses, reserve policies, internally funded construction, debt management, investments and capital financing strategies;~~

~~(q) The prices and conditions governing water transactions, including, but not limited to, sales, exchanges, and wheeling sales of water;~~

~~(r) Costs and accounting procedures relating to the District's and other state water service contracts;~~

~~(s) Policies regarding water transactions, including, but not limited to, the sale, exchange, and wheeling of water for various uses;~~

~~(t) Policies regarding allocation of water standby or availability of service revenue requirements among member public agencies;~~

~~(u) Water standby or availability of service charges within the District;~~

~~(v) Determinations by the General Manager with respect to appeals concerning charges for water service, including readiness-to-serve charges and capacity charges, and report its recommendations, as appropriate, to affirm or reverse the General Manager's determinations;~~

~~(w) Appeals from determinations by the General Manager to deny or qualify an application for exemption from the water standby charge, and report its recommendations, as appropriate, to affirm or reverse the General Manager's determinations;~~

~~(x) The purchase, management and disposition of personal property assets such as equipment and vehicles;~~

~~(y) Facility master plans, including budgeting for capital improvements and long-term facilities commitments;~~

~~(z) Proposed rules and proposals regarding business development opportunities for real property;~~

~~(aa) Policies for the acquisition of rights-of-way;~~

(~~ybb~~) The purchase, sale, and leasing of land and buildings, including the District's various office and garage space needs;

(~~zee~~) The incidental use of land in farming operations and otherwise;

(~~aadd~~) The operation and maintenance of buildings;

(~~bbee~~) The development, oversight, and coordination of recreational facilities at Diamond Valley Lake and Lake Skinner;

(~~ccff~~) The use of proceeds from the sale or disposition of surplus property related to Diamond Valley Lake and Lake Skinner for recreational purposes;

(~~ddgg~~) Annexations and annexation policies including the requirements, procedures, terms and conditions for annexation.

## Article 6

### THE LEGISLATION, ~~REGULATORY AFFAIRS~~ AND COMMUNICATIONS COMMITTEE § 2461. Duties and Functions.

The Legislation, ~~Regulatory Affairs~~ and Communications Committee shall study, advise and make recommendations to the Board with regard to:

(a) Proposals of the General Manager, other committees, and board members concerning State and Federal legislation ~~and regulations~~, or amendments thereto, that may affect the District;

(b) Recommendations for new legislation ~~or regulations~~ identified by members of the Board or the General Manager;

(c) Opportunities for members of the Board to assist in outreach activities, including efforts to inform members of the Legislature or the Congress of the District's position with regard to proposed legislation ~~and regulations~~;

(d) The effectiveness of legislative and administrative advocacy efforts by staff and members of the Board;

(e) The development and implementation of Directors' inspection trips, including the expectations and goals for these trips;

(f) The development and implementation of school education programs, including the expectations and goals for these programs;

(g) The effectiveness of Metropolitan's external affairs programs and general communications efforts directed at member agencies and the general public; and

(h) The selection of public information consultants and the scope of their assignments.

## Chapter 7

### PERIODIC STAFF REPORTS TO BOARD AND COMMITTEES

#### Article 1

#### ANNUAL REPORTS

##### § 2701. Treasurer's Reports

(a) The Treasurer shall annually report to the Board on the investment policy of the District.

(b) The Treasurer shall report to the Finance, ~~Audit, Insurance and Real Property~~ and Asset Management Committee:

- (1) All payments after loss of a bond interest coupon made pursuant to Section 5104; and
- (2) All issuances of duplicate bonds made pursuant to Section 5105.

##### § 2703. General Auditor's Report

The General Auditor shall annually report to the ~~Finance, Audit, Insurance and Real Property~~ Executive Committee a business plan containing the General Auditor's key priorities for the coming year for the Audit Department as required by Sections ~~2416, 2501~~ and 6451.

#### Article 2

#### QUARTERLY REPORTS

##### § 2720. General Manager's Quarterly Reports.

The General Manager shall quarterly make the following reports:

(a) To the Engineering, Operations and Technology Committee: a report on the Capital Investment Plan, including service connections approved by the General Manager pursuant to Sections 4700-4708 with the estimated cost and approximate location of each and the execution of any relocation agreements involving an amount in excess of \$100,000 under authority of Section 8122(c);

(b) To the Finance, ~~Audit, Insurance and Real Property~~ and Asset Management Committee: A summary of financial performance including Comparative Statements of Operations and Comparative Balance Sheets and variances thereof from estimates;

(c) To the Finance, ~~Audit, Insurance and Real Property~~ and Asset Management Committee:

- (1) Deeds or grants accepted during the preceding quarter;
- (2) Easements, or similar rights, granted during the preceding quarter under the authority of Section 8220, and shall also include in such report any relocation or protection agreement made in connection therewith;
- (3) All leases made during the preceding quarter under the authority of Sections 8222, 8223, 8230 and 8232;
- (4) The details of any transactions during the preceding quarter in which an improvement was disposed of in such a manner as to make the improvement available for subsequent use by a party other than the District; and

(5) Property sold pursuant to the authority granted by Section 8240 et seq.

(d) To the Legal and Claims Committee, jointly with the General Counsel, the exercise of any power delegated to them by Sections 6431, 6433 and 6434, and, in addition any and all other personnel-related settlements that invoke confidentiality or have any financial impact – including paid and reinstated leave – regardless of settlement type. The reporting on personnel-related settlements should include whether equal employment opportunity issues were implicated, whether the employee is still employed by the District, the existence and type of any financial or confidentiality terms, and whether the District has taken any corrective action in response to the alleged issues.

(e) To the Engineering, Operations and Technology Committee:

(1) The status of all information technology projects throughout the organization.

(2) The employment of any professional and technical consultant, the extension of any professional and technical consulting agreement, on the exercise of authority under Section 8121(c) and 8122(h) and the execution of any contract authorized pursuant to Section 8122(g) during the preceding calendar quarter. The report covering the last calendar quarter of the year may be combined with and included in the annual report. Each such report shall indicate when a consultant is a former employee of the District.

#### **§ 2722. General Auditor's Quarterly Reports.**

The General Auditor shall report to the ~~Finance, Audit, Insurance and Real Property~~ Executive Committee the exercise of any power delegated to the General Auditor by Section 6453.

### **Article 4**

#### **MISCELLANEOUS REPORTS**

#### **§ 2750. Escheat to District of Unclaimed Funds.**

The Controller shall file a report with the Finance, ~~Audit, Insurance and Real Property~~ and Asset Management Committee after each publication made pursuant to Section 5113 regarding moneys unclaimed in the District treasury.

### **Division IV**

#### **WATER SERVICE POLICIES**

### **Chapter 3**

#### **WATER TRANSACTIONS REVENUE**

#### **§ 4304. Apportionment of Revenues and Setting of Water Rates.**

(a) Not later than at its February meeting the General Manager shall present to the Finance and Asset Management, ~~Audit, Insurance and Real Property~~ Committee of the Board:

(1) Determinations of the revenue requirements and cost of service analysis supporting the rates and charges required during the biennial period beginning the following July 1, as determined by the General Manager in accordance with current Board policies, and,

(2) Recommendations of rates including, but not limited to, the System Access Rate, Water Stewardship Rate, System Power Rate, Treatment Surcharge, and the Supply Rates for the various classes of water service to become effective each January 1 of the biennial period. These recommended rates shall be the General Manager's determination, made in accordance with current Board policies, of the rates necessary to produce substantially the revenues to be derived from water transactions, including, but not limited to, sales, exchanges, and wheeling, during the biennial period beginning the following July 1.

(b) Not later than at its February meeting, the General Manager shall also present to the Finance ~~and Asset Management, Audit, Insurance and Real Property~~ Committee recommendations regarding the continuation of a water standby charge or the imposition of an availability of service charge (such as the readiness-to-serve charge and capacity charge), which shall be the General Manager's determination, made in accordance with current Board policies, of the charge necessary to produce substantially the revenues to be derived from fixed revenue sources, if any, exclusive of taxes, during the biennial period beginning the following July 1 which the Finance ~~and Asset Management, Audit, Insurance, and Real Property~~ Committee has determined to be necessary.

(c) Not later than its February meeting the Finance ~~and Asset Management, Audit, Insurance and Real Property~~ Committee shall set a time or times for, and shall thereafter hold, one or more meetings of the Finance ~~and Asset Management, Audit, Insurance and Real Property~~ Committee, to be held prior to its regular April meeting, at which interested parties may present their views regarding the proposed water rates and availability of service charges to said committee. The Finance ~~and Asset Management, Audit, Insurance and Real Property~~ Committee shall direct the General Manager to cause the publication of a notice of such public hearing to be published in newspapers of general circulation within the District's service area. Such notice shall be published not less than 10 days prior to the public hearing.

(d) Not later than its regular April meeting the Finance ~~and Asset Management, Audit, Insurance and Real Property~~ Committee shall make its determination regarding the revenue requirement to be paid from water rates and the water rates to become effective each January 1 of the biennial period and shall recommend said water rates to the Board no later than the Board's regular April meeting.

(e) Not later than its April meeting, the Board shall establish water rates for deliveries beginning each January 1 of the biennial period.

(f) Proposals for changes in water rates to become effective at times other than on January 1 shall require adequate notice to the public and a hearing before such proposals are acted upon by the Board, unless the Board finds that an immediate change in water rates is urgent.

#### **§ 4305. Setting of Charges to Raise Fixed Revenue.**

(a) Not later than its regular May meeting each year, the Finance ~~and Asset Management, Audit, Insurance, and Real Property~~ Committee shall make its final determination regarding the water standby charge or other fixed revenue charge, if any, for the fiscal year beginning the following July 1, and shall recommend such charge, if any, to the Board at its regular May meeting.

(b) Not later than such May meeting, the Board shall consider and take action upon the recommendations, if any, of the Finance ~~and Asset Management, Audit, Insurance, and Real Property~~ Committee regarding a fixed revenue source, exclusive of taxes, to become effective the following January 1 or for the fiscal year beginning the following July 1, as determined by the Board for each fixed revenue source.

## Chapter 5

### WATER SERVICE REGULATIONS – GENERAL

#### § 4507. Billing and Payment for Water Deliveries.

(a) **Timeframe for Billing and Payment.** Except as noted herein below, invoices shall be mailed electronically, or, if requested by the member agency, by hardcopy via United States mail, not later than the tenth day of the month following delivery to a member public agency. Each such invoice shall indicate the date of mailing and the date on which the payment thereunder becomes delinquent and shall show the total amount of water delivered for each class of service, the charges for water sold and delivered for each class, the readiness-to-serve and capacity charges, as applicable, and the total amount due and owing, all as determined by the General Manager. Payment of the amount shown on any such invoice shall be due on the last business day of that month and shall be delinquent if not received by the Treasurer of the District before the close of crediting activity on the last business day of the first month following such date of mailing. When making any such payment the member public agency shall specify the invoice or invoices to which the payment shall be credited by the District.

(1) For purposes of Section 4507(a), "business day" shall mean any day other than a Saturday, a Sunday, or a Holiday (as defined in Section 1106).

(2) For purposes of Section 4507(a), "received by the Treasurer of the District" shall mean receipt either (1) in the office of the Treasurer or (2) by crediting pursuant to advance agreement with the Treasurer to the District's general demand account at the District's principal depository bank, in such form that the funds are immediately available for investment or other use or disposal by the District.

(3) For purposes of Section 4507(a), "crediting activity" shall mean either (1) 2:00 p.m. if payment is delivered to the office of the Treasurer, or (2) the cutoff time for crediting by the District's principal depository bank of that day's transactions if payment is initiated by wire transfer, automated clearinghouse transfer, interbranch transfer, direct deposit, or by other means pursuant to advance agreement with the Treasurer.

If, under advance agreement with the Treasurer, a member agency has authorized payment of any invoice by automated clearinghouse transfer initiated by the Treasurer, the Treasurer shall initiate such transfer for processing two business days prior to the business day on which such payment shall be delinquent. Failure of such transfer shall not relieve such member agency from liability for such payment or charges in the event such payment should become delinquent, except as specifically provided under advance agreement with the Treasurer.

(b) **Full Service and Emergency Storage Program Facility.** In cases where water through a particular facility is delivered during any month for full service or Emergency Storage Program Service, the bill for water delivered in such month will be prepared by applying the rates for water sold and delivered in full service to the total quantity of water delivered. If the member public agency desires to receive credit for water used in Emergency Storage Program Service, the facts concerning the quantities of water so used must be certified to the District via the District's electronic certification and billing system by an authorized user for the member public agency purchasing such water as provided for in Section 4507 (c). The amount of such credits shall be based on the difference in water rates in effect at the time the water is used.

(c) **Late Certifications.** Based on available information, the District will notify a member agency for any certification that it has not received, if known, three months from the end of the month for



which the agency would normally certify. No certification received after six months following the end of any month in which such a credit is claimed will be accepted. Certifications must be received by Metropolitan before 3:30 p.m. on the third working day after the end of the month to receive credit for any preceding month on the next bill, subject to the provisions with respect to late certifications in this Section. This Section applies to all cases where a certification is required to receive a credit, whether or not specifically named in this Section, unless otherwise provided by this Code.

(d) **Determination by General Manager as to Type of Delivery.** In the event the respective quantities of water sold and delivered in any month on order of any member public agency for use therein in any water program or contract requiring certification, are not determinable to the satisfaction of the General Manager in time for preparing regular monthly bills, then billing and payment for all water sold and delivered in such month to such member public agency shall be made at the rates prescribed for water used in full service in Section 4401(a)(1) hereof. Upon the determination by the General Manager of the correct quantities of water sold and delivered and used in any water program or contract requiring certification, any adjustment which is necessary to give effect to the applicable credit for the water used in any water program or contract requiring certification, shall be made by application of credits on subsequent purchases of water from the District by such member public agency. Such adjustments shall not be made in cases where a claim for the applicable credit is not submitted within the period provided in Section 4507(c).

(e) **Obligation to Pay for Appropriate Class of Service.** If water has been sold and delivered at the rates prescribed for water sold in any water program or contract and appropriate certifications have been submitted for the water so used, but the water has in fact been used in full service or another class of service, the member public agency shall be obligated to pay the difference between the rates prescribed for water sold for the applicable water program or contract and the rates prescribed for the class of service actually used.

(f) **Submission of Documentation by Member Agency.** With respect to water sold and delivered at the rates prescribed for water sold under water programs or contract (unless otherwise specified in an agreement with the District), original documentation supporting the use of such water as certified must be submitted no later than December 31 following the end of the fiscal year for which a certification is submitted, unless otherwise specified in an agreement with the District. If the documentation is not submitted by December 31 following the end of the fiscal year for which a certification was submitted, an agency will receive a late penalty of \$2,500. If the agency does not submit documentation by February 28/29 following the end of the fiscal year for which a certification was submitted, it shall be conclusively presumed that:

(1) The water sold from the District was used for full service, and the District's next monthly billing shall reflect such adjustment; or

(2) The yield was not produced as certified and the District's next monthly billing shall reflect such adjustment.

This provision will apply individually to each program or agreement that an agency or sub-agency participates in separately.

(g) **Review Process.** With respect to water sold and delivered at the rates prescribed for water sold under water programs or contract (unless otherwise specified in an agreement with the District) the District will complete its review within twelve months from date of receipt of the original supporting documentation.

(1) Should the District not complete its review within twelve months of the submittal of all source documentation, the review will be considered complete and the certifications final.

(2) When the review is completed, the District will notify the member agency of its initial findings for its comments. The member agency will provide its comments within 60 days. Metropolitan staff and the agency will work together to reconcile any differences.

(3) If the member agency and Metropolitan staff cannot reconcile the differences, Metropolitan's Water System Operations' Group Manager has the responsibility to consult with the member agency and make a final ruling, subject to the General Manager's oversight. If the ruling is unsatisfactory to the agency, it can be appealed to Metropolitan's Finance ~~and Asset Management, Audit, Insurance and Real Property~~ Committee.

(4) If the member agency does not provide further documentation correcting Metropolitan staff findings within the 60-day comment period as specified in (g) (2), then it shall be conclusively presumed that the District's findings are correct and the District's next monthly billing shall reflect such adjustment.

**(h) Discovery of Mistakes or Errors.** In the event a mistake or error is discovered in a District water sales record, the General Manager shall initiate appropriate corrective action. No mistake or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District. In the event a mistake or error is discovered by a member agency in its water sales record or certifications, no mistake or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District.

(1) A District water sales record shall include a water billing invoice, or district invoice for other water-related charges.

(2) If the District finds the mistake or error, the discovery of the mistake or error shall be documented in writing to the member agency. The date of discovery for corrective action purposes shall be the date notice is sent to the member agency.

(3) If the member agency discovers the mistake or error, the discovery of the mistake or error shall be documented in writing to the District by either a revised certification form or letter, whichever is applicable. The date of discovery for corrective action purposes shall be the date the certification or letter is received by the District.

(4) If an incorrect invoice has been issued to a member public agency, the General Manager shall notify the affected agency of any adjustment and the manner of making any required credit or charge, neither of which shall bear interest.

(5) Mistakes or errors shall also include but are not limited to mistakes or errors in metering or recording deliveries to member agencies, entry or calculation errors in fixed charges, discovery of errors in either a member agency or sub-agency submitted certification(s), or processing of a certification(s) for the Local Projects Program, the Local Resources Program, the Groundwater Recovery Program, Conservation Credit Program, or any other water management program or storage programs or agreements unless specified otherwise in the contract.

(6) Any mistakes or error for a fiscal year period that is less than five acre-feet cumulative by agency or sub-agency, by program or agreement, shall be waived.

(i) **Rate Change.** In the event that deliveries of water are made by the District to member public agencies over a billing period during which the District's water rates change, the General Manager may cause the meters recording deliveries of water during such period to be read at the end of the period and the statement of charges for such deliveries of water may be based on a proration between the previous and new water rates for the periods of time during which each were in effect as determined by the General Manager.

## Division V

### FINANCIAL MATTERS

#### Chapter 1

#### ADMINISTRATIVE MATTERS

#### **§ 5104. Payment After Loss of Bond Interest Coupon.**

(a) The Treasurer of the District is authorized to effectuate payment, without action of the Board, of a claim arising from the loss of a bond interest coupon that has been detached from a District bond or from the destruction of a bond interest coupon at any time after the date of its maturity, and the Treasurer has received:

(1) An affidavit or affidavits establishing the ownership of the coupon and reciting therein the circumstances under which it was lost or destroyed; and

(2) An indemnity bond in a penal sum which is at least the amount of the claim, said sum being specifically stated in said bond, said bond to be approved by the General Counsel and then filed with the Treasurer. The indemnity bond must include a rider substantially in the form hereinafter set forth:

(i) Rider.

This Rider is attached to and is a part of the Bond of Indemnity executed by the (enter name of insurance company) respecting the loss of coupons due coupons at \$ per coupon - total \$ , detached from \$ Bonds of THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, numbered to , %, maturing , at \$ each bond in bearer form.

It is understood and agreed that in the event the balance in the coupon account respecting the above-described issue of bonds, maintained by the Treasurer of said District, should hereafter not be sufficient as a result of the payment of coupon(s) to provide for outstanding unpaid coupons, (enter name of insurance company) will reimburse The Metropolitan Water District of Southern California, up to the face amount of the coupon(s) paid under this indemnity contingent upon presentation by said District of (a) evidence that said District has paid the afore-described coupon(s) or (b) a certificate from the Treasurer of said District that there is a deficiency in said coupon account balance.

It is understood that within the first year after the due date of the afore-described coupon(s) that (enter name of insurance company) may request that the Treasurer of said District search the District's records to ascertain if in fact the afore-described coupon(s) have been paid, but any such request shall only be honored by said Treasurer upon payment by (enter name of insurance company) of any fee required by said Treasurer to cover costs of such search.

Executed this                    day of   1920   .

(enter name of insurance company)

(b) The Treasurer shall report to the Finance, ~~Audit, Insurance and Real Property~~ and Asset Management Committee all payments made pursuant to this Section 5104.

### **§ 5107. Biennial Budget Process.**

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

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

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

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

## **Chapter 3**

### **SHORT-TERM REVENUE CERTIFICATES**

#### **§ 5305. Report of Exercise of Authority.**

The General Manager shall report to the next following meeting of the Finance, ~~Audit, Insurance and Real Property~~ and Asset Management Committee of the Board any exercise of authority pursuant to this Chapter.

**Division VI**  
**PERSONNEL MATTERS**

**Chapter 4**

**OFFICERS**

**Article 2**

**General Manager**

**§ 6416. Annual Report to Executive Committee**

The General Manager shall annually submit to the Executive Committee a business plan containing the General Manager's key priorities for the coming year. The business plan shall be submitted in conjunction with similar plans by the General Auditor to the ~~Executive Finance, Audit, Insurance, and Real Property~~ Committee and the Ethics Officer to the Ethics, Organization and Personnel Committee and the General Counsel to the Legal and Claims Committee.

**Article 3**

**General Counsel**

**§ 6436. Annual and Quarterly Reports to Legal and Claims Committee.**

(a) The General Manager and General Counsel shall report quarterly to the Legal and Claims Committee the exercise of any power delegated to them by Sections 6433 and 6434. The General Counsel shall report quarterly to the Legal and Claims Committee the exercise of any power delegated to them by Section 6431.

(b) The General Counsel shall annually, in advance of the July Board meetings, submit to the Legal and Claims Committee a business plan containing the Legal Department's key priorities for the coming year for review and approval. The business plan shall be submitted in conjunction with similar plans by the General Manager to the Executive Committee and the General Auditor to the ~~Finance, Audit, Insurance, and Real Property~~ Executive Committee, and the Ethics Officer to the Ethics, Organization and Personnel Committee.

**Article 4**

**GENERAL AUDITOR**

**§ 6450. Powers and Duties.**

(a) The District's independent internal auditing function is governed by provisions of the California Government Code and by policies established by the Board of Directors. The ~~Finance, Audit, Insurance and Real Property~~ Executive Committee is responsible for the oversight of the internal auditing function, approving the Audit Department charter (subject to review and approval of the Board of Directors), selecting and overseeing the work of external auditors, and reviewing reports issued by both the internal and external auditors.

(b) The General Auditor manages the District's Audit Department and is responsible for formulating departmental policies and procedures; directing and evaluating the performance of work done by employees within the department, administering the internal records of the department; and

administering the District's contract for external audit services. The General Auditor shall, annually in advance of the July Board meetings, submit to the ~~Executive Finance, Audit, Insurance and Real Property~~ Committee an Audit business plan containing key priorities for the coming year for review and approval. The business plan shall be submitted in conjunction with similar plans by the General Manager to the Executive Committee, the General Counsel to the Legal and Claims Committee and Ethics Officer to the ~~Finance, Audit, Insurance and Real Property~~ Ethics, Organization, and Personnel Committee.

(c) The General Auditor shall report the findings, opinions, and recommendations which result from the performance of the duties outlined in paragraph 6450(b) to the General Manager, General Counsel and Ethics Officer for their information and appropriate actions. Whenever an audit report contains recommendations for corrective actions or changes in current practices, the General Manager, General Counsel, Ethics Officer or their designees shall respond to the General Auditor in an appropriate manner and within a reasonable time, indicating their views on the recommendations and proposed actions to be taken, if any.

(d) The General Auditor's reports on internal audit assignments shall be addressed to the ~~Finance, Audit, Insurance and Real Property~~ Executive Committee. The General Auditor shall have the discretion to determine the form and content of such audit reports, subject to guidance by the ~~Finance, Audit, Insurance and Real Property~~ Executive Committee. With the exception of those reports which the General Auditor deems to be urgent or confidential in nature, copies of all audit reports addressed to the ~~Finance, Audit, Insurance and Real Property~~ Executive Committee shall be submitted to the General Manager and General Counsel for review and comment simultaneously to their submittal to the ~~Finance Audit, Insurance and Real Property~~ Executive Committee.

(e) The General Auditor shall transmit all reports issued by the District's external auditors to the ~~Finance, Audit, Insurance and Real Property~~ Executive Committee and any other committees of the Board as may be applicable. Such transmittal letters should include any comments on the external auditor's reports that the General Auditor deems necessary.

(f) The General Auditor may receive requests from time to time from the other executive officers or committees of the Board to perform audit assignments which are not included in the approved annual Audit Business Plan. Similarly, the General Auditor may identify a need to include new assignments in the Audit Business Plan during the year. The General Auditor shall have sufficient latitude and discretion to include those new assignments in the annual Audit Business Plan as the General Auditor deems necessary based upon their professional judgment and available resources. Requests from other committees of the Board and individual Board members desiring specific audit assignments shall be submitted to the ~~Subcommittee on Audits~~ Audit Subcommittee for study, advise, and recommendation, or if such subcommittee is not currently in place, the ~~Finance, Audit, Insurance, and Real Property~~ Executive Committee. Once the audit assignment is approved by the Board, the General Auditor reserves the right to determine how to best fit the directed audit assignment into the Audit Business Plan. The reporting process for assignments requested by either executive management, by committees of the Board, or by individual Board members shall generally follow the process outlined in paragraphs 6450(c) or (d) previously.

(g) The General Auditor shall manage the work of the Audit Department in accordance with the Audit Department Charter. The General Auditor shall assess annually whether the purpose, authority and responsibility, as defined in this Charter, continue to be adequate to enable the Audit Department to accomplish its objectives.

**§ 6451. Audit Department Charter.**

(a) Mission and Scope of Work - The mission of the Audit Department is to provide independent, professional, objective assurance and consulting services designed to add value and improve Metropolitan's operations. It 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 the organization'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:

- (1) Risks are appropriately identified, managed and monitored;
- (2) Significant financial, managerial and operating information is accurate, reliable and
- (3) Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- (4) Resources are acquired economically, used efficiently, and adequately protected;
- (5) Programs, plans, and objectives are achieved;
- (6) Quality and continuous improvement are fostered in the organization's control process;
- (7) Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately;

Opportunities for improving management internal control, efficiency and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

(b) Accountability - The General Auditor shall be accountable to the Board of Directors and the ~~Finance, Audit, Insurance and Real Property Executive~~ Committee to:

- (1) Advise on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks;
- (2) Report significant issues related to the processes for controlling the activities of the organization, including potential improvements to those processes, and provide information concerning such issues through to resolution;
- (3) Coordinate with other Metropolitan control and monitoring functions (risk management, legal, finance, ethics, security and environmental);

(c) Professional Standards – The Audit Department shall govern itself by adherence to The Institute of Internal Auditors' mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Audit Department's performance. These documents constitute the operating procedures for the department and constitute an addendum to the charter.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers shall also be adhered to as applicable. In addition, Audit Department staff shall adhere to Metropolitan's policies and procedures, the California Government Code; Government Auditing Standards (GAGAS); and the Audit Department's Policies and Procedures Manual.



(d) Responsibilities - The Audit Department shall carry out the following responsibilities:

(1) Develop and present a flexible annual audit plan to the ~~Finance, Audit, Insurance and Real Property Executive~~ Committee for review and approval. This plan should be developed utilizing a risk-based methodology and should include risks or internal control concerns identified by Management or the Board of Directors;

(2) Report periodically to the ~~Finance, Audit, Insurance and Real Property Executive~~ Committee and Management the status of the current year's audit plan and the sufficiency of department resources;

(3) Issue an opinion on internal controls over financial reporting on an annual basis;

(4) Submit audit reports to the ~~Finance, Audit, Insurance and Real Property Executive~~ Committee and Management communicating the auditor's opinion regarding the internal control structure, identifying significant control issues and providing related recommendations;

(5) Evaluate the adequacy and timeliness of Management's responses to, and the corrective action taken on, all significant control issues noted in such reports. Conduct follow-up reviews as necessary and periodically report to the ~~Finance, Audit, Insurance and Real Property Executive~~ Committee the status of Management's progress;

(6) Ensure the selection, development and supervision of competent and professional audit staff;

(7) Perform a quality assurance program by which the General Auditor evaluates internal auditing activities against professional standards. Obtain external quality assurance review as required by GAGAS and the Standards;

(8) Perform consulting services to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services;

(9) Evaluate additions or changes in internal control processes coincident with their development and implementation;

(10) Keep the ~~Finance, Audit, Insurance and Real Property Executive~~ Committee informed of significant emerging trends and best practices in internal auditing and governance;

(11) Assist in the investigation of significant suspected fraudulent activities within the organization. Assure reporting to the ~~Finance, Audit, Insurance and Real Property Executive~~ Committee on the results, as appropriate;

(12) Coordinate with external auditors to minimize duplication of effort and to ensure that issues raised, as a result of their review, are appropriately addressed.

(e) Authority - The General Auditor and Audit Department staff members are authorized to:

(1) Have unrestricted access to all functions, records, property, and personnel, subject to the requirements of safekeeping, confidentiality and applicable process;

(2) Have full and free access to the ~~Finance, Audit, Insurance and Real Property Executive~~ Committee, subject to applicable law,

(3) Allocate resources, set frequencies, and select subject, determine scopes of work, and apply the techniques required to accomplish audit objectives;

(4) Obtain the necessary assistance of personnel in units of the organization where they perform audit, as well as other specialized services from within or outside the organization;

The General Auditor and Audit Department staff members are not authorized to:

(1) Perform any operational duties for the organization;



- (2) Initiate or approve accounting transactions external to the internal auditing department;
- (3) Direct the activities of any organization employee not employed by the internal auditing department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

This Charter shall be reviewed at least annually by the ~~Finance, Audit, Insurance and Real Property-Executive~~ Committee and Board of Directors.

#### **§ 6453. Authority to Obtain Professional Services.**

The General Auditor is authorized to employ the services of independent auditors or other professional or technical consultants to advise or assist them in performing their assigned duties as may be required or as they deem necessary provided that the amount to be expended in fees, costs, and expenses under any one contract in any one year shall not exceed \$100,000. External auditors, while employed as external auditors for Metropolitan, are prohibited from performing any other consulting work for Metropolitan or performing any work for other clients that conflicts, or may conflict, with their responsibilities as Metropolitan's external auditors. These prohibitions shall be included in Metropolitan's agreements with external auditors. The General Auditor shall inform the ~~Finance, Audit, Insurance and Real Property-Executive~~ Committee whenever they exercise the authority granted under this section and they shall further report quarterly to the Legal and Claims Committee concerning any agreements entered into under this section.

### **Division VIII**

#### **CONTRACTS/DISTRICT PROPERTY**

##### **Chapter 1**

#### **CONTRACTS**

#### **§ 8248. Disposal of Unnecessary Improvements.**

(a) The General Manager is authorized to dispose of, in the manner the General Manager deems to be in the best interest of the District, any improvements that must be removed to make land acquired for District operations suitable for District use.

(b) The General Manager shall report quarterly to the ~~Finance, Audit, Insurance and Real Property and Asset Management~~ Committee the details of any transactions during the preceding quarter in which an improvement was disposed of in such a manner as to make the improvement available for subsequent use by a party other than the District.

#### **§ 8257. Quarterly Reports.**

The General Manager shall report to the ~~Finance, Audit, Insurance and Real Property and Asset Management~~ Committee quarterly on any real property sold pursuant to this Article.

**Division II****PROCEDURES PERTAINING TO BOARD, COMMITTEES  
AND DIRECTORS****Chapter 2****BOARD OFFICERS****§ 2204. Delegation of Duties to Vice Chairs.**

The Vice Chairs selected by the Chair shall act in the Chair's absence, failure or inability to act. The Vice Chairs shall have ex officio membership on standing committees, subcommittees, or special committees as designated in this Code. The Chair assigns the following duties to the designated Vice Chairs as follows:

(1) Vice Chair for Climate Action will provide guidance to the following committees:

- (a) Engineering, Operations and Technology Committee and the Subcommittee on Pure Water Southern California and Regional Conveyance; and
- (b) One Water and Stewardship Committee and the Subcommittee on Demand Management and Conservation Programs and Priorities.

(2) Vice Chair for Strategic Communications and Stakeholder Engagement Policy will provide guidance to the following committees:

- (a) Legislation and Communications Committee.

(3) Vice Chair for Finance and Planning will provide guidance to the following committees:

- (a) Finance and Asset Management Committee and the Subcommittee on Long-Term Regional Planning Processes and Business Modeling.

(4) Vice Chair for Organizational Integrity and Accountability will provide guidance to the following committees:

- (a) Ethics, Organization and Personnel Committee;
- (b) Legal and Claims Committee; and
- (c) Equity, Inclusion, and Affordability Committee.

## Chapter 4

### STANDING COMMITTEES

| Article  | Sec. |
|--|------|
| 1 General  | 2400 |
| 2 Executive  | 2410 |
| 3 Engineering, Operations and Technology Committee | 2430 |
| 4 Finance and Asset Management Committee           | 2440 |
| 5 Legal and Claims Committee                       | 2450 |
| 6 Legislation and Communications Committee         | 2460 |
| 7 Ethics, Organization and Personnel Committee     | 2470 |
| 8 One Water and Stewardship Committee              | 2480 |
| 9 Equity, Inclusion and Affordability Committee    | 2490 |

#### Article 1

#### GENERAL

##### § 2400. Identification of Standing Committees.

The Standing Committees of the Board of Directors are:

- Executive Committee
- Engineering, Operations and Technology Committee
- Finance and Asset Management Committee
- Legal and Claims Committee
- Legislation and Communications Committee
- Ethics, Organization and Personnel Committee
- One Water and Stewardship Committee
- Equity, Inclusion and Affordability Committee

#### Article 2

#### EXECUTIVE COMMITTEE

##### § 2410. Membership.

The Executive Committee shall consist of the Chair, Vice Chairs, Secretary, all past Chairs of the Board who are directors of the District, and the Chairs of the standing committees in addition to the Executive Committee, and four (4) additional directors as nonofficer members.

##### § 2411. Selection of Nonofficer Members.

The four (4) nonofficer members of the Executive Committee shall be nominated from the floor and elected at the January meeting of the Board.

**§ 2416. Duties and Functions. [Executive Committee]**

(a) The Executive Committee shall study, advise, and make recommendations with regard to:

(1) Public information for governmental and other entities and officials, and for the citizens of California regarding matters affecting the District's interests;

(2) Official dealings with the United States Government, the State of California or other states, member public agencies or their sub-agencies, foreign governments and other entities or persons in matters of public policy or other activities as deemed appropriate;

(3) Policies and procedures to be considered by the Board or committees thereof, except for policy matters within the jurisdiction of a specific standing committee;

(4) Matters relating to the Colorado River Board of California;

(5) Major policy issues to be considered by the Board, including proposed amendments to the Metropolitan Water District Act;

(6) Questions raised by the officers and staff in intervals between meetings of the Board and in unexpected situations and emergencies.

(7) The terms and conditions of employment of all consultants and advisors not within the jurisdiction of other committees;

(8) Resolution of conflicting committee recommendations pursuant to Section 2314;

(9) The progress of, and propose modifications to, the Board's goals in light of then existing and projected future conditions; and

(10) Such other matters as may be required by Division II of this Code.

(b) The Executive Committee shall:

(1) Review and approve board and committee agendas and, notwithstanding the jurisdiction of the other standing committees in the Code, have the authority to direct which committee shall consider an item;

(2) Review and approve the scheduling of board and committee meetings;

(3) Be responsible for the oversight and management of the organization including, but not limited to, the form of the District's organization and the flow of the authority and responsibility. This includes monitoring and overseeing the duties and responsibilities of management; and

(4) Consider the effectiveness of the District's internal control system, including information technology security and control.

(c) The Executive Committee shall retain ultimate responsibility for those duties as are specifically assigned to the subcommittees of the Executive Committee.

(d) The Executive Committee shall be responsible for reviewing and approving the annual business plan containing the General Manager's key priorities for the coming year.

(e) As part of the Department Head annual evaluation process, the Executive Committee shall be responsible for engaging in periodic performance expectations discussions, including progress checks, with the General Manager.

(f) The Executive Committee shall also:

(1) Act on behalf of the Board in unexpected situations and emergencies, subject to subsequent approval or ratification of the actions taken whenever such approval or ratification is required by law.

(2) Provide policy guidance where appropriate to those directors and District staff members who are associated with organizations in which the District has membership.

(3) Conduct hearings on appeals of protest denials involving Purchasing Contracts and Professional and Technical Services Contracts pursuant to Section 8150(b).

(i) Hearings shall be held by the committee at its next regular meeting to be held at least 72 hours after the filing of the notice of appeal of the General Manager's determination under Section 8150(b). The decision of the committee shall be final unless the committee chooses to refer the notice of protest to the Board.

(ii) The Chair of the Executive Committee may re-delegate duties provided for under subparagraph (i) above to a minimum of three members of the Executive Committee who shall act in place of the committee.

(4) Resolve disputes over inspection dates and monitor conduct of inspection trips to assure maximum effectiveness.

(5) Address substantiated allegations of discrimination, harassment, and retaliation against directors, the General Manager, General Counsel, General Auditor, and Ethics Officer:

(i) The Executive Committee shall create an ad hoc subcommittee of three members and two alternates that will serve for a period of one year to address substantiated findings of violations determined as a result of Equal Employment Opportunity (EEO) investigations conducted for alleged violations of Section 2131 made against a director and for alleged violations of Section 6305 made against the General Manager, General Counsel, General Auditor, or Ethics Officer. If any director serving on the three-member subcommittee is an involved party to an EEO investigation, or has a conflict of interest with any involved party, the conflicted director shall recuse themselves from the matter. The Chief EEO Officer (EEO Officer) will select an alternate director to fulfill all subcommittee duties related to the particular matter. If the EEO Officer has a conflict of interest in the same matter, the Ethics Officer and/or General Counsel will select an alternate director. Directors serving as alternates will not participate in ad hoc committee matters unless or until called to serve.

(ii) The Executive Committee will also select an external law firm to serve as counsel to the ad hoc subcommittee to provide guidance, as needed, for post investigation actions.

(iii) The ad hoc subcommittee shall delegate to the EEO Officer the responsibility to designate an external investigator to conduct a fact-finding EEO investigation pursuant to this section. ALL EEO investigations will be fair, impartial, timely, and promptly initiated and completed by qualified personnel. Detailed EEO investigative procedures,

pursuant to this section can be found in *EEO Investigative Procedures for the Board and its Direct Reports*. The EEO Officer shall refer substantiated findings of EEO investigations to the ad hoc subcommittee to determine recommended appropriate action. At its discretion, the ad hoc subcommittee may consult with the EEO Officer, Ethics Officer, and/or General Counsel on appropriate action regarding a director or department head. The ad hoc subcommittee shall report a substantiated finding of an EEO violation by a director or department head and recommend appropriate action for the Board's consideration. Appropriate action for directors may include, but is not limited to, counseling, training, a private warning letter, public censure, temporary or permanent removal from committee assignments, or referral to the Director's appointing authority requesting appropriate action. Appropriate action for department heads may include, but is not limited to, counseling, training, performance review, or the imposition of discipline, as deemed appropriate under the circumstances.

(iv) When the General Manager is a party to the complaint or when in the judgment of the EEO Officer that matter should be handled differently to avoid real or perceived conflicts of interest, or to avoid potential bias or threats to impartiality, the EEO Officer shall delegate to the Ethics Officer the responsibility to retain an external investigator to conduct a fact-finding EEO investigation pursuant to this section. If the Ethics Officer has a conflict of interest in the particular case, the EEO Officer would delegate to the General Counsel the responsibility to retain an external investigator to conduct a fact-finding investigation pursuant to this section. Substantiated EEO findings under this subsection shall be referred directly to the ad hoc subcommittee to determine recommended appropriate action for the Board's consideration.

(v) A deviation of this investigation protocol by the EEO Officer may occur, in certain circumstances, with a written justification and approval of the ad hoc subcommittee responsible for EEO investigations of directors and department heads

(vi) On a quarterly basis, the Chief EEO Officer will report to the Executive Committee EEO case statistics regarding EEO complaints filed against the Board and its direct reports.

(6) Audit Subcommittee. The Executive Committee shall create an Audit Subcommittee, whose membership shall include the at-large members of the Executive Committee. This committee shall have the responsibility to monitor compliance with the recommendations of the California State Audit (April 2022) and, with respect to the duties and functions of the General Auditor, shall be responsible to:

(i) Study, advise and make recommendations with regard to:

- a. All reports of the General Auditor and external auditors, including the audited financial statements of the District;
- b. The Audit Department's annual business plan and biennial budget; and,
- c. Requests from other committees of the Board and individual Board members for audits and review not included in the Audit Department's annual business plan.

(ii) Monitor and oversee the duties and responsibilities of the Audit Department and the external auditors as those duties and responsibilities relate to the effectiveness of the District's internal control system.

(iii) Review and approve, in advance of the July Board meeting, the Audit Department annual business plan containing the key priorities of the General Auditor and the Audit Department.

(iv) As part of the Department Head annual evaluation process, be responsible for engaging in periodic performance expectations discussions, including progress checks, with the General Auditor.

#### **Article 4**

### **FINANCE AND ASSET MANAGEMENT COMMITTEE**

#### **§ 2440. Day of Regular Meetings.**

The regular meetings of the Finance and Asset Management Committee shall be held on the Monday preceding regular Board meetings or on the Tuesday of regular meetings.

#### **§ 2441. Duties and Functions.**

The Finance and Asset Management Committee shall study, advise and make recommendations with regard to:

- (a) Preparation of budgets;
- (b) Policies and procedures related to budget development and cost containment;
- (c) Sale of bonds and borrowing and repayment of money;
- (d) Disposition and investment of funds;
- (e) Authorization of appropriations, except appropriations for capital projects;
- (f) The determination of revenues to be obtained through water transactions, including, but not limited to, sales, exchanges, and wheeling of water, water standby or availability of service charges, and the levying of taxes;
- (g) The financial impact and requirements of policies concerning annexation;
- (h) The financial aspects of the District's risk management program;
- (i) Questions pertaining to insurance coverage and self-insurance;
- (j) The selection of financial and insurance consultants and the determination of the scope of their assignments;
- (k) Form and contents of accounts, financial reports, and financial statements;
- (l) Proposed amendments to the Metropolitan Water District Act affecting the finance and asset management functions of the District;
- (m) Goals and objectives related to financial planning for Metropolitan, including but not limited to revenues, operating expenses, reserve policies, internally funded construction, debt management, investments and capital financing strategies;
- (n) The prices and conditions governing water transactions, including, but not limited to, sales, exchanges, and wheeling sales of water;

- (o) Costs and accounting procedures relating to the District's and other state water service contracts;
- (p) Policies regarding water transactions, including, but not limited to, the sale, exchange, and wheeling of water for various uses;
- (q) Policies regarding allocation of water standby or availability of service revenue requirements among member public agencies;
- (r) Water standby or availability of service charges within the District;
- (s) Determinations by the General Manager with respect to appeals concerning charges for water service, including readiness-to-serve charges and capacity charges, and report its recommendations, as appropriate, to affirm or reverse the General Manager's determinations;
- (t) Appeals from determinations by the General Manager to deny or qualify an application for exemption from the water standby charge, and report its recommendations, as appropriate, to affirm or reverse the General Manager's determinations;
- (u) The purchase, management and disposition of personal property assets such as equipment and vehicles;
- (v) Facility master plans, including budgeting for capital improvements and long-term facilities commitments;
- (w) Proposed rules and proposals regarding business development opportunities for real property;
- (x) Policies for the acquisition of rights-of-way;
- (y) The purchase, sale, and leasing of land and buildings, including the District's various office and garage space needs;
- (z) The incidental use of land in farming operations and otherwise;
- (aa) The operation and maintenance of buildings;
- (bb) The development, oversight, and coordination of recreational facilities at Diamond Valley Lake and Lake Skinner;
- (cc) The use of proceeds from the sale or disposition of surplus property related to Diamond Valley Lake and Lake Skinner for recreational purposes;
- (dd) Annexations and annexation policies including the requirements, procedures, terms and conditions for annexation.

## **Article 6**

### **THE LEGISLATION AND COMMUNICATIONS COMMITTEE**

#### **§ 2461. Duties and Functions.**

The Legislation and Communications Committee shall study, advise and make recommendations to the Board with regard to:



(a) Proposals of the General Manager, other committees, and board members concerning State and Federal legislation or amendments thereto, that may affect the District;

(b) Recommendations for new legislation identified by members of the Board or the General Manager;

(c) Opportunities for members of the Board to assist in outreach activities, including efforts to inform members of the Legislature or the Congress of the District’s position with regard to proposed legislation;

(d) The effectiveness of legislative and administrative advocacy efforts by staff and members of the Board;

(e) The development and implementation of Directors’ inspection trips, including the expectations and goals for these trips;

(f) The development and implementation of school education programs, including the expectations and goals for these programs;

(g) The effectiveness of Metropolitan’s external affairs programs and general communications efforts directed at member agencies and the general public; and

(h) The selection of public information consultants and the scope of their assignments.

**Chapter 7**

**PERIODIC STAFF REPORTS TO BOARD AND COMMITTEES**

**Article 1**

**ANNUAL REPORTS**

**§ 2701. Treasurer's Reports**

(a) The Treasurer shall annually report to the Board on the investment policy of the District.

(b) The Treasurer shall report to the Finance and Asset Management Committee:

(1) All payments after loss of a bond interest coupon made pursuant to Section 5104; and

(2) All issuances of duplicate bonds made pursuant to Section 5105.

**§ 2703. General Auditor’s Report**

The General Auditor shall annually report to the Executive Committee a business plan containing the General Auditor’s key priorities for the coming year for the Audit Department as required by Sections 2416 and 6451.

**Article 2**

**QUARTERLY REPORTS**

**§ 2720. General Manager's Quarterly Reports.**

The General Manager shall quarterly make the following reports:

(a) To the Engineering, Operations and Technology Committee: a report on the Capital Investment Plan, including service connections approved by the General Manager pursuant to Sections 4700-4708 with the estimated cost and approximate location of each and the execution of any relocation agreements involving an amount in excess of \$100,000 under authority of Section 8122(c);

(b) To the Finance and Asset Management Committee: A summary of financial performance including Comparative Statements of Operations and Comparative Balance Sheets and variances thereof from estimates;

(c) To the Finance and Asset Management Committee:

(1) Deeds or grants accepted during the preceding quarter;

(2) Easements, or similar rights, granted during the preceding quarter under the authority of Section 8220, and shall also include in such report any relocation or protection agreement made in connection therewith;

(3) All leases made during the preceding quarter under the authority of Sections 8222, 8223, 8230 and 8232;

(4) The details of any transactions during the preceding quarter in which an improvement was disposed of in such a manner as to make the improvement available for subsequent use by a party other than the District; and

(5) Property sold pursuant to the authority granted by Section 8240 et seq.

(d) To the Legal and Claims Committee, jointly with the General Counsel, the exercise of any power delegated to them by Sections 6431, 6433 and 6434, and, in addition any and all other personnel-related settlements that invoke confidentiality or have any financial impact – including paid and reinstated leave – regardless of settlement type. The reporting on personnel-related settlements should include whether equal employment opportunity issues were implicated, whether the employee is still employed by the District, the existence and type of any financial or confidentiality terms, and whether the District has taken any corrective action in response to the alleged issues.

(e) To the Engineering, Operations and Technology Committee:

(1) The status of all information technology projects throughout the organization.

(2) The employment of any professional and technical consultant, the extension of any professional and technical consulting agreement, on the exercise of authority under Section 8121(c) and 8122(h) and the execution of any contract authorized pursuant to Section 8122(g) during the preceding calendar quarter. The report covering the last calendar quarter of the year may be combined with and included in the annual report. Each such report shall indicate when a consultant is a former employee of the District.

### **§ 2722. General Auditor's Quarterly Reports.**

The General Auditor shall report to the Executive Committee the exercise of any power delegated to the General Auditor by Section 6453.

**Article 4****MISCELLANEOUS REPORTS****§ 2750. Escheat to District of Unclaimed Funds.**

The Controller shall file a report with the Finance and Asset Management Committee after each publication made pursuant to Section 5113 regarding moneys unclaimed in the District treasury.

**Division IV****WATER SERVICE POLICIES****Chapter 3****WATER TRANSACTIONS REVENUE****§ 4304. Apportionment of Revenues and Setting of Water Rates.**

(a) Not later than at its February meeting the General Manager shall present to the Finance and Asset Management Committee of the Board:

(1) Determinations of the revenue requirements and cost of service analysis supporting the rates and charges required during the biennial period beginning the following July 1, as determined by the General Manager in accordance with current Board policies, and,

(2) Recommendations of rates including, but not limited to, the System Access Rate, Water Stewardship Rate, System Power Rate, Treatment Surcharge, and the Supply Rates for the various classes of water service to become effective each January 1 of the biennial period. These recommended rates shall be the General Manager's determination, made in accordance with current Board policies, of the rates necessary to produce substantially the revenues to be derived from water transactions, including, but not limited to, sales, exchanges, and wheeling, during the biennial period beginning the following July 1.

(b) Not later than at its February meeting, the General Manager shall also present to the Finance and Asset Management Committee recommendations regarding the continuation of a water standby charge or the imposition of an availability of service charge (such as the readiness-to-serve charge and capacity charge), which shall be the General Manager's determination, made in accordance with current Board policies, of the charge necessary to produce substantially the revenues to be derived from fixed revenue sources, if any, exclusive of taxes, during the biennial period beginning the following July 1 which the Finance and Asset Management Committee has determined to be necessary.

(c) Not later than its February meeting the Finance and Asset Management Committee shall set a time or times for, and shall thereafter hold, one or more meetings of the Finance and Asset Management Committee, to be held prior to its regular April meeting, at which interested parties may present their views regarding the proposed water rates and availability of service charges to said committee. The Finance and Asset Management Committee shall direct the General Manager to cause the publication of a notice of such public hearing to be published in newspapers of general circulation within the District's service area. Such notice shall be published not less than 10 days prior to the public hearing.

(d) Not later than its regular April meeting the Finance and Asset Management Committee shall make its determination regarding the revenue requirement to be paid from water rates and the water rates

to become effective each January 1 of the biennial period and shall recommend said water rates to the Board no later than the Board's regular April meeting.

(e) Not later than its April meeting, the Board shall establish water rates for deliveries beginning each January 1 of the biennial period.

(f) Proposals for changes in water rates to become effective at times other than on January 1 shall require adequate notice to the public and a hearing before such proposals are acted upon by the Board, unless the Board finds that an immediate change in water rates is urgent.

#### **§ 4305. Setting of Charges to Raise Fixed Revenue.**

(a) Not later than its regular May meeting each year, the Finance and Asset Management Committee shall make its final determination regarding the water standby charge or other fixed revenue charge, if any, for the fiscal year beginning the following July 1, and shall recommend such charge, if any, to the Board at its regular May meeting.

(b) Not later than such May meeting, the Board shall consider and take action upon the recommendations, if any, of the Finance and Asset Management Committee regarding a fixed revenue source, exclusive of taxes, to become effective the following January 1 or for the fiscal year beginning the following July 1, as determined by the Board for each fixed revenue source.

### **Chapter 5**

#### **WATER SERVICE REGULATIONS – GENERAL**

#### **§ 4507. Billing and Payment for Water Deliveries.**

(a) **Timeframe for Billing and Payment.** Except as noted herein below, invoices shall be mailed electronically, or, if requested by the member agency, by hardcopy via United States mail, not later than the tenth day of the month following delivery to a member public agency. Each such invoice shall indicate the date of mailing and the date on which the payment thereunder becomes delinquent and shall show the total amount of water delivered for each class of service, the charges for water sold and delivered for each class, the readiness-to-serve and capacity charges, as applicable, and the total amount due and owing, all as determined by the General Manager. Payment of the amount shown on any such invoice shall be due on the last business day of that month and shall be delinquent if not received by the Treasurer of the District before the close of crediting activity on the last business day of the first month following such date of mailing. When making any such payment the member public agency shall specify the invoice or invoices to which the payment shall be credited by the District.

(1) For purposes of Section 4507(a), "business day" shall mean any day other than a Saturday, a Sunday, or a Holiday (as defined in Section 1106).

(2) For purposes of Section 4507(a), "received by the Treasurer of the District" shall mean receipt either (1) in the office of the Treasurer or (2) by crediting pursuant to advance agreement with the Treasurer to the District's general demand account at the District's principal depository bank, in such form that the funds are immediately available for investment or other use or disposal by the District.

(3) For purposes of Section 4507(a), "crediting activity" shall mean either (1) 2:00 p.m. if payment is delivered to the office of the Treasurer, or (2) the cutoff time for crediting by the District's principal depository bank of that day's transactions if payment is initiated by wire transfer, automated

clearinghouse transfer, interbranch transfer, direct deposit, or by other means pursuant to advance agreement with the Treasurer.

If, under advance agreement with the Treasurer, a member agency has authorized payment of any invoice by automated clearinghouse transfer initiated by the Treasurer, the Treasurer shall initiate such transfer for processing two business days prior to the business day on which such payment shall be delinquent. Failure of such transfer shall not relieve such member agency from liability for such payment or charges in the event such payment should become delinquent, except as specifically provided under advance agreement with the Treasurer.

**(b) Full Service and Emergency Storage Program Facility.** In cases where water through a particular facility is delivered during any month for full service or Emergency Storage Program Service, the bill for water delivered in such month will be prepared by applying the rates for water sold and delivered in full service to the total quantity of water delivered. If the member public agency desires to receive credit for water used in Emergency Storage Program Service, the facts concerning the quantities of water so used must be certified to the District via the District's electronic certification and billing system by an authorized user for the member public agency purchasing such water as provided for in Section 4507 (c). The amount of such credits shall be based on the difference in water rates in effect at the time the water is used.

**(c) Late Certifications.** Based on available information, the District will notify a member agency for any certification that it has not received, if known, three months from the end of the month for which the agency would normally certify. No certification received after six months following the end of any month in which such a credit is claimed will be accepted. Certifications must be received by Metropolitan before 3:30 p.m. on the third working day after the end of the month to receive credit for any preceding month on the next bill, subject to the provisions with respect to late certifications in this Section. This Section applies to all cases where a certification is required to receive a credit, whether or not specifically named in this Section, unless otherwise provided by this Code.

**(d) Determination by General Manager as to Type of Delivery.** In the event the respective quantities of water sold and delivered in any month on order of any member public agency for use therein in any water program or contract requiring certification, are not determinable to the satisfaction of the General Manager in time for preparing regular monthly bills, then billing and payment for all water sold and delivered in such month to such member public agency shall be made at the rates prescribed for water used in full service in Section 4401(a)(1) hereof. Upon the determination by the General Manager of the correct quantities of water sold and delivered and used in any water program or contract requiring certification, any adjustment which is necessary to give effect to the applicable credit for the water used in any water program or contract requiring certification, shall be made by application of credits on subsequent purchases of water from the District by such member public agency. Such adjustments shall not be made in cases where a claim for the applicable credit is not submitted within the period provided in Section 4507(c).

**(e) Obligation to Pay for Appropriate Class of Service.** If water has been sold and delivered at the rates prescribed for water sold in any water program or contract and appropriate certifications have been submitted for the water so used, but the water has in fact been used in full service or another class of service, the member public agency shall be obligated to pay the difference between the rates prescribed for water sold for the applicable water program or contract and the rates prescribed for the class of service actually used.

(f) **Submission of Documentation by Member Agency.** With respect to water sold and delivered at the rates prescribed for water sold under water programs or contract (unless otherwise specified in an agreement with the District), original documentation supporting the use of such water as certified must be submitted no later than December 31 following the end of the fiscal year for which a certification is submitted, unless otherwise specified in an agreement with the District. If the documentation is not submitted by December 31 following the end of the fiscal year for which a certification was submitted, an agency will receive a late penalty of \$2,500. If the agency does not submit documentation by February 28/29 following the end of the fiscal year for which a certification was submitted, it shall be conclusively presumed that:

(1) The water sold from the District was used for full service, and the District's next monthly billing shall reflect such adjustment; or

(2) The yield was not produced as certified and the District's next monthly billing shall reflect such adjustment.

This provision will apply individually to each program or agreement that an agency or sub-agency participates in separately.

(g) **Review Process.** With respect to water sold and delivered at the rates prescribed for water sold under water programs or contract (unless otherwise specified in an agreement with the District) the District will complete its review within twelve months from date of receipt of the original supporting documentation.

(1) Should the District not complete its review within twelve months of the submittal of all source documentation, the review will be considered complete and the certifications final.

(2) When the review is completed, the District will notify the member agency of its initial findings for its comments. The member agency will provide its comments within 60 days. Metropolitan staff and the agency will work together to reconcile any differences.

(3) If the member agency and Metropolitan staff cannot reconcile the differences, Metropolitan's Water System Operations' Group Manager has the responsibility to consult with the member agency and make a final ruling, subject to the General Manager's oversight. If the ruling is unsatisfactory to the agency, it can be appealed to Metropolitan's Finance and Asset Management Committee.

(4) If the member agency does not provide further documentation correcting Metropolitan staff findings within the 60-day comment period as specified in (g) (2), then it shall be conclusively presumed that the District's findings are correct and the District's next monthly billing shall reflect such adjustment.

(h) **Discovery of Mistakes or Errors.** In the event a mistake or error is discovered in a District water sales record, the General Manager shall initiate appropriate corrective action. No mistake or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District. In the event a mistake or error is discovered by a member agency in its water sales record or certifications, no mistake or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District.

(1) A District water sales record shall include a water billing invoice, or district invoice for other water-related charges.

(2) If the District finds the mistake or error, the discovery of the mistake or error shall be documented in writing to the member agency. The date of discovery for corrective action purposes shall be the date notice is sent to the member agency.

(3) If the member agency discovers the mistake or error, the discovery of the mistake or error shall be documented in writing to the District by either a revised certification form or letter, whichever is applicable. The date of discovery for corrective action purposes shall be the date the certification or letter is received by the District.

(4) If an incorrect invoice has been issued to a member public agency, the General Manager shall notify the affected agency of any adjustment and the manner of making any required credit or charge, neither of which shall bear interest.

(5) Mistakes or errors shall also include but are not limited to mistakes or errors in metering or recording deliveries to member agencies, entry or calculation errors in fixed charges, discovery of errors in either a member agency or sub-agency submitted certification(s), or processing of a certification(s) for the Local Projects Program, the Local Resources Program, the Groundwater Recovery Program, Conservation Credit Program, or any other water management program or storage programs or agreements unless specified otherwise in the contract.

(6) Any mistakes or error for a fiscal year period that is less than five acre-feet cumulative by agency or sub-agency, by program or agreement, shall be waived.

(i) **Rate Change.** In the event that deliveries of water are made by the District to member public agencies over a billing period during which the District's water rates change, the General Manager may cause the meters recording deliveries of water during such period to be read at the end of the period and the statement of charges for such deliveries of water may be based on a proration between the previous and new water rates for the periods of time during which each were in effect as determined by the General Manager.

## **Division V**

### **FINANCIAL MATTERS**

#### **Chapter 1**

#### **ADMINISTRATIVE MATTERS**

#### **§ 5104. Payment After Loss of Bond Interest Coupon.**

(a) The Treasurer of the District is authorized to effectuate payment, without action of the Board, of a claim arising from the loss of a bond interest coupon that has been detached from a District bond or from the destruction of a bond interest coupon at any time after the date of its maturity, and the Treasurer has received:

(1) An affidavit or affidavits establishing the ownership of the coupon and reciting therein the circumstances under which it was lost or destroyed; and

(2) An indemnity bond in a penal sum which is at least the amount of the claim, said sum being specifically stated in said bond, said bond to be approved by the General Counsel and then filed with the Treasurer. The indemnity bond must include a rider substantially in the form hereinafter set forth:

## (i) Rider.

This Rider is attached to and is a part of the Bond of Indemnity executed by the (enter name of insurance company) respecting the loss of coupons due \_\_\_\_\_ coupons at \$ \_\_\_\_\_ per coupon - total \$ \_\_\_\_\_, detached from \$ \_\_\_\_\_ Bonds of THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, numbered \_\_\_\_\_ to \_\_\_\_\_, \_\_\_\_\_ %, maturing \_\_\_\_\_, at \$ \_\_\_\_\_ each bond in bearer form.

It is understood and agreed that in the event the balance in the coupon account respecting the above-described issue of bonds, maintained by the Treasurer of said District, should hereafter not be sufficient as a result of the payment of coupon(s) to provide for outstanding unpaid coupons, (enter name of insurance company) will reimburse The Metropolitan Water District of Southern California, up to the face amount of the coupon(s) paid under this indemnity contingent upon presentation by said District of (a) evidence that said District has paid the afore-described coupon(s) or (b) a certificate from the Treasurer of said District that there is a deficiency in said coupon account balance.

It is understood that within the first year after the due date of the afore-described coupon(s) that (enter name of insurance company) may request that the Treasurer of said District search the District's records to ascertain if in fact the afore-described coupon(s) have been paid, but any such request shall only be honored by said Treasurer upon payment by (enter name of insurance company) of any fee required by said Treasurer to cover costs of such search.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_.

(enter name of insurance company)

(b) The Treasurer shall report to the Finance and Asset Management Committee all payments made pursuant to this Section 5104.

**§ 5107. Biennial Budget Process.**

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

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



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

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

### **Chapter 3**

## **SHORT-TERM REVENUE CERTIFICATES**

### **§ 5305. Report of Exercise of Authority.**

The General Manager shall report to the next following meeting of the Finance and Asset Management Committee of the Board any exercise of authority pursuant to this Chapter.

### **Division VI**

## **PERSONNEL MATTERS**

### **Chapter 4**

## **OFFICERS**

### **Article 2**

#### **General Manager**

### **§ 6416. Annual Report to Executive Committee**

The General Manager shall annually submit to the Executive Committee a business plan containing the General Manager's key priorities for the coming year. The business plan shall be submitted in conjunction with similar plans by the General Auditor to the Executive Committee and the Ethics Officer to the Ethics, Organization and Personnel Committee and the General Counsel to the Legal and Claims Committee.

### **Article 3**

#### **General Counsel**

### **§ 6436. Annual and Quarterly Reports to Legal and Claims Committee.**

(a) The General Manager and General Counsel shall report quarterly to the Legal and Claims Committee the exercise of any power delegated to them by Sections 6433 and 6434. The General Counsel shall report quarterly to the Legal and Claims Committee the exercise of any power delegated to them by Section 6431.

(b) The General Counsel shall annually, in advance of the July Board meetings, submit to the Legal and Claims Committee a business plan containing the Legal Department's key priorities for the coming year for review and approval. The business plan shall be submitted in conjunction with similar

plans by the General Manager to the Executive Committee and the General Auditor to the Executive Committee, and the Ethics Officer to the Ethics, Organization and Personnel Committee.

#### **Article 4**

### **GENERAL AUDITOR**

#### **§ 6450. Powers and Duties.**

(a) The District's independent internal auditing function is governed by provisions of the California Government Code and by policies established by the Board of Directors. The Executive Committee is responsible for the oversight of the internal auditing function, approving the Audit Department charter (subject to review and approval of the Board of Directors), selecting and overseeing the work of external auditors, and reviewing reports issued by both the internal and external auditors.

(b) The General Auditor manages the District's Audit Department and is responsible for formulating departmental policies and procedures; directing and evaluating the performance of work done by employees within the department, administering the internal records of the department; and administering the District's contract for external audit services. The General Auditor shall, annually in advance of the July Board meetings, submit to the Executive Committee an Audit business plan containing key priorities for the coming year for review and approval. The business plan shall be submitted in conjunction with similar plans by the General Manager to the Executive Committee, the General Counsel to the Legal and Claims Committee and Ethics Officer to the Ethics, Organization, and Personnel Committee.

(c) The General Auditor shall report the findings, opinions, and recommendations which result from the performance of the duties outlined in paragraph 6450(b) to the General Manager, General Counsel and Ethics Officer for their information and appropriate actions. Whenever an audit report contains recommendations for corrective actions or changes in current practices, the General Manager, General Counsel, Ethics Officer or their designees shall respond to the General Auditor in an appropriate manner and within a reasonable time, indicating their views on the recommendations and proposed actions to be taken, if any.

(d) The General Auditor's reports on internal audit assignments shall be addressed to the Executive Committee. The General Auditor shall have the discretion to determine the form and content of such audit reports, subject to guidance by the Executive Committee. With the exception of those reports which the General Auditor deems to be urgent or confidential in nature, copies of all audit reports addressed to the Executive Committee shall be submitted to the General Manager and General Counsel for review and comment simultaneously to their submittal to the Executive Committee.

(e) The General Auditor shall transmit all reports issued by the District's external auditors to the Executive Committee and any other committees of the Board as may be applicable. Such transmittal letters should include any comments on the external auditor's reports that the General Auditor deems necessary.

(f) The General Auditor may receive requests from time to time from the other executive officers or committees of the Board to perform audit assignments which are not included in the approved annual Audit Business Plan. Similarly, the General Auditor may identify a need to include new assignments in the Audit Business Plan during the year. The General Auditor shall have sufficient latitude and discretion to include those new assignments in the annual Audit Business Plan as the General Auditor deems necessary based upon their professional judgment and available resources. Requests from other

committees of the Board and individual Board members desiring specific audit assignments shall be submitted to the Audit Subcommittee for study, advise, and recommendation, or if such subcommittee is not currently in place, the Executive Committee. Once the audit assignment is approved by the Board, the General Auditor reserves the right to determine how to best fit the directed audit assignment into the Audit Business Plan. The reporting process for assignments requested by either executive management, by committees of the Board, or by individual Board members shall generally follow the process outlined in paragraphs 6450(c) or (d) previously.

(g) The General Auditor shall manage the work of the Audit Department in accordance with the Audit Department Charter. The General Auditor shall assess annually whether the purpose, authority and responsibility, as defined in this Charter, continue to be adequate to enable the Audit Department to accomplish its objectives.

#### **§ 6451. Audit Department Charter.**

(a) Mission and Scope of Work - The mission of the Audit Department is to provide independent, professional, objective assurance and consulting services designed to add value and improve Metropolitan's operations. It 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 the organization'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:

- (1) Risks are appropriately identified, managed and monitored;
- (2) Significant financial, managerial and operating information is accurate, reliable and
- (3) Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- (4) Resources are acquired economically, used efficiently, and adequately protected;
- (5) Programs, plans, and objectives are achieved;
- (6) Quality and continuous improvement are fostered in the organization's control process;
- (7) Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately;

Opportunities for improving management internal control, efficiency and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

(b) Accountability - The General Auditor shall be accountable to the Board of Directors and the Executive Committee to:

- (1) Advise on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks;
- (2) Report significant issues related to the processes for controlling the activities of the organization, including potential improvements to those processes, and provide information concerning such issues through to resolution;
- (3) Coordinate with other Metropolitan control and monitoring functions (risk management, legal, finance, ethics, security and environmental);

(c) Professional Standards – The Audit Department shall govern itself by adherence to The Institute of Internal Auditors’ mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Audit Department’s performance. These documents constitute the operating procedures for the department and constitute an addendum to the charter.

The Institute of Internal Auditors’ Practice Advisories, Practice Guides, and Position Papers shall also be adhered to as applicable. In addition, Audit Department staff shall adhere to Metropolitan’s policies and procedures, the California Government Code; Government Auditing Standards (GAGAS); and the Audit Department’s Policies and Procedures Manual.

(d) Responsibilities - The Audit Department shall carry out the following responsibilities:

- (1) Develop and present a flexible annual audit plan to the Executive Committee for review and approval. This plan should be developed utilizing a risk-based methodology and should include risks or internal control concerns identified by Management or the Board of Directors;
- (2) Report periodically to the Executive Committee and Management the status of the current year’s audit plan and the sufficiency of department resources;
- (3) Issue an opinion on internal controls over financial reporting on an annual basis;
- (4) Submit audit reports to the Executive Committee and Management communicating the auditor’s opinion regarding the internal control structure, identifying significant control issues and providing related recommendations;
- (5) Evaluate the adequacy and timeliness of Management’s responses to, and the corrective action taken on, all significant control issues noted in such reports. Conduct follow-up reviews as necessary and periodically report to the Executive Committee the status of Management’s progress;
- (6) Ensure the selection, development and supervision of competent and professional audit staff;
- (7) Perform a quality assurance program by which the General Auditor evaluates internal auditing activities against professional standards. Obtain external quality assurance review as required by GAGAS and the Standards;
- (8) Perform consulting services to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services;
- (9) Evaluate additions or changes in internal control processes coincident with their development and implementation;
- (10) Keep the Executive Committee informed of significant emerging trends and best practices in internal auditing and governance;
- (11) Assist in the investigation of significant suspected fraudulent activities within the organization. Assure reporting to the Executive Committee on the results, as appropriate;
- (12) Coordinate with external auditors to minimize duplication of effort and to ensure that issues raised, as a result of their review, are appropriately addressed.

(e) Authority - The General Auditor and Audit Department staff members are authorized to:

- (1) Have unrestricted access to all functions, records, property, and personnel, subject to the requirements of safekeeping, confidentiality and applicable process;
- (2) Have full and free access to the Executive Committee, subject to applicable law,

(3) Allocate resources, set frequencies, and select subject, determine scopes of work, and apply the techniques required to accomplish audit objectives;

(4) Obtain the necessary assistance of personnel in units of the organization where they perform audit, as well as other specialized services from within or outside the organization;

The General Auditor and Audit Department staff members are not authorized to:

(1) Perform any operational duties for the organization;

(2) Initiate or approve accounting transactions external to the internal auditing department;

(3) Direct the activities of any organization employee not employed by the internal auditing department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

This Charter shall be reviewed at least annually by the Executive Committee and Board of Directors.

#### **§ 6453. Authority to Obtain Professional Services.**

The General Auditor is authorized to employ the services of independent auditors or other professional or technical consultants to advise or assist them in performing their assigned duties as may be required or as they deem necessary provided that the amount to be expended in fees, costs, and expenses under any one contract in any one year shall not exceed \$100,000. External auditors, while employed as external auditors for Metropolitan, are prohibited from performing any other consulting work for Metropolitan or performing any work for other clients that conflicts, or may conflict, with their responsibilities as Metropolitan's external auditors. These prohibitions shall be included in Metropolitan's agreements with external auditors. The General Auditor shall inform the Executive Committee whenever they exercise the authority granted under this section and they shall further report quarterly to the Legal and Claims Committee concerning any agreements entered into under this section.

### **Division VIII**

## **CONTRACTS/DISTRICT PROPERTY**

### **Chapter 1**

## **CONTRACTS**

#### **§ 8248. Disposal of Unnecessary Improvements.**

(a) The General Manager is authorized to dispose of, in the manner the General Manager deems to be in the best interest of the District, any improvements that must be removed to make land acquired for District operations suitable for District use.

(b) The General Manager shall report quarterly to the Finance and Asset Management Committee the details of any transactions during the preceding quarter in which an improvement was disposed of in such a manner as to make the improvement available for subsequent use by a party other than the District.

#### **§ 8257. Quarterly Reports.**

The General Manager shall report to the Finance and Asset Management Committee quarterly on any real property sold pursuant to this Article.