



San Geronio Pass Water Agency

STRATEGIC PLAN

March 2019

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A MESSAGE FROM THE BOARD OF DIRECTORS AND GENERAL MANAGER

The San Gorgonio Pass Water Agency (Agency) is one of 29 State Water Project (SWP) contractors, and was established by the State Legislature in 1961. Our mission is to import supplemental water and to protect and enhance local water supplies for use by present and future water users. We sell imported water to local water agencies within the SGPWA service area that extends from Calimesa to Cabazon and includes the Beaumont-Cherry Valley Water District, the City of Banning and the Yucaipa Valley Water District as its retail service providers.

Since its inception the Agency has worked diligently to provide the regional leadership necessary to meet the water supply needs of a growing region. By undertaking this strategic planning process, we are looking to the future and how the Agency prepares itself to meet the challenges of today as well as through the next decade. The water supply situation throughout the entire State is less than clear for the foreseeable future and a key goal of the Strategic Planning process is to prepare ourselves and take advantage of opportunities when they present themselves to enhance the long-term water supply for our region.

The Board of Directors and General Manager developed this Strategic Plan with the goal in mind of developing a planning tool to guide future decisions from both a water supply and a financial perspective to meet the needs of our customers.

The Board of Directors

Ron Duncan, President
Lenny Stephenson, Vice President
Blair Ball, Director
David Castaldo, Director
David Fenn, Director
Steve Lehtonen, Director
Mike Thompson, Director

General Manager

Jeff Davis, P.E.

Executive Summary

This 2019 Strategic Plan is an update of the 2012 strategic plan. The Agency did not undertake a completely new process, but rather decided that the 2012 plan was robust enough that its general outline could be used, with some of the goals updated and some new goals added.

The five goals in the 2019 strategic plan are as follows:

Goal 1 Regional Water Supply Plan

Goal 2 Effective Communication of Agency's strategy and mission

Goal 3 Sustainable Groundwater Management Act Implementation

Goal 4 Infrastructure Plan

Goal 5 Financial Plan

Goals 2 and 3 are new to this version of the strategic plan. Goals 1, 4, and 5 are similar to goals in the previous plan. As an update, the infrastructure plan goal is now geared towards infrastructure both inside and outside the Agency's service area, whereas previously it was geared strictly towards new infrastructure within the Agency's service area.

Since goals 1 and 4, and to a lesser extent, goal 5, are related to meeting future water demands, the Agency of necessity will need to complete its 2020 Urban Water Management Plan (UWMP) in order to finalize and implement those goals. Due to actions taken by the Agency Board over the past two years, the Agency expects the 2020 UWMP to look very different from the 2015 plan, in that adequate water supplies will likely be available at least through 2025, and perhaps through 2030, at least for average years. This was not the case for the 2012 plan. In effect, goal 1, Regional Water Supply Plan, will be an update of the previous plan, reflecting those actions taken by the Board over the past two years to secure additional short-term and long-term supplies.

Goal 2 reflects the Agency's desire to initiate a social media footprint, bringing it abreast of the times with regard to direct communication from public agencies to their stakeholders. Goal 3 recognizes that the Agency, based on its mission, must play a significant role in implementing a new state law passed in 2014 that mandates that all groundwater basins in the state be managed sustainably by 2042 and have a plan for doing so by 2022.

The Agency Board and management will base major decisions in the next few years on this plan and the accomplishment of the goals and objectives set therein.

2019 Strategic Plan

It has been seven years since the Agency Board adopted a strategic plan (previous 2006 and 2012 strategic plans may be found on the Agency's web site). In the intervening years, the Agency has survived a five year drought; found a new water supply; has invested in Sites Reservoir, and is invested in the California Water Fix.

In addition, the Agency is completing construction of a new, independent recharge facility in the Beaumont Basin, and has obtained a 10,000 AF storage account in the Basin with the Watermaster.

These actions are an indication that the Agency has made great progress since its 2012 strategic plan in upgrading its water supply portfolio and its infrastructure—but there is more work to be done. There are still a number of strategic goals that the Agency must set and accomplish. These are listed below.

Goal 1: Regional Water Supply Plan

Goal 2: Effective Communication of Agency's Strategy and Mission

Goal 3: Sustainable Groundwater Management Act Implementation

Goal 4: Infrastructure Plan

Goal 5: Financial Plan

Some of these goals are similar to those identified in the 2012 plan, while others are vastly different or even new. The Sustainable Groundwater Management Act, passed in 2014, was obviously not included in the 2012 plan.

These goals are discussed in more detail below.

Goal #1: Regional Water Supply Plan

It is critical for the financial health of the Agency that the Agency obtain additional water supplies through the State Water Project and/or State Water Project Contractors, supplies that would be covered under the Agency's SWP tax authority. A Regional Water Plan prepared by the Agency is important in that it will have impact beyond its immediate service area boundaries. This plan will constantly change and be adapted to the times. For example, the 2012 strategic plan included this goal, but Sites Reservoir was not an option at that time. Other water supply opportunities that were not available in 2012 are on the Agency's radar screen at

this time. The Agency's 2015 Urban Water Management Plan (UWMP) indicates current and future water demands on the Agency will be met through a combination of existing State Water Project deliveries, projected new supplies, local groundwater production, recycled water production and demand-side measures through and beyond the year 2025. The Agency needs to meet its existing supply deficit by securing new water supplies through 2035 as reflected in Table 5-2 of the UWMP as follows:

<u>Planning Year</u>	<u>Add'l Supplies Req'd</u>
2025	5,800 acre-feet
2030	9,700 acre-feet
2035	13,700 acre-feet

The Agency is well on its way to fulfilling this goal based on its procurement of 1700 AF of 100% reliable water for 20 years, as well as a one-time exchange with the City of Ventura and Casitas MWD that yielded an additional 5,250 AF in 2018. Because of these, the Agency's 2020 UWMP will show that average year regional demands will be met at least through 2025, with additional water supplies needed as early as the late 2020s. The Agency is also in a position to strike deals with other State Water Contractors for additional long-term supplies if the Cal Water Fix is constructed, and is an investor in Sites Reservoir, another potential long-term supply. Should these two projects be constructed, the Agency will garner additional long-term water supplies starting in the early 2030s that will go a long way toward meeting the ultimate demands of the region. Even with these projects, the Agency has a need for dry-year supplies in the near term, based on the 2015 UWMP.

An important element of developing a Regional Water Supply Plan is to anticipate and take delivery of new water supplies prior to the actual need existing. The process of identifying and securing a water supply often does not directly correlate to the actual timing of the need for delivery of the water. However, it is important that the Agency take advantage of water supply opportunities and potentially lock in favorable long-term pricing as available when financially supported by retail water agencies it serves.

Part of any strategy to purchase water is determining the most cost-effective method to either store the water for future use or allow for directly utilizing existing infrastructure. Storage opportunities presently exist in the region and the Agency is adding to these opportunities; these may prove to be the most cost effective, although should delivery of the new water supply source be an issue, the Agency should look to off-site storage opportunities outside the Agency's service area as a temporary measure.

It is recommended that the Agency do the following:

1. Acquire permanent water rights, when available, that are associated with the State Water Project.

2. Seek out dry year supplies to have available as needed in the short term.
3. Utilize existing and planned financial resources for all water purchases as discussed in Goal 5, Financial Plan.
4. Develop financial mechanisms for future water purchases in advance of the need for the water.

Goal #2: Effective Communication of Agency's Strategy and Mission

Effective communication to stakeholders and the public is key to the success of any public agency. The Agency must utilize the necessary resources to communicate its mission and its long-term strategies involved in meeting that mission with the public, with retail water agencies, and with other key regional leaders. This communication should occur on an ongoing basis but should begin with a communications offensive geared toward key constituencies and encompassing key issues such as the need for raising wholesale water rates, the current and future water supply situation, key infrastructure required to meet regional demands in the future, and a funding mechanism to make the plans and strategies a reality.

Communication strategies for wholesale water agencies are historically difficult, since these entities are not well known to the public or well understood by it. Lacking a consistent direct communication with the public (such as a monthly or bi-monthly water bill), these public agencies frequently struggle with a methodology to explain their mission and their presence on the tax bill to the voting public.

However, the importance of the Agency to the Pass region became clear during the 2012-2016 drought, and the importance of its mission became clear when development in the region was temporarily stalled in 2015 and 2016 due to a lack of clarity in the water supply picture. As water supplies become even more scarce in the future due to regulatory actions, and as the region grows even more, the importance of the Agency, as well as its ability to effectively communicate its mission and its strategy to the public, will become apparent.

With major infrastructure projects looming in the near future that will cost the Agency hundreds of millions of dollars in the long term (specifically the California WaterFix and Sites Reservoir), the Agency must be able to communicate to the public why these facilities are important to Pass residents and why the Agency must invest tax dollars or ratepayer dollars in them. With the completion of its Fiesta Recharge Facility on Beaumont Avenue at hand, the Agency's visibility in the community will increase. Residents will wonder what the facility does, who owns it, how it was funded, and how it will improve the long-term water supply of the region.

The Agency has made some attempts to better communicate with the public in the past. It held two "State of the Water Supply" events during the drought, one in 2014 and the other in 2016. Attendance by the public was excellent for the first but not the second one. The Agency attempted a newsletter over a decade ago, but the cost

of postage to mail it out to all residents in the Pass proved prohibitive. Without a mailing list, the newsletter was sent to “Resident.” Most homeowners discard such mail without ever reading it. Attempts were made to ask if retail water agencies would include an Agency mailer in their bills to customers, but this too did not pan out.

In an effort to reach out using newer technologies, the Agency recently began a social media platform to underscore the importance of clear and honest communication. As the Agency has progressed through a rate-setting process, its first in a decade, it has attracted media attention and questions from the public about the Agency’s role in the region and how its mission impacts the lifestyle of residents and businesses in the region.

Clear and honest communication is important to the Agency, and it will continue to update and inform the public through these activities.

It is recommended that the Agency do the following:

1. Continue to use social media to inform and educate the public on the Agency’s activities.
2. Use local newspapers to announce significant changes (such as new water rates) and/or accomplishments
3. Have Directors and staff participate actively in public agency board and council meetings and other community meetings to ensure that accurate information is communicated.
4. Consider initiating a government relations campaign to get to know local elected officials at the federal, state, county, and local level.
5. Consider contracting with a strategic communications firm to help successfully implement these objectives.
6. Work collaboratively with retail water agencies to plan and obtain new water supplies and construct new infrastructure.

Goal # 3: Implementation of Sustainable Groundwater Management Act

In 2014, the Legislature passed the Sustainable Groundwater Management Act, which requires virtually all groundwater basins in California to be managed sustainably by 2042, and to have a plan to do so by January 31, 2022. As the regional water importer and supplier for its service area, the Agency shall play a critical role in activities related to this legislation, since it is responsible for bringing supplemental water to the region. Supplemental water will play a critical role in ensuring groundwater sustainability in the basins within the Agency’s service area.

Implementation of the goal will be accomplished through the following objectives:

1. Play an active role in formation of Groundwater Sustainability Agencies (GSA's) in groundwater basins within the Agency's service area.
2. Membership of GSA's in groundwater basins within the Agency's service area.
3. Actively participate in formation of Groundwater Sustainability Plans (GSP's) in groundwater basins in the Agency's service area.

Goal #4: Regional Infrastructure Plan

Water supplies are needed for the future but construction of and investment in infrastructure are also required to ensure that future demands can be met throughout the service area. The Agency needs to develop a plan to distribute its imported water to key areas that will have need of it in the future, and to find adequate storage to take advantage of future wet years. Construction of the California WaterFix and Sites Reservoir, if constructed, will lead to large volumes of water being available in certain years; the Agency needs to have a plan to store this water so that it is available in dry years. With the capacity of the East Branch Extension limited to 64 cfs, the Agency may need to seek storage opportunities outside its service area. Since these tend to be quite costly, the Agency should carefully define its needs and then find a storage program that meets those needs for the lowest cost.

Development of new facilities should accommodate new water supply to offset the impending supply deficit as shown in Table 5-2 of the 2015 UWMP through 2035, while remembering that these numbers will be very different in the 2020 UWMP and will show adequate supplies through at least 2025 and possibly longer. It is recommended that the Agency identify the infrastructure needs to accommodate the supply deficit for the following three planning horizons, or as shown in the 2020 UWMP:

<u>Planning Year</u>	<u>Add'l Supplies Req'd</u>
2025	5,800 acre-feet
2030	9,700 acre-feet
2035	13,700 acre-feet

The agency has 10,000 AF of storage capacity in the Beaumont Basin. Additional storage facilities may be necessary to ensure future water deliveries to residents within the service area. From Calimesa to Cabazon, the Agency will develop a plan for completing the required infrastructure. This plan will depend on the rate of growth in the region as well as implementation of SGMA. For example, if the GSP for the San Gorgonio Pass Subbasin identifies the need to import supplemental water to the subbasin as a management tool, the Agency would have to construct the infrastructure to implement that tool.

It is recommended that the Agency do the following:

1. Begin identifying all possible infrastructure that will be required to meet the region's needs in the long term, including storage, conveyance, distribution, and treatment infrastructure, along with cost estimates for each.
2. Upon completion of the 2020 Urban Water Management Plan, identify which of the facilities identified above will be required in the foreseeable future, along with the approximate time frame that each will be required.
3. Develop more detailed cost estimates for each facility identified above.

Goal #5: Financial Plan

In 2011, the Agency authorized the preparation of a Capacity Fee Study as a means of developing a revenue stream to offset future infrastructure and water acquisition costs with fees placed on new development. Existing revenue sources such as the Agency's Water Rate will continue to be used to fund existing development impacts on water demand.

Implementation of a Capacity Fee type mechanism assures users of the water delivery system that the cost will be apportioned based on development and water demand activity. Prior to full implementation of any new Capacity Fee structure the Agency will need to look to existing revenues or reserve funds to fund the acquisition of available new water supplies due to the nature of identifying, acquiring and transporting new water supplies into the region.

Implementation of this goal will be accomplished through the following objectives:

1. Implement a Capital Capacity Fee designed to offset the cost of developing new infrastructure and new water supplies resulting from growth in demand.
2. Develop a long-range financial plan that correlates to the need for new infrastructure as identified in the Regional Infrastructure Plan resulting from Goal 4 above.
3. Review the current water rate to ensure that revenues are adequate to fully fund the purchase of new water for existing development.

Appendix A

Overview of the San Gorgonio Pass Water Agency

The San Gorgonio Pass Water Agency is one of the 29 State Water Contractors in the State and was established by the State Legislature in 1961. Under Chapter 101 of the SGPWA Law, the Agency has broad-ranging powers and duties such as the annexation of territory and the establishment of water rates. The language within the enabling act noted that in the allocation of water from the State Water Project, the highest priority should be given to eliminating groundwater overdraft, which is found in Section 15.5 of the Law entitled "Allocation of water from State Water Project". The Agency has an annual allocation of Table "A" water supply of 17,300 acre-feet. As a State Water Contractor it is responsible for paying its share of the overall debt of the State Water Project. While most of the major construction on the State Water Project occurred over 30 years ago, ongoing operation and maintenance and capital work continues. The primary source of local water supply to the Agency's service area at the present time is natural runoff and groundwater basins.

"The mission of the San Gorgonio Pass Water Agency is to import supplemental water and to protect and enhance local water supplies for use by present and future water users and to sell imported water to local water agencies within the San Gorgonio Pass Water Agency service area." The Agency is able to import supplemental water from sources that provide the highest quality and the most cost effective price, including the State Water Project and other potential sources. The Agency also works with local retail agencies to manage local and regional water resources in a sustainable manner designed to manage overdraft within the Agency's service area. Increased demand from new growth and decreasing reliability will continue to exert pressure on the ability of the Agency to deliver wholesale water on a reliable basis. The Agency's boundaries extend through the cities of Calimesa, Beaumont and Banning and Riverside County areas from Cherry Valley to Cabazon. (See Exhibit A – Service Area Boundary).

The Agency utilizes a Board – a General Manager form of governance with seven board members. Five members of the Board are elected to represent specific divisions within the Agency's service area with two members elected at large.

Appendix B

SGPWA 2006 Strategic Plan

The Agency completed its last Strategic Plan in 2006. This planning effort has been used in conjunction with other supporting studies and documentation to guide the planning process of staff and the Board. The 2006 Plan identified four Critical Factors for Success.

1. Define

- Define our role as a public agency in the region and educate the public regarding that role.

2. Plan

- Develop plans to identify and procure additional supplemental water for the region.
- Develop plans in concert with other local water agencies for a storage and distribution system to meet the needs of the region.
- Develop a plan to finance current and future facilities.

3. Partner

- Create formal and informal partnerships with local water agencies, cities, state agencies, and other stakeholders to find solutions for local and regional water problems.

4. Manage

- Work to manage regional water resources for their best use while preserving local groundwater basins.
- Manage water resource data to enable us to make the best possible decisions regarding those resources.

The 2006 Strategic Plan also identified five priorities with a set of accompanying objectives with time frames for implementation.

Priority One: Additional Water

Objective 1:

Identify by January 2007, additional supplemental water available for the Agency, including State Project Water and other alternatives.

Objective 2:

Take steps to secure additional rights as needed and complete negotiations to acquire additional rights as available by June 2008.

Priority Two: Additional Facilities

Objective 1:

Work with the San Bernardino Valley Municipal Water District and the Department of Water Resources (DWR) to complete the EIR and design for East Branch Extension 2 (EBX 2) and advertise for pipeline construction bids by December 2007.

Objective 2:

Construct or work with others to construct additional permanent recharge facilities in local groundwater basins to augment the Little San Gorgonio Creek facility by 2007.

Objective 3:

Extend East Branch Extension (EBX) of the State Water Project to the Cabazon area within ten years.

Objective 4:

Work with local water retailers on an ongoing basis to ensure that any new facilities we construct will work with their facilities to provide the best management of available resources.

Priority Three: Water Management

Objective 1:

Work with Banning Heights Mutual Water Company and the City of Banning to plan, finance, and construct Whitewater Flume repairs and upgrades and maintain operation of the flume. Plan with timelines to be completed by December 2006.

Objective 2:

Sign a contract with Yucaipa Valley Water District to ensure a long-term supply of SPW for its pending filtration plant by 2006.

Objective 3:

Complete steps to utilize the Cabazon Basin as a storage reservoir by December 2007. Have a program in place to establish storage contracts with other agencies for this basin by December 2008.

Objective 4:

Continue to work with the Beaumont Basin Watermaster to provide the best possible management of the Beaumont Basin.

Priority Three Continued:

Objective 5:

Have a program in place by June 2007, to search and identify other water storage opportunities.

Priority Four: Regional Planning

Objective 1:

Work with other agencies outside our region to develop plans by late 2008 for additional facilities to bring water to and distribute within the Pass area.

Objective 2:

Complete an integrated regional water management plan by 2007, with the Agency as the defined region, in concert with other stakeholders, and use it to apply for Prop 50 implementation funds.

Priority Five: Financial Issues

Develop a comprehensive financial plan by June 2007, to provide funding for needed new water and infrastructure. Take steps to implement the plan as needed to fund projects. Update plan annually.

Appendix C **2012 Strategic Plan**

The Strategic Planning process outlined in the Scope of Work is designed to guide the planning and implementation of Plan action items necessary to meet the SGPWA's long-term mission. The major strategic planning components outlined in the Scope of Work include the following: 1. Review of 2006 Strategic Plan; 2. Review existing Mission and Vision Statements; 3. Examine present and future role using the "Influence Model" tool; 4. Conduct future visioning exercise; 5. Conduct analysis of the current reality and role of the Agency; 6. Conduct "Gap Analysis" – a comparative analysis of the desired future role and the present role of the Agency; and 7. Develop the strategic planning document.

To guide the process, the General Manager, with the approval of the Board of Directors, established the Strategic Planning Ad Hoc Committee. The Committee provided valuable insight and direction on key steps in developing the 2102 Strategic Plan.

A review of the 2006 Strategic Plan identified five key priorities with accompanying objectives for implementation. Each of the priorities identified continue to be critical areas for future planning purposes and will be discussed in greater detail in developing the 2012 Planning goals and objectives. Further review of the objectives listed for each of the five priorities in the 2006 Plan indicates that some progress has been made towards completion of the objectives. A number of the 2006 Plan objectives will be updated and included in the current planning effort.

The Agency's Mission Statement describes the overall purpose and scope of the Agency which has not changed and remains relevant for the immediate future. The Mission Statement should be reviewed and, if acceptable, shortened to specific language depicting the core purpose and role. The Agency does not have a specific Vision Statement; however, the 2006 Plan does include a section entitled "Critical Factors for Success". The factors as outlined in this section are noteworthy and will be incorporated into the overall goals and objectives of the new plan.

Whereas the Mission Statement for the Agency speaks to the *intended* purpose and function of the Agency, the actual application of its role within the region as a State Water Contractor will need to be strengthened. The SGPWA is the primary source for supplemental water supply affecting a region covering approximately 225 square miles within Riverside County. As a wholesale water agency it is responsible for selling water to local retail agencies where it is used for treatment and distribution to consumers, replenishment of existing groundwater basins and for "banking" water for future needs within the region. Inherent in this role is the important relationship with and the link to the local retail agencies as well as the municipal agencies with land-use planning authority. To gain an understanding of

the working relationship between the Agency and its constituent retail agencies an “Influence Model” was utilized to solicit input on a variety of pre-determined factors as to the existing and envisioned working relationship with the Agency. After consultation with several key stakeholders within the region the exercise provided valuable input in five key areas as follows:

1. **Communication** – Improved levels of communication by and between the Agency and others will lead to greater levels of collaboration, trust and the ability of the Agency to promote and advance its goals and objectives.
2. **Role** – The role of the Agency is demonstrated by how well it performs its mission within the region, with specific reference to defining what the desired or intended mission of the Agency should be. The Agency’s role as the provider of supplemental water was affirmed as well as that of a facilitator and leader of regional infrastructure projects.
3. **Financing** – The Agency has rate setting authority to recover costs as passed through to the Agency for the purchase of water and as required to fund the operational costs and capital improvements within its service area to carry out its mission. A long-term perspective on financial planning and communication is important to the Agency’s overall success.
4. **Groundwater Management** – Inherent in its role as a State Water Contractor is the function the Agency plays with respect to importation of water to meet current and future demands. Identification and acquisition of supplemental supplies above and beyond its Table A allotment from the Department of Water Resources requires close coordination with the various retail agencies and the Beaumont Basin Watermaster for purposes of storage and management.
5. **Allocation of Existing Supply** – Allocation of the Agency’s existing supply of Table A supplies is seen as an important function in order to ascertain certainty by some retail agencies. Existing water supply planning laws, including the Urban Water Management Planning Act, provides for continuous and coordinated planning between the Agency and its retail customers. Allocation of the Agency’s Table A supplies may have unintended future consequences. A potential program to acquire and finance additional future water supplies by the Agency will “allocate” water based on individual agency’s participation in the program.

The Influence Model exercise provided valuable insight into the existing and desired role of the Agency as described by the survey participants. While this role may vary to some degree from how the Agency views its role in carrying out its mission, several key elements between the different perspectives are useful in developing or supporting new goals and objectives for the 2012 Strategic Plan.

In addition to the feedback obtained through the Influence Modeling exercise other reports and documents were reviewed as well to provide a basis for evaluation and determining new goals and objectives. The following reports were included in this review:

2006 San Gorgonio Pass Water Agency Strategic Plan

2010 Urban Water Management Plan for the San Gorgonio Pass Water Agency (Camp Dresser McKee)

2007 Evaluation of Potential Water Transfer Opportunities (Kennedy Jenks Consultants)

2009 Supplemental Water Planning Study (Albert A. Webb Associates)

2011 Capacity Fee Study for San Gorgonio Pass Water Agency (David Taussig & Associates, Inc.)

2011/2012 Regional Allocation Agreement for Water Imported by San Gorgonio Pass Water Agency

2010 Report of Water Conditions

2010 Report on Sustainability of the Beaumont Basin

1961, Chapter 101 San Gorgonio Pass Water Agency Law

The following retail agency documents were also reviewed:

Yucaipa Valley Water District

2008 Strategic Plan for a Sustainable Future

2010 Urban Water Management Plan

City of Banning

2010 Urban Water Management Plan

Note: This will be the beginning of the updated strategic plan. The entire 2012 Strategic Plan will be included as an appendix to this one but we will edit this 2012 plan to update it to the 2019 Plan.

Strategic Planning Goals & Implementation Strategy

Five goals have been identified for the 2019 Strategic Plan. Each Goal has accompanying objectives that will be used as a part of an overall implementation strategy. It is recommended that the Board of Directors and General Manager review the progress of implementation annually. An annual review and update of the Strategic Plan is recommended due to the critical nature of a number of the implementation objectives. The five Strategic Plan Goals are as follows:

- 1. Regional Water Supply Plan**
- 2. Effective Communication of Agency's Strategy and Mission**
- 3. Sustainable Groundwater Management Act**
- 4. Regional Infrastructure Plan**
- 5. Regional Financial Plan**

Goal #1 - Regional Water Supply Plan

The first Strategic Plan Goal of developing a regional water supply plan is significant in that it has impacts beyond the immediate service area boundaries of the Agency. This will be particularly true when combined with the strategic planning goal of developing a Regional Infrastructure Plan. Future economic development of much of the area within the Agency service area will be dependent on execution of these strategies.

The Agency has recently procured some additional supplies (some long-term, some one-time) that have closed the water supply gap in the near term. Based on current projections, the existing supplies should meet regional demands through approximately 2025 or 2026. From that time until the Cal WaterFix and or Sites Reservoir go online, the Agency is expected to experience an average year water supply deficit. In the immediate future, the region will still be facing an available water supply deficit in very dry years that must be met with a mixture of new supply sources.

Success in accomplishing the goal of developing a Regional Water Supply Plan will be achieved through the following objectives:

1. Find additional dry-year supplies in the near term, or determine, through working with the Watermaster, that dry year supplies are not required in the near term due to storage levels in the Beaumont Basin.
2. Find one or more additional supplies for the years 2025 through 2033, to make up for expected shortages prior to the Cal WaterFix and Sites Reservoir coming online. Based on current projections, this is expected to be over 6,000 acre-feet between 2025 and 2032.
3. Participate in the Cal WaterFix and Sites Reservoir to the extent that they together meet the Agency's long-term water supply demands.

For purposes of developing the Strategic Plan, a planning horizon of 2040 was used and corresponds to the planning horizon used in the 2015 Urban Water Management Plan, (UWMP). Table ___ of the UWMP indicates that current and future water demands on the Agency service area are as follows:

Time and Demand Matrix

<u>Year</u>	<u>Demand on SGPWA</u>
2020	13,200 AFY
2025	16,500 AFY
2030	20,400 AFY
2035	24,400 AFY
2040	27,700 AFY

During an average hydrologic year, the imported water demand increases to over ___ acre-feet by 2040. Based on the Agency's SWP Table A, annual allocation of 17,300 acre-feet, the demand for imported water exceeds their allocation around 2025 or 2026.

Although the Agency has an annual allocation of 17.3 thousand acre-feet per year, the current reliability from the SWP is approximately 60% of the total allocation. As reliability on the SWP improves or diminishes further, the Agency will need to recalibrate its regional water supply planning scenarios. Addition of 1700 AFY of 100% reliable water in 2017 for a period of 20 years greatly improved the Agency's water supply position. Acquisition of 5,250 AF of one-time water from Ventura County in 2018 further bolstered local storage, virtually filling the hole created in the Beaumont Basin during the 2012-2016 drought.

Section 5-2 of the UWMP provides the methodology for developing a water supply plan for the San Geronio Pass planning area under an average hydrologic condition as follows:

**Total Local Potable Supply (+) Total Local Non-Potable (+) Conservation (+)
Table A Supply (-) Total Demand (=) Total Supply Surplus/Deficit**

Applying this methodology the Agency will need to secure new permanent supplemental supplies prior between 2025 and 2035 as reflected in Table 5-

<u>Planning Year</u>	<u>Supply Deficit</u>
2025	0 acre-feet
2030	5,805 acre-feet
2035	0 acre-feet*
2040	4,270 acre-feet*

*Assumes Sites Reservoir and Cal WaterFix are online by 2035 and a deal with another State Water Contractor currently in discussion with the Agency is consummated

Identify Additional Sources of Water Supply

The Agency has done an excellent job of identifying additional sources of supply and has published them in a study performed by Provost & Pritchard in 2016. This report provides an excellent blueprint for future water acquisition opportunities for the Agency.

It is recommended that the Agency do the following:

1. Seek out dry year supplies to have available as needed in the short term.
2. Participate to the greatest extent possible in the Cal WaterFix and Sites Reservoir to shore up and augment long-term water supplies for both wet and dry years.
3. Seek out long-term water supplies that will extend beyond 2040, such as long-term transfers of Table A water or other long-term or permanent supplies.

Goal #2 – Effective Communication of Agency’s Strategy and Mission

Communication strategies for wholesale water agencies are historically difficult, since these entities are not well known to the public or well understood by it. Lacking a consistent direct communication with the public (such as a monthly or bi-monthly water bill), these public agencies frequently struggle with a methodology to explain their mission and their presence on the tax bill to the voting public. This is especially true for a wholesale purveyor such as the Agency, which has no major media outlets in its service area with the exception of two weekly newspapers and daily newspapers that are based in Los Angeles, San Bernardino, or Riverside.

However, the importance of the Agency to the Pass region became clear during the 2012-2016 drought, and the importance of its mission became clear when development in the region was temporarily stalled in 2015 and 2016 due to a lack of

clarity in the water supply picture. As water supplies become even more scarce in the future due to regulatory actions, and as the region grows even more, the importance of the Agency, as well as its ability to effectively communicate its mission and its strategy to the public, will become apparent.

The recent efforts on the part of the Agency to begin a social media footprint underscore the importance of a communications strategy to the current Board. As the Agency has progressed through a rate-setting process, its first in a decade, it has attracted media attention and questions from the public about the Agency's role in the region and how its mission impacts the lifestyle of residents and businesses in the Pass.

With major infrastructure projects looming in the near future that will cost the Agency hundreds of millions of dollars in the long term (specifically the California WaterFix and Sites Reservoir), the Agency must be able to communicate to the public why these facilities are important to Pass residents and why the Agency must invest tax dollars or ratepayer dollars in them. With the completion of its Fiesta Recharge Facility on Beaumont Avenue at hand, the Agency's visibility in the community will increase. Residents will wonder what the facility does, who owns it, how it was funded, and how it will improve the long-term water supply of the region.

The Agency has made some attempts to better communicate with the public in the past. It held two "State of the Water Supply" events during the drought, one in 2014 and the other in 2016. Attendance by the public was excellent for the first but not the second one. The Agency attempted a newsletter over a decade ago, but the cost of postage to mail it out to all residents in the Pass proved prohibitive. Without a mailing list, the newsletter was sent to "Resident." Most homeowners discard such mail without ever reading it. Attempts were made to ask if retail water agencies would include an Agency mailer in their bills to customers, but this too did not pan out.

With social media platforms being the new normal in news distribution, the Agency is on the right track with its nascent social media efforts. It must gradually increase this footprint to attract more users, "friends," and followers. It must also make a greater effort to reach out to the community with a speakers program. Chambers of Commerce and service clubs such as Rotary are constantly seeking speakers for their meetings. The "State of the Water Supply" event should be continued on a regular basis and reach out to all segments of the community—homeowners associations, business groups, elected officials, service clubs, and others. This event should be well publicized in traditional media and social media, and it should be used to communicate the Agency's mission and overall strategy in achieving its mission, both in the short term and in the long term.

In order to achieve this goal, the following objectives should be met:

1. Expand current social media efforts to reach most Pass residents on social media. Employ whatever strategies need to be in order to accomplish this.
2. Continue with annual “State of the Water Supply” events to reach out directly to the public.
3. Consider contracting with a strategic communications firm to help successfully implement these objectives.
4. Consider initiating a government relations campaign to get to know local elected officials at the federal, state, county, and local level.

Goal #3 – Sustainable Groundwater Management Act

The third goal of the Strategic Plan, Sustainable Groundwater Management Act, relates to implementation of a series of important laws passed by the Legislature and signed by Governor Brown in 2014. Together, these laws are known as the Sustainable Groundwater Management Act, or SGMA. The purpose of this legislation was to regulate the use of groundwater in the State, such that the 517 groundwater basins in California are eventually managed to be sustainable in perpetuity.

Ensuring sustainability of groundwater basins results inevitably in the reduction of withdrawals from basins, meaning less groundwater will be pumped in California in the future. While in the long term this is a necessity for the survival of the State, in the shorter term it means less water supplies for public water agencies that depend on groundwater. The Agency’s service area is served primarily with groundwater. Insuring sustainability will also mean maximizing replenishment opportunities for groundwater basins. Since the Agency is the sole importer of water in its region, this places a greater responsibility on the Agency to ensure that it obtains the needed supplies to continue replenishing local basins, thus ensuring their long-term sustainability. The Agency will also be responsible for the infrastructure to import and store the required additional replenishment water.

The Agency has always had a major role to play in preserving local groundwater basins. Indeed, the Agency was founded in large measure due to the overdraft of local groundwater basins that was occurring in the 1960’s. A few years ago, the Agency was named the official CASGEM (California State Groundwater Elevation Monitoring) entity for the two basins within its service area. Playing a major role in SGMA implementation would be a natural continuation of this role.

In order to ensure that it has influence on the GSP’s in its service area, the Agency has become part of the GSA’s in the basins in its service area. The Agency covers portions of three groundwater basins, as identified and defined in the Department of Water Resources Bulletin 118. These are the San Gorgonio Pass Sub-basin of the Coachella Valley Basin, the San Timoteo Sub-Basin of the Santa Ana Basin, and the Yucaipa Sub-Basin of the Santa Ana Basin. While the latter includes a relatively small portion of the Agency’s service area, it does include the Calimesa Sub-Basin of the Yucaipa Sub-Basin, which is cause for the Agency to be involved in the Yucaipa Sub- Basin.

In 2016 and 2017, the Agency participated in process forming GSA's in these three sub-basins, and is now officially part of three GSA's—one for the Yucaipa Sub-basin and two for the San Gorgonio Pass Sub-Basin. The San Timoteo Sub-basin was downgraded by DWR and does not require a GSA. As of the development of this updated Strategic Plan, the Agency is moving forward in developing GSP's in the two sub-basins required by law.

Implementation of this goal will be accomplished through the following objectives:

1. Play the leading role in the San Gorgonio Pass Sub-basin GSA's and ensure that the resulting GSP meets all objectives of SGMA as well as objectives of the Agency.
2. Play an active role in the Yucaipa Sub-basin GSA and work with other members to assure a GSP that meets the requirements of SGMA and of the Agency.

Goal #4 - Regional Infrastructure Plan

The fourth goal of the Strategic Plan, Regional Infrastructure Plan, directly corresponds to the need to make available and take delivery of supplemental water into the Agency's service area. Execution of this goal will require determining what facilities may be required in the region, as well as outside the region, to ensure that future water supplies can be stored as needed and delivered to retail water agencies that need them. Implementation of this planning goal will require that it be accomplished in close coordination with Goal #2, so as to develop infrastructure in relation to the needed new demand within the Agency's service area. This will also have a direct bearing on the timing of Goal #5, the Regional Financial Plan. Based on the need to anticipate future new supplemental water supplies, the Agency may elect to construct facilities well in advance to take advantage of opportunities as they develop.

Implementation of this goal will be accomplished through the following objectives:

- 1. Develop a plan or matrix of needed facilities within the service area to manage the increased water demands through 2040, and**
- 2. Develop a similar plan for potential facilities outside the service area, including water supply infrastructure such as Sites Reservoir and the California WaterFix, the Bunker Hill Conjunctive Use Project, or other similar facilities.**

Introduction of new water supplies by the Agency into the region will require multiple facilities of varying types and constructed in a carefully financed and coordinated manner. The projected water demands as identified in the Agency's UWMP and referenced in Goal #1 - Regional Water Supply Plan, can be used to

predict when certain projects will be required; however, and as stated previously, the ability to develop and acquire new sources of water supply is a dynamic and somewhat unpredictable process which will require that the Agency consider developing facilities in anticipation of future delivery or expanding existing facilities.

Develop a Matrix of Needed Facilities

Based on information contained within the Agency’s UWMP, a predictive model or Time and Demand Matrix can be developed to anticipate facility needs over the planning period. The type of facility and location of needed facilities will be determined in large part by the location of the supply source and the ease at which the source can be best utilized on a regional basis. The Agency will need to give careful consideration to multiple options that include developing new spreading and recharge facilities, enlarging existing recharge facilities, direct injection facilities and direct delivery. In some instances existing facilities may be able to accommodate all or part of the additional demand and should be given consideration due to their cost effectiveness versus constructing new facilities. The 2006 Strategic Plan identified several opportunities for new or expanded facilities that are incorporated herein.

It is recommended that the Agency do the following:

1. By December 2019, identify the infrastructure needs to accommodate the additional demands that correspond to Table 5-2 of the UWMP as follows:

<u>Planning Year</u>	<u>Supply Deficit</u>
2030	5,800 acre-feet
2035	0 acre-feet
2040	4,300 acre-feet

Goal #5: Regional Financial Plan

The 2006 Strategic Plan noted that a “comprehensive financial plan” be developed to fund the needed new infrastructure and that the plan be updated annually. In addition to developing a funding mechanism for the infrastructure needs through the planning period, funding for new sources of water to supplement the Agency’s existing SWP entitlement and local supplies will be required. In 2011, the Agency authorized the preparation of a Capacity Fee Study, which would develop the nexus for any proposed new capacity fees that retail agencies or land-use planning agencies would collect from new development on behalf of the Agency. As noted in the Capacity Fee Study the additional revenue generated through the capacity fee would fund “(1) pipelines to provide additional water conveyance capacity, (2) purchase of capacity in existing pipeline systems owned by others, (3) additional basin recharge projects for storage in the Beaumont and Cabazon Basins, including land purchases associated with such basin facilities, and (4) purchase of new water

and/or water rights to meet future demand.” The Study also indicates that within the next twenty years the total cost of new facilities will exceed \$72.0 million.

The Agency should review the previous study and update it to incorporate more recent events. An updated study may identify specific supply sources (such as Nickel water) and/or specific infrastructure (such as the Bunker Hill Conjunctive Use Project or Sites Reservoir) that may lend themselves to financing or partial financing through a capacity fee, or fee on new development.

Although one of the components of the Capital Capacity Fee placed on new development is to fund acquisition of new water rights, the Agency will likely have to pre-purchase water in anticipation of new development requiring close coordination with the various land use planning agencies. The Agency will need to develop new sources of funding or rely on existing sources including reserves to acquire the water in advance of actual receipt of funds resulting from payment of the Capital Capacity Fee by new development. The Regional Water Supply Plan outlines key timeframes when new water supplies will be needed.

Implementation of this goal will be accomplished through the following objectives:

- 1. Implement a Capital Capacity Fee designed to offset the cost of developing new infrastructure and new water supplies resulting from growth in demand,**
- 2. Develop a long-range financial plan that correlates to the need for new infrastructure as identified in the Regional Infrastructure Plan, and**
- 3. Review the current water commodity rate to insure that revenues are adequate to fully fund the purchase of new water for existing development.**

The Agency has previously considered the implementation of the Capital Facilities Fee with many of its retail agencies. Used in conjunction with the proposed fee development contained in a long-range financial plan, it then provides a complimentary to, and model of when, revenue is needed to offset the cost of new infrastructure and water rights.

It is recommended that the Agency do the following:

1. By August of 2019, the Agency should confirm and update if necessary the monetary values assigned to the facility capacity fee and water capacity fee in the 2011 Capacity Fee Study, and
2. By November of 2019, the Agency should retain the services of a financial consultant to develop a financial model that would include a review and make recommendation for modification, if any, to the existing commodity charge and timing of new revenue needs through the 2040 planning period.