



Strategic Plan



SAN DIEGO COUNTY WATER AUTHORITY
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LETTER OF TRANSMITTAL

The Board of Directors of the San Diego County Water Authority is pleased to present this strategic plan to our member agencies and the residents of our service area. This document and subsequent updates, will guide the Board in setting the Water Authority's strategic policies over the next 25 years. We acknowledge the water challenges and opportunities that face the region and have selected three key result areas on which to focus and base our priorities. These include 1) Water Supply Diversification, 2) Leadership, and 3) Asset Management. Each key result area (KRA) consists of a statement of the issues, strategies surrounding the issues, and one or more measurable objectives.

The Board studied past trends and current issues. They affirmed the current mission, sharpened the vision, and expanded the values statement to support new partnerships and increased communication. All this investment in planning is directed toward the challenges we face in providing water to our members, capturing every advantage and opportunity presented, and positioning the region for a bright, prosperous future.

BACKGROUND

In 1995 the San Diego County Water Authority created its first strategic plan to guide the Board in making policy, and staff in implementing the policy. Since 1995 various subordinate planning documents were created that gave the Water Authority the direction necessary to successfully move forward for the next ten years. While we have a robust and active five-year business plan, in 2007 the Board decided it was time to update the strategic plan and bring both plans into alignment.

In February 2007 the Board formed a Strategic Plan Ad Hoc Committee to review the 1995 Strategic Plan and recommend an update process. The Ad Hoc Committee reviewed other public agency strategic plans to gain insight as to methodology, plan maintenance and performance tracking. The Committee also reviewed the Water Authority's existing 2011 Business Plan. The firm of LL Decker & Associates, Inc. was hired to facilitate the planning process and help develop the plan.

The Board met on October 11, 2007 to provide initial input on the elements of the plan. They subsequently met on February 14, 2008 to review and discuss the draft plan as developed by the Ad Hoc Committee.

PURPOSE AND APPROACH

The purpose of the San Diego County Water Authority Strategic Plan is to develop a clear picture of the future from the Board's perspective as a policy making body. The Plan sets into writing a vision of what the Water Authority will be over the long term - 25 years from now. It identifies the key result areas of critical concern that the Board must address if it is to be successful, and provides management and staff with clear policy direction.

OBJECTIVES OF THE STRATEGIC PLAN

The objectives of the San Diego County Water Authority Strategic Plan are to...

- Identify the business factors (strengths, weaknesses, opportunities and threats) that will affect the Water Authority Board over the next 25 years.
- Update the mission, vision, values and guiding principles to guide the Water Authority's Board of Directors and staff.
- Identify and develop a limited number of key result areas (goals) on which the Water Authority Board will focus.
- Provide clear policy direction for the organization.

ANALYSIS OF BUSINESS TRENDS

A number of trends will drive the Water Authority over the 25-year planning period.

Technology and Energy

Technology is ever changing and rapidly advancing. While we recognize that the cost of water will continue to rise with inflation and limited supplies, new technologies, such as those associated with the development and treatment of desalinated water, may reduce the relative cost of that new water. Likewise, energy costs represent a significant portion of the cost of water. Technology improvements in how we pump and convey water will not only increase operating efficiencies but may also reduce energy costs potentially resulting in lower water costs.

Climate Change

For whatever reason, climate change is taking place. The present trend throughout the state, country and the world can no longer be ignored. It's getting warmer and

drier, and ocean levels are rising. While precipitation may remain constant, snowfall in the Sierras is occurring later, melting earlier and the snow pack is lessening. Our historical climate modeling fails to adequately predict the future, and California now mandates that government agencies address climate change impacts and reduce their carbon footprint.

Intergovernmental Arena

The nexus between growth and water is an ongoing and important discussion. Growth in the San Diego region has been significant in the past decade. As a result, the region is trying to identify better ways to put into place critical infrastructure such as water and transportation, to address current and future needs.

It is important that the Water Authority continue to communicate, cooperate and collaborate with local and regional land-use agencies. While statutory authority to mandate water conservation and encourage efficient water use policies is in the Water Authority's interest, gaining that authority would be a lengthy and difficult task.

Limited Traditional Water Supplies

Our traditional sources of water supplies are limited and becoming less reliable. While these supplies represent the historically least-costly source water, climate changes, warmer temperatures, less precipitation and earlier runoff in the spring may negatively impact these traditional water sources. While these traditional supplies will always be the core of our regional water supply, they will comprise a smaller percentage of our future portfolio.

Increasing Cost of Water

Scarcity of water supplies, increased competition for water, and the increasing energy cost of conveying that water will have an impact on water rates. Recent judicial decisions have given rate-payers greater power to challenge water rates. This means that the cost of water will come under greater scrutiny. In the foreseeable future, the unit cost of water will continue to increase - new supplies will cost more than existing supplies. New technology may reduce some of this cost of new water, but the trend for water rates to increase is still a safe prediction.

Conveyance and Environmental Issues

While new water supplies could be procured, there are significant costs and environmental challenges to conveying that water to the San Diego region. This would require close coordination and negotiation with MWD and the State Department of Water Resources.

Desalination

Desalination will become a necessary source of potable water in the future. While real barriers to turning seawater and brackish groundwater into fresh water exist, the process represents a viable source of new water for the region. Improved technology has increased efficiencies and reduced the unit cost of desalination. Economies of scale will continue to improve the cost effectiveness of desalination relative to other

resource options. As supplies of traditional water become scarce, this new water source will become increasingly important in meeting the needs of the region.

Water Reuse

All the water that ever was on this Earth is still here being used over and over again. Recycling is part of the natural water cycle. Water can be reused safely and



economically and should be included as part of our sustainable water supply portfolio. The key to successful water reuse is infrastructure for treatment and distribution. The Water Authority is an agency advocate for reclaiming and reusing water. Reuse is part of the region's Urban Water Management Plan. It is more important than ever to beneficially reuse our treated water supply.

Current Water Allocations

Current water sources - the State Water Project, Colorado River and other sources within California - are under pressure. As these resources become scarcer, the potential for competition and conflict will increase. The result will be the need to look at water in a new and cooperative manner whereby agencies partner for the benefit of all. Voluntary water transfers may become more common and play a significant role in dry and normal weather conditions.

Integrated Public Policies

Regional agencies need to work toward the integration of policies affecting energy, housing, transportation, and water quality and supply. Working to clarify policies to ensure that all public agencies are working in a consistent direction is in the best interest of the public.

Public / Private Partnerships

The Water Authority has successfully engaged in partnerships with its member agencies and private sector organizations in the past (e.g. Twin Oaks Valley Treatment Plant; Helix Water Treatment Plant). When cost-effective and feasible, the Water Authority and its member agencies will identify and evaluate opportunities for collaboration with each other and/or with private enterprises to provide services and supplies.

Human Resources and Workforce Planning

The Water Authority is viewed as a progressive and business-oriented employer. Like many water agencies, our managers and staff are approaching retirement; others are looking for advancement. The Water Authority must attract and retain experienced professionals to be competitive in the future.

STRATEGIC DIRECTION

MISSION STATEMENT

The mission of the Water Authority is to provide a safe and reliable supply of water to its member agencies serving the San Diego region.

VISION OF THE FUTURE

In partnership with member agencies and stakeholders, meet the region's water supply needs by:

- providing a safe and reliable water supply,
- diversifying the region's water supply sources, and
- building, maintaining and operating critical water facilities in a cost effective and environmentally sensitive manner.

ORGANIZATIONAL VALUES

- We will consider our partner agencies' and stakeholders' interests in our decisions.
- We will do our work in the most cost-effective ways.
- We will have open communications with the partner agencies and the public.
- We will have an open and inclusive policy development process.
- We value diversity in the water supply.
- We value long-range planning.

KEY RESULT AREAS (KRAS)

The following three key result areas reflect the “vital few” business issues that will “make or break” the San Diego County Water Authority in the future.

KRA 1: Water Supply Diversification

Strategy 1 – Conservation

Strategy 2 – Desalination

Strategy 3 – Non Potable Reuse

Strategy 4 – Water Transfers

KRA 2: Leadership

Strategy 1 – Political Influence

Strategy 2 – Regional Growth and Development

Strategy 3 – Public Awareness

Strategy 4 – Workforce Planning

KRA 3: Asset Management

Strategy 1 – Facilities Planning

Strategy 2 – Capital Financing

Strategy 3 – Facilities Operation & Maintenance



KEY RESULT AREA 1 – WATER SUPPLY DIVERSIFICATION

KRA Statement

The Water Authority and its member agencies work in partnership to assure a reliable water supply for the region. The Water Authority is responsible for imported water while the member agencies are largely responsible for the development of local supplies.

The Water Authority can make current water sources last longer and go further by encouraging conservation. It can actually expand water supplies by developing more effective reuse options. It can also ensure that additional opportunities are available to the San Diego region by encouraging desalination and groundwater projects.



Strategy 1: Conservation

Conservation has been a traditional part of the Water Authority's role. Outdoor water use accounts for almost 60% of the urban residential water used in the region. Changing public attitudes toward outdoor use will save significant volumes of water. To some degree, water conservation will occur in response to market forces; increased water prices may drive people to conserve. But pricing is not enough, and water rates and pricing signals can not provide the full answer. Every gallon of water saved is a gallon that doesn't have to be imported into the region.

Strategy 2: Desalination

The Pacific Ocean is an untapped local water resource, and is a critical component of our water supply diversification strategy. All that has to be done is to find a way to remove the salt, dispose of the brine, and deliver it to the users at a price they can afford. Brackish groundwater is also an underutilized resource. There are a variety of barriers to making desalination of ocean and groundwater a reality including regulatory and environmental factors. Even so, seawater and brackish groundwater are resources worthy of our pursuit. The Water Authority is committed to incorporating desalination as part of the region's water portfolio. We will closely monitor the research and development of desalination technologies and take an active role in project development.

Strategy 3: Non Potable Reuse

Recycled water can be used safely as part of our water supply portfolio and the general public already supports the concept of its use. This source of water will be particularly important in the future since it is sustainable. The key barrier to using non potable water is the cost of the infrastructure needed to convey the resource to where it's needed and can be used. We need more "purple pipes."

Strategy 4: Water Transfers

The uncertainties of climate conditions and fluctuations in core supplies dictate that the Water Authority continue to look for innovative water transfer opportunities. We need to extend our water transfer portfolio to include spot market, dry year, and groundwater banking transfers.

KEY RESULT AREA 2: LEADERSHIP

KRA Statement:

As a policy body, the Water Authority Board must position itself to assert influence within local political jurisdictions, within the county, in Sacramento, in the seven basin state region, and in Washington, D.C. Our policy agenda must be clear, our voice strong and our resolve unwavering in positioning the Water Authority and member agencies. All Board members and executive management must be knowledgeable of and involved in water issues and policies and be willing to step up when asked to advance the Water Authority's interests. The Water Authority must assure the continuation of effective policy and executive leadership.



It is this group's responsibility to ensure that the region has an ample water supply, and to provide information and guidance to policy makers fostering smart decisions about local growth and regional water issues.

Strategy 1: Political Influence

The Board must take the opportunity to assert leadership and expend political capital to tell our story and advance our agenda to elected officials and business interests at the federal, state and local level. The Water Authority must assume a higher profile on critical issues and begin dialog with a broader group of capable, innovative leaders and problem solvers. We must be on the “front-end” of policy-making particularly as it relates to our major supply sources such as the Colorado River and State Water Project.

Strategy 2: Regional Growth and Development

The Water Authority will use its political capital to ensure adoption of uniform local development standards promoting water use efficiency. We believe it’s in the region’s best interest that the Water Authority leadership becomes more visible in policy discussions on the need to grow in a manner that is water efficient. In this way, local policy makers will have informed discussions about water supply reliability, the efficient use of water, the impacts of growth, and the consequences of those decisions on water supply and reliability.

Strategy 3: PUBLIC AWARENESS

The Water Authority, its member agencies, and the Metropolitan Water District, must all inform and involve the region’s residents and businesses on water issues. The water industry is complicated. It’s based on longstanding historical precedents,



federal and multi-state legal judgments, court decisions and even Indian treaties. Very few members of the regional community understand where their water comes from or how it’s delivered to their tap.

In the future, water is going to be more expensive and may take a greater percentage of the average family’s total income. Additionally, our water supply will, by necessity, become more diverse and include sources such as reclaimed water and desalination.

The Water Authority and member agencies need to coordinate their efforts to increase public awareness of their missions and gain support for their supply diversification efforts as well as investments in regional and state-wide infrastructure.

Strategy 4: Workforce Planning

Demographic trends indicate that there will be a critical shortage of skilled workers developing nationally and locally over the next decade. In addition, fewer young people are entering the public sector workforce to replace them. Workforce planning strategies need to address recruitment and retention issues related to a growing CIP, retirement eligibility of approximately one third of the staff, and the need for specialized skill sets within a competitive labor market.

KEY RESULT AREA 3: ASSET MANAGEMENT

KRA Statement:

The single largest factor in the Water Authority's portion of retail water rates is the cost to build, operate and maintain the water delivery infrastructure. We have over \$1.8 billion invested in facilities, today, and another \$3.5 billion planned, designed or under construction. It is estimated that the total system is worth over \$3 billion including land. Many of these new facilities are much more complex and costly to operate and maintain than the pure pipeline systems of the past. As these new facilities come on line, the Water Authority will need to implement more sophisticated approaches to manage and operate the water system.

Strategy 1: Facilities Planning

The Water Facilities Master Plan describes the water infrastructure projects required to meet the region's needs through 2030. Most of the projects included in the Master Plan advance member agency investments in treatment plant capacity, diversification, and system reliability. All the other projects either replace, protect or enhance existing capital investments. While many capital projects can be anticipated, new projects and challenges that are currently unplanned will occur.



Strategy 2: Capital Financing

The Board's fiduciary responsibility includes creation, adoption and oversight of the Long Range Financing Plan. Continuing a well-planned debt financing and investment strategy can save the Water Authority significant money over the long term but that strategy must be integrated with other asset management elements. There must be balance between efficient debt financing strategies and the timely construction, maintenance, rehabilitation, and replacement of capital assets.

Strategy 3: Facilities Operation & Maintenance

Effective asset management means that the operation, maintenance, rehabilitation, and replacement of capital facilities and infrastructure occurs at the right time and in the right ways; represents the best value to our customers; and meets or exceeds stakeholders' expectations. An integrated asset management program will enhance our ability to 1) systematically appraise performance, risk, and new technologies, and, 2) determine the most cost effective and reliable ways to manage current capital infrastructure.

MONITORING / EVALUATION

We will use the following methods to monitor our progress.

- ▲ The Strategic Plan will be updated no less than every five years in anticipation of updates to the Business Plan.
- ▲ The Board may, if significant changes in the business environment warrant consideration, update individual portions of the Strategic Plan as needed.
- ▲ Every two years a briefing on the status of the Strategic Plan will be given to new officers and committee chairs as they are installed. Committee chairs will subsequently give the full Board a briefing on the status and accomplishments of the Strategic Plan.
- ▲ Once approved and adopted, the Board of Director's Strategic Plan will be monitored as part of the normal Business Plan evaluation. In order to assure linkage and coordination with other business planning efforts, there will be annual assessment of the Plan's metrics, and a review of how the organization's business plans align with the Board's Strategic Plan.

PERFORMANCE REPORTING WEBSITE

- ▲ The Water Authority will make information about the performance of the plan available to stakeholders and the public on line. To view the Performance Reporting Website, visit <http://www.sdcwa.org/strategicplan/>.