

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, CA**  
**Board of Directors Engineering Workshop**  
**Agenda**  
**September 11, 2017 at 1:30 p.m.**

1. **Call to Order, Flag Salute and Roll Call**
2. **Public Comment:**  
Members of the public may address the Board at this time concerning items relating to any matter within the Agency's jurisdiction. To comment on specific agenda items, please complete a speaker's request form and hand it to the board secretary.
3. **Continued Discussion of Updating 2012 Strategic Plan\* (p. 2)**
4. **Discussion of Wheeling Policy and Wheeling Charges\* (p. 32)**
5. **Announcements**
  - A. Regular Board Meeting, September 18, 2017 at 1:30 p.m.
  - B. Finance and Budget Workshop, September 25, 2017 at 1:30 p.m.
  - C. San Gorgonio Pass Regional Water Alliance, September 27, 2017 at 5:30 p.m.— Banning City Hall
6. **Adjournment**

**\*Information included in Agenda Packet**

(1) Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for Public inspection in the Agency's office at 1210 Beaumont Avenue, Beaumont during normal business hours. (2) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at <http://www.sgpwa.com>. (3) Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency (951 845-2577) at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.



**San Geronio Pass Water Agency**  
**STRATEGIC PLAN**

May 2012



DELOACH  
& ASSOCIATES, INC.

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## A MESSAGE FROM THE BOARD OF DIRECTORS AND GENERAL MANAGER

The San Geronio Pass Water Agency (Agency) is one of 29 State Water Project (SWP) contractors, and was established by the State Legislature in 1961. Our primary 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 Strategic Planning process was designed with input from our customers as well as key stakeholders. We recognize that working together towards common objectives will allow us to have the greatest impact on the entire region.

### **The Board of Directors**

John Jeter, President  
Bill Dickson, Vice President  
Ted Haring, Director  
W. Ray Morris, Director  
Barbara Voight, Director  
Mary Ann Melleby, Director  
Ron Duncan, Director

### **General Manager**

Jeff Davis, P.E.

## **Executive Summary**

The San Geronio Pass Water Agency (Agency) is one of 29 State Water Contractors in the State and was established in 1961. The Agency has an annual allocation of 17,300 acre-feet of water from the State Water Project which is used to supplement local demands including eliminating groundwater overdraft. Increased demand for new water supplies resulting from development growth in the region will exert pressure on the Agency to provide additional supplemental water supplies.

The Strategic Planning process is designed to identify and develop a programmatic set of goals and objectives allowing the Agency to make capital and financial decisions based on an overall strategy. In 2006, the Agency prepared a Strategic Plan that identified five priority issues: (1) Additional Water Supply, (2) Additional Regional Facilities, (3) Water Management, (4) Regional Planning, and (5) Financial Issues. Each of these issues was considered as a part of the new and updated strategic planning process. The 2012 Strategic Planning process took into account various existing studies and reports that were developed to assist the Agency with specific issues related to financial management, water supply development or infrastructure needs. Additional consideration was given to the input provided by a number of key stakeholders within the region.

The 2012 Strategic Plan identified five goals with accompanying objectives as a part of an overall implementation strategy. The five goals are as follows:

- 1. Regional Leadership Role**
- 2. Regional Water Supply Plan**
- 3. Regional Capital Facilities Plan**
- 4. Regional Financial Plan**
- 5. Communication Plan**

### **Goal #1: Regional Leadership Role**

The Agency is responsible for managing a critical water resource with statewide implications within and beyond the Agency's service area. The Agency has the responsibility and obligation to manage the present and future water supply needs for all users within its jurisdiction. The Agency's Board of Directors has the primary responsibility of ensuring that its legislatively mandated responsibilities are carried out to the maximum benefit of the entire region. The role of Regional Leadership as a goal within the Strategic Plan is recommended due to the definition of its role within the enabling legislation and the complexity of the water issues confronting the region. A series of recommended objectives were developed to support this goal as follows:

- A. Develop collaborative relationships with the various entities and stakeholders in the Agency service area including agencies outside their immediate service area that may have authority or jurisdiction over lands and waters within the region.
- B. Conduct formal monthly “Manager’s Meetings” that have as its focus the purpose of providing routine updates on various regional project proposals and project status reports.
- C. Provide for routine updates of progress on regional projects at meetings of the Agency’s Board of Directors and disseminate to key stakeholders.
- D. As a part of an overall communication strategy, the goals of the Strategic Plan should become the basis for all Agency actions and decisions.

**Goal #2: Regional Water Supply Plan**

A Regional Water Plan prepared by the Agency is important in that it will have impact beyond its immediate service area boundaries. Within the next decade the region will be facing a water supply deficit that must be met with a mixture of new supply sources. Current groundwater production within the Beaumont Basin will be curtailed by the end of 2013 placing additional stress on existing local supplies. The Agency’s 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, local groundwater production, recycled water production and demand-side measures through about the year 2025. The Agency will need to meet its existing supply deficit by securing new permanent 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 has prepared a series of reports and studies that will assist the Agency in identifying potential new sources of water supply and transfer opportunities. The Strategic Plan makes the following recommendations for developing a Regional Water Supply Plan:

1. Conduct a review and develop an update of the 2007 report on Evaluation of Water Transfer Opportunities, by July 2013,
2. Conduct an analysis of the specific actions identified in the 2009 Supplemental Water Planning Study, and develop a revised set of actions by July 2013, and

3. Identify and evaluate any new water transfer or purchase opportunities by July 2013. The evaluation should consider the financial terms, cost effectiveness and ease of administration and transferability of each potential opportunity.

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 entitlement to a water supply often does not directly correlate to the actual timing of the need for delivery of the water. The Strategic Plan recommends that the Agency develop a **Pre-Purchase Strategy** that will allow the Agency to take advantage of water supply opportunities and potentially lock in favorable long-term pricing as they are developed.

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 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 as a temporary measure.

It is recommended that the Agency do the following:

1. Identify and rank potential water transfer opportunities by cost effectiveness, ease of administration and the means by which the water can be stored or transferred by December 2013, and
2. Utilize existing financial resources or develop a new financial mechanism to acquire the new supply source and accommodate storage costs.

### **Goal #3: Regional Capital Facilities Plan**

Execution of this goal will require conducting an inventory of existing facilities that may become “regional facilities” as well as developing a multi-year plan to construct new infrastructure. Coordination between developing regional facilities and developing a regional water supply plan will be critical. Due to the unpredictable nature of acquiring new water rights the Agency may elect to construct certain key facilities in advance of actual delivery of the new water supply source to take advantage of opportunities as they develop.

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

1. Develop a plan or matrix of needed facilities to manage the increased water demands through 2035, and

Goal #3 Objectives Continued:

2. Conduct an inventory of existing facilities that may be used for regional benefit.

Development of new facilities should accommodate new water supply to offset the impending supply deficit as shown in Table 5-2 of the UWMP through 2035. It is recommended that the Agency identify the infrastructure needs to accommodate the supply deficit for the following three planning horizons:

<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

Utilization of existing facilities has the added benefit of reducing future capital costs and having facilities in place to take advantage of new supply opportunities that may become available in the short-term. Additionally, a number of projects have been considered in the past which should be reviewed to determine if they remain viable in the long-term. In order to take advantage of the opportunity to utilize existing facilities it is recommended that the Agency do the following:

1. From each retail agency in the Agency's service area, compile a list of facilities that may be available for use as a regional facility and what capacities, limitations or restrictions on use currently exist or may exist in the future by July 2013,
2. Review existing proposed projects to determine if they remain viable for potential water transfer and storage – Banning Pipeline Upsizing, Cabazon Pipeline Extension, Beaumont Basin Recharge Facility and the Cabazon Basin Recharge Facility. This review should be completed by July 2013,
3. Develop budget estimates for repairs and needed upgrades to potential joint-use facilities by October 2013,
4. Where existing facilities owned and operated by retail agencies will be used for regional benefit, a "Facility Use Agreement" for shared services should be developed.

**Goal #4: Regional 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 Commodity Rate will continue to be used to fund existing development impacts on water demand.

Future capital costs within the Agency's service may exceed \$72.0 million with water acquisition costs \$90.0 million at the end of the planning period of 2035. 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 rights 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 Capital Facilities Plan, and**
- 3. Review the current commodity rate to insure that revenues are adequate to fully fund the purchase of new water for existing development.**

It is recommended that the Agency do the following:

1. By December 2012, the Agency should confirm and update if necessary the monetary values assigned to the facility capacity fee and water capacity fee within the 2011 Capacity Fee Study, and
2. By March of 2013, the Agency should retain the services of a financial consultant to develop a financial model that would review and make recommendations for modification, if any, to the existing commodity charge and timing of new revenue needs through the 2035 planning period.

#### **Goal #5: Communication Plan**

Communication is a critical element for future success. Strengthening communications between the Agency and its retail agencies, both at the political level and administrative level, will be important as the Agency begins to implement many of its new initiatives. Developing a clear and concise message that is used to increase awareness of the Agency's mission will increase public understanding and support. In addition to utilizing web-based communication tools, the Agency will need to take a more pro-active role in direct personal communication and look to a set of carefully crafted messaging tools to increase awareness of its role within the region.

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

- 1. Identify communication opportunities to leverage, promote and amplify the Agency's brand, image and impact within the region,**
- 2. Engage a broad spectrum of Agency stakeholders through an integrated and strategic communications process,**
- 3. Gain external support for the Agency's mission and leadership through thoughtful outreach and positioning techniques, and**
- 4. Align all communication efforts with the overarching goal of the strategic planning process.**

It is recommended that the Agency retain the services of a qualified communications consultant to develop a strategic communications plan once the Strategic Plan is adopted.

## Introduction to the Strategic Planning Process

Strategic Planning is comprised of two essential elements. A *strategy* to implement a *plan*. Most organizations recognize the importance of having a well-defined and cohesive strategy, or a set of action steps to move the organization forward. During the course of developing a strategic plan, an organization reviews how it allocates resources, makes financial decisions and determines the best course of action for the future of the organization and its constituents.

At the conclusion of the process the organization will have reviewed and defined its purpose and scope, reviewed its capital planning and financial activities, examined the allocation of staffing and support services, and developed a plan to align the decision-making process with available resources.

The Agency initiated the Strategic Planning process with an initial workshop with the Board of Directors and the General Manager. The workshop identified the need to review the Agency's mission and vision statements, conducted 'influence modeling' or interviews with key stakeholders, reviewed the State Water Contractor legislative mandate and discussed possible future changes to its existing role and purpose. The Board of Directors also created an Ad Hoc Strategic Planning Committee (Committee) to review and provide input on key elements of the process as it progressed towards completion. The Committee provided valuable guidance throughout the process including identifying a list of stakeholders to interview in developing the framework for the plan.

The Strategic Planning process for the SGPWA included the following elements:

- I. State of the Organization**
  - Identify the immediate issues facing the organization.
  - Review the current mission and vision statements.
- II. Planning Period**
  - Five years (10 years)
- III. Vision of the Future**
  - What is the desired "future state" of the organization or what will the organization look like at the end of the planning period?
  - What are the key issues facing the organization?

## The Strategic Planning Process Continued:

### **IV. Organizational Assessment**

- Review progress as compared against previous planning efforts.
- What are the external forces that may limit or impede progress or success?
- Gather input from key stakeholders.
- Create a baseline or “current state” of the organization which will be used as a measure for future progress.

### **V. Action Plan**

- Development of measurable objectives and time frame.
- Assignment of responsibility for success.

## 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.

## **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.



## **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

## **Strategic Planning Goals & Implementation Strategy**

Five goals have been identified for the 2012 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 Leadership Role**
- 2. Regional Water Supply Plan**
- 3. Regional Capital Facilities Plan**
- 4. Regional Financial Plan**
- 5. Communication Plan**

### **Goal #1 - Regional Leadership Role**

As a State Water Contractor the San Geronio Pass Water Agency role and mission extends beyond its own service area. The Agency is responsible for managing a critical water resource with statewide implications within the region. Additionally, the Agency has the obligation and responsibility to represent the water supply needs for all users present and future within its jurisdiction. Based on the situation and needs within the region this role is both political and tactical in nature.

The Agency's enabling legislation defines its role and responsibilities which allows for maximum effectiveness in the application of its authority in carrying out its obligations under the Law. The Agency's Board of Directors has the primary responsibility to ensure that its legislatively mandated responsibilities are carried out to the maximum benefit of the region. It should be noted that while the scope of authority vested in the Agency as defined by the law is broad in nature to provide maximum flexibility in managing waters within its jurisdiction, the actual application of individual sections of the Law is subject to the determination of the Agency's Board of Directors in furtherance of its mission.

The role of Regional Leadership as a goal within the Strategic Plan is recommended due to the nature of and complexities of the various water supply and management issues confronting the Agency and region within the next decade. The need to develop additional water supplies will require the Agency, as a State Water Contractor, to assume a more substantive leadership role. While the Agency is currently performing its mandated role within its service area, strengthening its role and the relationships with its various retail agencies and stakeholders will be critical to the overall success of the entire region. To better support its role within the region a number of recommendations have been developed.

- A. Develop collaborative relationships with the various entities and stakeholders within its service area as well as those agencies and individuals that may have authority or jurisdiction over lands and waters within the region, i.e. State of California Department of Water Resources, the County of Riverside, Riverside County LAFCO, and others.
- B. Conduct formal monthly “Manager’s Meetings” that have as its focus the purpose of providing routine updates on various regional project proposals and project status reports.
- C. Provide for routine updates of progress on regional projects at meetings of the Agency’s Board of Directors and disseminated to key stakeholders.
- D. As a part of an overall communication strategy the goals of the Strategic Plan should become the basis for all Agency actions and decisions. It is recommended that staff reports to the Board of Directors include a section that describes how the proposed action item under consideration by the Board furthers the objectives of the Strategic Plan.

## **Goal #2 - Regional Water Supply Plan**

The second 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 third strategic planning goal of developing a Regional Capital Facilities Plan. Future economic development of much of the area within the Agency service area will be dependent on execution of these strategies.

In the immediate future the region will be facing an available water supply deficit that must be met with a mixture of new supply sources. Current groundwater production will be severely reduced by the end of 2013 when operations within the Beaumont Basin will be required to change to reflect the individual agency safe-yield limitations within the Beaumont Basin Adjudication. A temporary surplus within the Beaumont Basin was declared which allowed pumpers to produce beyond their individual share of the operating safe-yield. Production within the Beaumont Basin has been intentionally increased as a part of a basin-wide reoperation plan that temporarily inflated individual groundwater production rates. The increased production is a positive indicator of how the Beaumont Basin operates under increased pumping rates and may lead to developing increased groundwater recharge opportunities to increase production corresponding with increased recharge. However, the temporary surplus will be exhausted at the end of 2013 placing additional pressure on the Agency for shifting demands to imported supplies from the State Water Project or other alternative supply sources. This also has the effect of reducing the amount of the Agency’s Table A water that may be available in any given year for long-term banking. The retail agencies have

anticipated this change in reoperation of the basin and are in various stages of development of different projects or demand-side alternatives to supplement current and future water demands. Development of recycled water projects, increasing storm water capture for reuse and promoting conservation are examples of the projects and programs currently underway.

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

- 1. Develop a Time and Demand Matrix for future water supply.**
- 2. Identify additional source of supply to meet future demands.**
- 3. Develop a water pre-purchase strategy for available water supply sources.**

For purposes of developing the Strategic Plan, a planning horizon of 2035 was used and corresponds to the planning horizon used in the 2010 Urban Water Management Plan, (UWMP). Table 2-3 of the UWMP indicates that current and future water demands on the Agency service area are as follows:

#### **Time and Demand Matrix**

<b><u>Year</u></b>	<b><u>Demand on SGPWA</u></b>
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 3200 acre-feet by 2035. Based on the Agency's SWP Table A, annual allocation of 17,300 acre-feet, the demand for imported water exceeds their allocation prior to 2025.

In order to meet the increased demands as projected the Agency must secure additional water supplies or, through a combined approach of acquiring additional new water supplies and coordinating with the local retail agencies, shift some production and demand to future years where possible. It is recommended that this Time and Demand Matrix be updated periodically based on increased development and demand activity. The Time and Demand Matrix was developed on five-year intervals and it is recommended that the Matrix be updated one year prior to each planning period (year four of each five-year interval).

Although the Agency has an annual allocation of 17.3 thousand acre-feet per year, the current reliability from the SWP is approximately 63% 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.

Section 5-2 of the UWMP provides the methodology for developing a water supply plan for the San Gorgonio 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 to 2025 through 2035 as reflected in Table 5-

<u>Planning Year</u>	<u>Supply Deficit</u>
2025	5,800 acre-feet
2030	9,700 acre-feet
2035	13,700 acre-feet

**Identify Additional Sources of Water Supply**

In 2007 and 2009 the Agency authorized the preparation of two reports entitled, Evaluation of Potential Water Transfer Opportunities and Supplemental Water Planning Study, respectively. These reports evaluate potential reliability supplies and dry-year supplies and recommend certain actions to be undertaken as follows:

2007 Report – Evaluation of Potential Water Transfer Opportunities

Potential Long-term (permanent) Water Supplies

- Permanent Transfer of SWP Table A Amount
- Long-term Purchase Agreement for San Bernardino Valley Municipal Water District Table A Amount
- Nickel Family Farms LLC Water
- Buena Vista Water Storage District, Rosedale-Rio Bravo Water Storage District Water Banking and Recovery Program
- Various central and northern California water rights holders

Potential Reliability Supplies

- Semitropic Water Storage District

### Potential Reliability Supplies Continued:

- Semitropic Water Storage District Stored Water Recovery Unit
- Rosedale-Rio Bravo Water Storage District
- Other Potential Kern County Supplies
- Potential Programs south of the Tehachapi Mountains
- Castaic Lake Water Agency
- SGPWA Local Groundwater Basin Banking Program
- Article 21 Water

### Potential Dry-year Water Supplies

- Western Canal Water District
- State Water Project Contractors Authority Dry-year Water Purchase Program
- SWP Turnback Pools
- Various Central and Northern California Water Rights Holders

### 2009 Report – Supplemental Water Planning Study

1. Continue working with Coachella Valley Water District and Desert Water Agency on the planning of the proposed State Water Project Aqueduct Extension Project,
2. Initiate a financial plan to continue to determine SGPWA's means and methods of financial participation in the Aqueduct Extension Project and the acquisition of additional water rights,
3. Initiate action to acquire water rights to meet SGPWA ultimate water demand,
4. Determine if the Morongo Band of Mission Indians intends to participate in the State Water Project Extension Project,
5. Evaluate the reliability of the local water supply within SGPWA's service area,
6. Initiate actions to acquire 16 cfs capacity in the East Branch Extension from SVVMWD, and
7. Develop a conjunctive use plan to store and recover State Water Project water in the Beaumont, Cabazon, and other groundwater basins within SGPWA's service area.



Many of the specific water supply opportunities identified in both the 2007 and 2009 reports may continue to be viable alternatives in 2012 and possibly into the future. However, the changing dynamic as it relates to the political and administrative process of transferring water regionally and throughout the State has altered the means and methods by which water transfers are enacted. Most certainly the financial implications of each have changed since 2007. In addition, potential new sources of supply have been developed within the last five years that will also need further examination. Some of these include new north-of-the-Delta transfers, additional San Joaquin Valley agricultural acquisition and transfer opportunities, expanded exchange opportunities with other SWP agencies and the availability of additional regional supplies.

It is recommended that the Agency do the following:

1. Conduct a review and develop an update of the 2007 Report, Evaluation of Water Transfer Opportunities, by July 2013,
2. Conduct an analysis of the specific actions identified in the 2009 Supplemental Water Planning Study and develop a revised set of actions by July 2013, and
3. Identify and evaluate any new water transfer or purchase opportunities by July 2013. The evaluation should consider the financial terms, cost effectiveness and ease of administration and transferability of each potential opportunity.

### **Pre-Purchase Strategy**

The Time and Demand Matrix developed indicates that additional permanent supplemental supplies will be needed prior to 2025. (The UWMP indicates that under present planning conditions new permanent supplies will be needed by 2023). The process of identifying and securing the necessary entitlements and transfer rights for additional water supplies may take several years to fully develop. Additionally, the financing mechanisms will need to be in place to affect the purchase once a new source of supply has been identified. A “pre-purchase” strategy will allow the Agency to take advantage of water supply opportunities and potentially lock in favorable long-term pricing as they are developed.

Once the Agency has identified potential permanent water supplies it should initiate the process to secure the source of supply while at the same time either develop or assist in the development of storage opportunities either in local basins, assuming the necessary infrastructure is in place, or in existing state-wide water storage projects until such time as needed. Implementing a Pre-Purchase Strategy as outlined may have the effect of placing the Agency in an advantageous position by developing long-term storage and recovery projects that would have the effect of reducing future costs for retail agencies within the region.

It is recommended that the Agency do the following:

1. Identify and rank potential water transfer opportunities by cost effectiveness, ease of administration and the means by which the water can be stored for future use by December 2013.
2. Utilize existing financial resources or develop a new financial mechanism to acquire the new supply source and accommodate storage costs.

### **Goal #3 - Regional Capital Facilities Plan**

The third goal of the Strategic Plan, Regional Capital Facilities 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 conducting an inventory of existing facilities that may become "regional facilities" for purposes of carrying out the objectives of this goal as well as developing a multi-year plan to construct new facilities. Implementation of this planning goal will require that it be accomplished in close coordination with Goal #2, so as to develop capital facilities 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 #4, 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 to manage the increased water demands through 2035, and**
- 2. Conduct an inventory of existing facilities that may be used for regional benefit.**

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 #2 - 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 2013, 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>
2025	5,800 acre-feet
2030	9,700 acre-feet
2035	13,700 acre-feet

## **Inventory of Existing Infrastructure and Facilities**

Utilization of existing facilities has the benefit of reducing future capital costs and having facilities in place to take advantage of new supply opportunities that may become available in the short-term. Careful consideration must be given to facilities that are currently owned and operated by other parties within the Agency's service area so as to not impede their current or future need of the facilities. In some instances these existing facilities may not be available on a permanent basis but made available for short durations of time to augment or supplement new facilities. Additionally, agreements for utilization of the joint-use or shared facilities will need to be developed. The Agency may find it necessary and prudent to make certain investments in existing infrastructure in order to upgrade the facilities to accommodate the additional future demands. One such project may be the repair and upgrade of the Whitewater Flume.

It is recommended that the Agency do the following:

1. From each retail agency in the Agency's service area, compile a list of facilities that may be available for use as a regional facility, and what capacities, limitations or restrictions on use currently exist or may exist in the future by July 2013,

2. Review existing proposed projects to determine if they remain viable for potential water transfer and storage – Banning Pipeline Upsizing, Cabazon Pipeline Extension, Beaumont Basin Recharge Facility and the Cabazon Basin Recharge Facility. This review should be completed by July 2013,
3. Develop budget estimates for repairs and needed upgrades to potential joint-use facilities by October 2013,
4. Where existing facilities owned and operated by retail agencies will be used for regional benefit, a “Facility Use Agreement” for shared services should be developed.

#### **Goal #4: 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.

Developing a predictive plan or model for new revenue based solely on development activity is problematic in that it is largely driven by economic growth. Based on the timeframes developed in the Regional Capital Infrastructure Plan the Agency can develop a flexible timeline for when additional infrastructure resources are needed to meet the needs of new development. Development of new infrastructure is somewhat programmatic in that you can prepare a plan and program construction activity based on the need for new water supply and by doing so anticipate and program the necessary revenue needs on a year-to-year basis. Acquisition of new water supplies is less predictable. In the near term, the Agency will have adequate water supplies to meet demand; however, in the next 10-12 years demand for water supplies outstrips existing availability. As a result the need for revenue dedicated solely to water purchases must be anticipated prior to development of new demand. Based on information contained in the Capacity Fee Study, the cost for acquisition of new water rights on an acre-foot basis is \$5,500 per acre-foot. Without accounting for inflation in future years, applying this figure to the

anticipated demand for new water supplies through 2035, the Agency can forecast its future revenue needs as follows:

<b>Planning Year</b>	<b>Supply Deficit</b>	<b>Cost/AF</b>	<b>Total</b>
2025	5,800 AF	\$5,500	\$28,017,000
2030	9,700 AF	\$5,500	\$66,126,500
2035	13,700 AF	\$5,500	\$90,618,000

It should be noted that the monetary values referenced above reflect acquisition of a permanent water right. In today's water market many sources of supply are available on short or long-term lease or even on the spot market as one-time transfers in smaller increments such as 1,000-3,000 acre-feet. The most cost effective means of meeting the Agency's long-term needs will likely be through a combination of water rights acquisitions and assimilating smaller water transfers annually. The use of a professional agent specializing in California water marketing may prove advantageous in identifying and developing a sustainable future water supply.

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 rights 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 Capital Facilities 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 December of 2012, 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 March of 2013, 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 2035 planning period.

### **Goal #5: Communication Plan**

As the only agency responsible for wholesale water delivery into the San Geronio Pass region, communication with the various stakeholders is very important to the overall success of implementation of the Strategic Plan elements. Developing a clear and concise message will enable the Agency to expand awareness of its mission and effectiveness, thus increasing public support. Strengthening strategic alliances is enhanced through a continuous and integrated communication strategy. An essential element of a good communication strategy takes into consideration the multiple methods of reaching the intended audience that translates into an integrated process.

Currently the Agency relies on its website as the major source of information about its programs and activities. There are numerous reports and studies that support and enhance current and future activities that have been made available in print form to a limited audience. Adoption of this Strategic Plan will set into motion several new initiatives, many of which will be critical for the future growth and sustainability of the entire region. The Agency's role in leading and orchestrating these new initiatives should be emphasized as a part of the communication strategy. A new communication strategy should take into account a larger target audience and include web-based and written communication tools as well as public speaking opportunities to reinforce the Agency's goals and objectives, many of which are contained in the Strategic Plan.

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

- 1. Identify communication opportunities to leverage, promote and amplify the Agency's brand, image and impact within the region,**
- 2. Engage a broad spectrum of Agency stakeholders through an integrated and strategic communications process,**
- 3. Gain external support for the Agency, its mission and leadership through thoughtful outreach and positioning techniques, and**
- 4. Align all communication efforts in the context of the strategic planning process.**

It is recommended that the Agency retain the services of a qualified communications consultant to develop a strategic communications plan once the Strategic Plan is adopted.

## Potential Contents of a Wheeling Policy

September 2017

- Water quality—wheeled water must be at least the quality of State Water Project Water
- Agency must have unused capacity available to wheel water for others
- If unused capacity is needed for Agency deliveries, wheeling would stop until capacity becomes available again
- Who would Agency wheel water for? Retail agencies only, or others?
- Agency should recover reasonable costs related to transportation in its wheeling charge



## Potential Components to a Wheeling Charge

### Key Issues

Wheeling charge should include “fair compensation” for use of unused capacity in Agency’s infrastructure. “Fair compensation” is defined as “the reasonable charges incurred by the owner of the conveyance system, including capital, operation, maintenance, and replacement costs, increased costs from any necessitated purchase of supplemental power, and including reasonable credit for any offsetting benefits for the use of the conveyance system.” “Replacement costs” includes “the reasonable portion of costs associated with material acquisition for the correction of irreparable wear or other deterioration of conveyance facility parts that have an anticipated life that is less than the conveyance facility repayment period and which costs are attributable to the proposed use.”

Fair compensation must be determined in a “timely manner.” This means it may be different in different years, for example as variable energy rates change. While wheeling charges do not need to be determined on a case by case basis, wheeling charges should be re-evaluated as fixed and variable costs change.

There is no formula for determining fair compensation.

Wheeling charge should not result in Agency losing money, or subsidizing the purchaser.

Wheeling charges should consider realistic alternatives for water supply in order to structure a rate that facilitates transfer of water.

Wheeling charges should include a comprehensive evidentiary record supporting Agency’s determination of fair compensation.

### Costs Associated with Wheeling

Statement of Charges:

• Capital Cost Component, Transportation Charge	\$ 6.00/AF
• Minimum OMP&R, Transportation Charge	\$239.24/AF
• Devil Canyon Facilities (Bonds + OMP&R)	\$ 16.29/AF
• EBX Bond Payments	\$600.01/AF
• Tehachapi Second Afterbay Bonds	\$ 2.12/AF
Total DWR Costs (2017)	<b>\$863.66/AF</b>

Additional, Non-DWR Costs to Include:

- DWR Variable Energy Cost (2017) \$258.78/AF
- Debt Service Operations (2017) \$ 31.08/AF
- Administrative Costs To be defined

Wheeling charge should also include “reasonable credit for offsetting benefits.” A reasonable credit could be, for example, tax dollars contributed by taxpayers within the service area of an Agency retailer who requests wheeling. This would have to be determined on a case by case basis and on an annual basis.