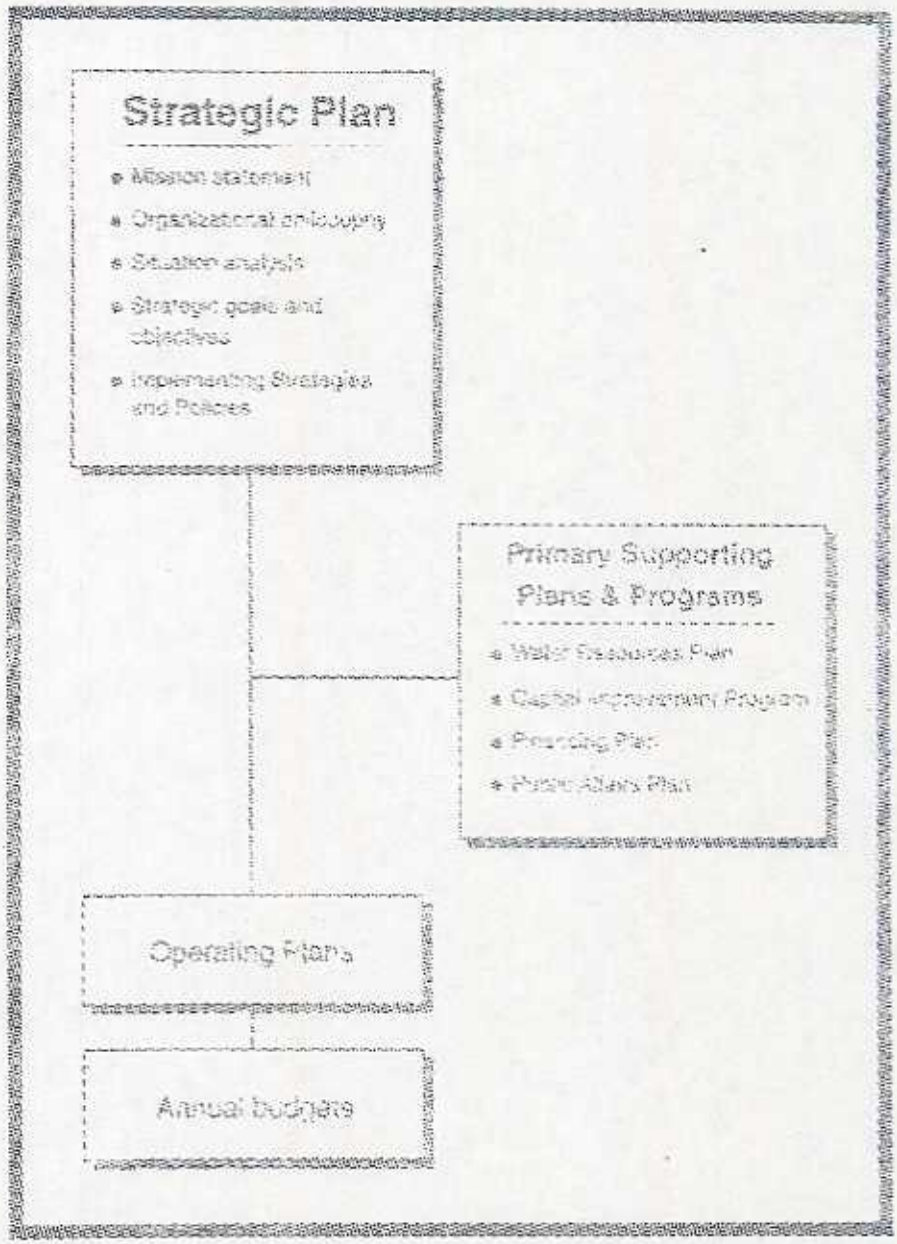
San Diego County Water Authority

1995 Strategic Plan



The Strategic Plan charts a positive future for the San Diego County Water Authority. It also is intended to clearly communicate that direction to member agencies, employees, other governmental agencies, and the public. The plan has four foundations:

- Acceptance of our mission to provide a safe and reliable product.
- Commitment to a set of organizational philosophies for the conduct of our business.
- Assessment of the environment in which the agency operates in accomplishing its mission.
- Commitment to review the Strategic Plan annually.

The Authority Strategic Plan only sets direction; implementation depends on preparation of separate operating plans and budgets, as well as the participation, enthusiasm, and commitment of the Board of Directors and each employee. The Board and management team believe in the mission and the values expressed in this plan. Achievement of the goals and objectives included in this plan will make us more responsive to our member agencies and the public.

Lester A. Snow, General Manager

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF February 1995:

Chairman, Board of Directors
San Diego County Water Authority

Secretary, Board of Directors
San Diego County Water Authority

SAN DIEGO COUNTY WATER AUTHORITY

STRATEGIC PLAN

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I. AUTHORITY MISSION

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

* Note: Reliability is defined as consistently providing a water supply that adequately supports the regional economy.

af by 1995 and 70,000 af by 2010.

2. Facilities Goal - Provide the necessary facilities for a safe, reliable, and operationally flexible water storage, treatment, and delivery system.

Objectives

a. Complete the following Capital Improvement Projects subject to this Strategic Plan time frame according to the following schedule.

Project	Design	Construction
Pipeline 2A (Valley Center Pipeline)	1996	1998
Pipeline 4B, Phase II and Flow Regulatory Structure (Mission Trails Pipeline)	completed	1996
Pipeline 5E, Phase II (Rancho Penasquitos Pipeline)	1995	1998
Pipeline 6	1997	to be determined
North County Distribution Pipeline	1995	1996
Aqueduct Control System	1995	1996
Padre Dam/Otay Treated Water Supply	1997	1999
Aqueduct Protection Program	Ongoing	n/a
Relocation of Pipeline 3 & 4 at Bradley Park	1997	1998

b. Develop storage facilities to provide for 75 percent of the six-month peak water demand expected through 2030. The development shall be timed in 10-year minimum increments with the first phase completed and filled with water by 2005.

c. Develop storage facilities south of the San Luis Rey River to provide for 75 percent of the two-month peak water demand expected through the year 2030. The development shall be timed in 10-year minimum increments with the first phase completed and filled with water by 2005.

III. ORGANIZATIONAL PHILOSOPHY

The following philosophies guide the formulation of goals, objectives, and programs and govern the Authority's overall operation. It is the basic policy of the Authority to:

1. Service: Provide reliable service at reasonable cost to the member agencies.

2. Business Ethic: Ensure the public's trust by setting and operating under the highest ethical standards in managing the public's resources and operating in the best interest of the public.

3. Contract Services: Evaluate opportunities for saving money and improving efficiency through provision of current and future services by private entities under contract to the Authority.

4. Community Relations: Conduct business in an open manner maximizing public understanding, awareness, and participation.

5. Public Participation: Maintain commitment to open government by actively seeking public input and consciously taking it into consideration when making decisions.

6. Communication: Communicate and promote Authority policies and programs.

7. Relationship to Member Agencies: Pursue goals and objectives to the broad benefit of the member agencies with sensitivity to local autonomy and control.

8. Relationship to the MWD: Continue to support the Metropolitan Water District in pursuit of its mission.

9. Relationship to other Governmental Agencies: Establish and maintain interactive relationships with other governmental agencies; pursue goals and objectives with sensitivity to the goals and objectives of agencies in the region; pursue balance in state and federal laws and regulatory activities.

10. Commitment to Region: Provide leadership on water management issues affecting regional, state, federal, and international water policy; fulfill and satisfy long-term, regional responsibilities in meeting the member agencies' water needs.

IV. GOAL AND OBJECTIVE IMPLEMENTING STRATEGIES AND POLICIES

A. Overview

Providing the water and facilities to meet the Authority's mission in an efficient manner requires well-developed and integrated strategies. These strategies must be constantly assessed considering the full range of available options which can be brought to bear to achieve the goals and objectives. Each strategy comprises various elements and programs that when effectively implemented are intended to lead to goal and objective achievement. Implementation of these strategies is guided by policies that provide guidance on how we accomplish our mission to ensure that Authority activities are congruent with the operating environment and the expectations of the member agencies and the public.

B. Implementing Strategies and Policies

1. Water Supply Strategy and Policies

a. Water Supply Strategy

Achievement of the water resources goal is guided by the Authority's Water Resources Plan which integrates the development of local water resources with management of imported water resources. This plan, adopted in 1993, is formally reviewed by the Board of Directors every two years to maintain its relevance to the planning and operating environment. Major elements for achieving the water resources goal and implementing the water resources plan are as follows:

- Metropolitan Water District Policy Activities - Authority staff participate in the development and evaluation of Metropolitan Water District water policy and facility development activities and provide support for the Authority's six-member delegation to the Board of Metropolitan.

- Reclamation Program - The Authority maintains a program of assisting member agencies in the development of reclaimed water projects in accordance with reclamation development goals of this plan and the Water Resources Plan. Staff assists member agencies in project planning and coordination of funding assistance through Metropolitan's local projects program. The Authority also provides a $100 per acre-foot incentive to develop reclaimed water. This program also includes pursuing repurifying water for placement in local reservoirs for eventual potable reuse.

- Groundwater Development - The Authority maintains a

Reclaimed Water - Promote and encourage the use of reclaimed water for outdoor irrigation in existing and future developments.

Landscaping and Irrigation - Encourage drought-tolerant landscaping, low-water-use irrigation devices, and systems for monitoring and retaining soil moisture. Provide educational materials and programs on efficient irrigation techniques in both English and Spanish.

Greywater Use - Support the use of greywater where it complies with local health department guidelines and regulations.

Long-Term Conservation - Management of future projected normal demands for water will be accomplished by aggressive, cost-effective conservation strategies (BMPs). Programs for application in the residential sector will be oriented toward permanent changes that do not rely on behavioral changes to achieve savings.

Shortage Management - Programs involving short-term conservation measures affecting lifestyles shall be reserved for use during short-term shortages such as a drought.

Environmental Protection - Provide rational and effective environmental protection, mitigation, and enhancement as appropriate to Water Authority programs, projects, and actions. In achieving and maintaining a balanced environmental program, the Water Authority shall:

a. Strive to comply with the true intent of environmental regulations.
b. Provide and monitor mitigation with the maximum benefit at the least cost.
c. Support development of regional habitat management strategies.
e. Seek and support improvement of environmental regulations that are inefficient and ineffective.

2. Facilities Development Strategies and Policies

a. Facilities Development Strategies

In order to provide the facilities necessary for the delivery of water supplies in accordance with the water supply objective, continued assessment of facility needs must occur. Planning for facility needs is coordinated with the water resources planning functions utilizing a single set of water demand forecasts and recognizing anticipated development of local supplies and conservation actions. The facilities strategy includes the following elements and programs:

a right of way is owned in fee, the Authority is responsible for proper upkeep, including removal of debris, trash, weeds and hazardous materials. When the Authority has secured an easement from a property owner, the property owner is responsible for maintenance of the easement area including removal of debris, trash weeds and hazardous materials.

Allowance for Aqueduct Maintenance - Member agencies shall be able to withstand a 10-day outage of service from Authority aqueducts. Member agencies should accomplish this through necessary member interconnections storage and local resource development.

Member Agency Costs - Each member agency shall bear all costs for its own distribution and storage from the agency's point of delivery.

3. Facilities Maintenance Strategy

In order to meet system maintenance goals and objectives at a reasonable cost, the Authority maintains an Administrative Management Program, which manages federal, state and local environmental health, safety, training, and permit requirements. It also incorporates a comprehensive Authority Emergency Response Plan. A technical service program provides for the reliable and efficient operation, maintenance and repair of the electrical/electronic components of the water delivery system to ensure design life expectancy of equipment and 24-hour response to member agencies. Guidelines are maintained for maintenance and replacement of Authority vehicles and heavy equipment fleet to ensure fleet expenses are minimized.

4. Finance Strategy and Policies

a. Finance Strategy

Implementing water resource plans and facility activities in a dynamic environment requires a sophisticated financing plan to assure ample funding while considering overall costs and impacts on the rate paying community. This planning integrates all capital costs associated with Board approved projects, future planned projects and reimbursable projects. It also includes a diverse mix of revenue resources which provide balance, revenue stability and equity among current beneficiaries of the CWA delivery system and future users.

This financial plan is revised annually. The review includes an annual review of rates, capacity charges to new development and investment policy. This review is coordinated with the Capital

of 25 percent of the current annual Section 8 Contracts of Indebtedness shall be maintained.

Internal Controls - Internal financial controls shall be maintained so that the Authority continues to receive positive internal audit reports with no significant audit recommendations from the Authority's outside audit firm.

Annual Budgets - Prepare annual budgets for review by the Special Budget Committee which are based upon Strategic Plan goals and objectives and which outline financial resource needs in the context of those goals and objectives.

5. Communications Strategy and Implementing Policies

a. Communications Strategy

Providing for the water needs of a changing community requires a strategy to communicate, promote and secure support for the Authority's efforts to provide a safe and reliable water supply. This effort also entails mechanisms for the public to provide feedback to the agency so that public expectation can be integrated into the agency's activities. This strategy is guided by a Public Affairs Plan which supports implementation of the Strategic Plan and which is reviewed annually. Review and implementation of the Plan is coordinated with Authority member agencies through monthly meetings of public information representatives. The Plan guides the content and execution of the Authority's public information, media, and school programs based upon issues identified in the Plan.

b. Implementing Policies

Internal Communication - Maintain communication with Authority staff about agency policies and activities.

Coordination with Member Agencies - Maintain communication and coordination with member agencies. Inform them about Authority policies and programs and actively seek their input on Authority activities and responsibilities.

Coordination with Public Agencies - Maintain communication with other public agencies in the Authority service area. Inform them about Authority policies and programs that may affect them and actively seek their input on Authority activities and responsibilities.

Communication with Elected Officials and Other Community Leaders - Establish and maintain the support of local elected officials, business leaders, and other community leaders for the Authority's plans, programs, and projects. Keep these leaders informed about Authority policies and programs and

b. Implementing Policies

Organization Staffing - Maintain a diverse work force of skilled and motivated employees to perform the work of the Authority, in an environment free from illegal discrimination.

Safe and Healthful Work Environment - Provide employees with equipment, facilities, work areas, and programs that are safe, efficient, and healthful.

Equal Employment Opportunity - Ensure equal employment opportunity for all qualified persons regardless of race, color, religion, sex, creed, national origin, ancestry, age, medical condition, physical and mental disability, sexual orientation, Vietnam-era veteran or special disabled veteran status, marital status or citizenship, within the limits imposed by law or the Authority's policy.

Emerging Business Enterprises - Ensure maximum opportunity for emerging business enterprises to participate in Authority procurement by soliciting EBEs for the purchase of materials, supplies, and equipment. Provide contracting and sub-contracting opportunities to qualified EBEs in the award and performance of construction and professional services contracts.

Cost Disclosure - Monthly action items recommended to the Board shall disclose the fiscal impact of the recommendation in the context of annual budgets and or future budget implications. Monthly management reports to the Board shall clearly identify program and project changes which may have future budget implications.

Risk Management - Risks of physical and financial loss to the Authority shall be managed through an integrated program of risk reduction and insurance reviewed on an annual basis.

Information Systems - Provide innovative, cost-effective information systems that support Authority operations.

A. EXTERNAL ENVIRONMENT

1. Background

San Diego County depended entirely on local water resources until the 1940s. With a relatively small population supported by large reservoirs, the region was able to withstand the cycles of drought common in the southwestern United States. When the U.S. entered World War II, the situation changed. San Diego became a key location for the Navy; the population virtually doubled, quickly outstripping the capacity of local water resources to meet demand. Pressured by the federal government, county leaders decided to join the Metropolitan Water District of Southern California (MWD) and receive water imported from the Colorado River. The San Diego County Water Authority was organized June 9, 1944 under the state County Water Authority Act of 1943 and became a member of MWD. Originally, the Authority had nine member agencies. (Two agencies, the city of Coronado and Ramona Irrigation Water District, withdrew from the agency in 1946.)

The Authority's stated mission when it began delivering water in December 1947 was to provide a safe and reliable supplemental source of imported water for San Diego County. By 1950, however, imported water accounted for more than half of the region's total supply. Ninety percent of the county's water typically is imported today. This water comes from two sources -- Northern California, via the State Water Project, and the Colorado River.

In fiscal year 1990, the Authority's deliveries to its member agencies reached a high point of 647,481 acre-feet of water. The area experienced drought-induced shortages in 1991 and record rainfall in the winter of 1993. A deep economic recession began in 1991 from which the region has yet to recover, further depressing water demands. Deliveries fell from 566,047 acre-feet in fiscal 1991 to 414,448 in fiscal 1994.

When drier winters return locally and the economy recovers, water demands are expected to resume their growth pattern. This upward trend will continue although long-term conservation efforts will reduce the rate of increase.

The influx of new residents has consistently exceeded official projections in recent years. Between 1980 and 1992, the region's population increased by 40 percent, from 1.86 million to 2.6 million, while water demands grew at a similar rate. San Diego was the second-fastest growing county in the nation during this period, trailing only Los Angeles. Recent forecasts by the San Diego Association of Governments (SANDAG) indicate that both population and demand for water will continue to grow in coming years. In contrast to the past, when about two-thirds of population growth resulted from national and international immigration, about half of this increase will be natural (births minus deaths). Figure 1 shows

2) Gaining control of the cost of living, working and investing in our region.

3) Investing in our homegrown industries and in the human and physical infrastructure they need to expand.

4) Inventing a better way for the government, businesses and education to interact.

In discussing the third goal, the report notes that a reliable water supply system is vital, especially for such manufacturing entities that rely on water as a basic input.

Conclusions:

- The region's population will continue to increase, largely because of the birth rate. As such, an expanding water supply must be secured and maintained.

- Growth of local per-capita income is expected to lag behind that in the nation as a whole. This may adversely affect the ability of some residents to pay the higher water rates necessary to maintaining a reliable water supply.

- The Authority will have to adapt its work force and business practices so it can communicate effectively with San Diego County's increasingly diverse population.

- Maintaining a reliable supply through provision of necessary public service delivery infrastructure such as water systems is vital to the region's economic prosperity.

2. Water Supply

A. Local

As already indicated, the Authority's service area has a minimal reliable local water supply. Local supplies from runoff and groundwater pumping yield an average of about 60,000 acre-feet per year in the Authority's service area; only 28,425 acre-feet of local water was available in drought-stricken 1990. Unless the local supply is enhanced through water management and development programs, it is projected to meet 7 percent of the total demand in 2010.

The Authority's strategy to develop the local water supply is outlined in the Water Resources Plan. It details how the Authority may increase local supply through water reclamation, groundwater development and desalination programs, as well as a long-term conservation effort.

One local supply development project -- water reclamation -- is

addresses these situations with construction of new delivery facilities and strategies to address storage deficits.

Conclusions:

- Authority water management and development programs will enable local water sources to meet more of the total ~~local~~ demand.

- Increased reservoir storage capacity must be developed or the region's storage deficit will grow along with the local population.

B. Metropolitan Water District of Southern California

Big changes are taking place in the relationship between MWD and its member agencies, including the Authority. These changes are in the areas of water resource development and revenue structure.

MWD supplies all of the water for the Authority's aqueduct system, just as it has done since the Authority began delivering water. All of MWD's 27 member agencies are located in urban Southern California. The Authority is the second largest member agency in terms of assessed valuation, but it is MWD's largest customer, using approximately 26 percent of the District's total water supply.

Throughout its history, MWD consistently followed a policy of meeting the expanding needs of its member agencies. This policy was first formalized in December 1952 when MWD directors approved a policy stating that the agency stood ready "... to provide its service area with adequate supplies of water to meet expanding and increasing needs in the years ahead. When and as additional water resources are required to meet increasing needs for domestic, industrial and municipal water, the District will be prepared to deliver such supplies." This statement is known as the Laguna Declaration (for the location of the meeting).

Much has changed since the adoption of the Laguna Declaration. The region has grown dramatically and MWD has found it difficult to maintain the reliability of existing imported water sources as well as develop additional increments of imported water. MWD and its members have recognized this fact through the District's strategic planning process. A doctrine of "interdependence" among the member agencies is supplanting the Laguna Declaration of dependence upon MWD. Interdependence means that opportunities for local supply development and water management must be taken in concert with MWD's actions so that the region maintains overall supply reliability.

This doctrine of interdependence indicates that the traditional relationships between MWD and its members and between the members themselves will change. For MWD, it means more interest in and coordination of local supply issues. For the member agencies, it means improving overall water management and considering local

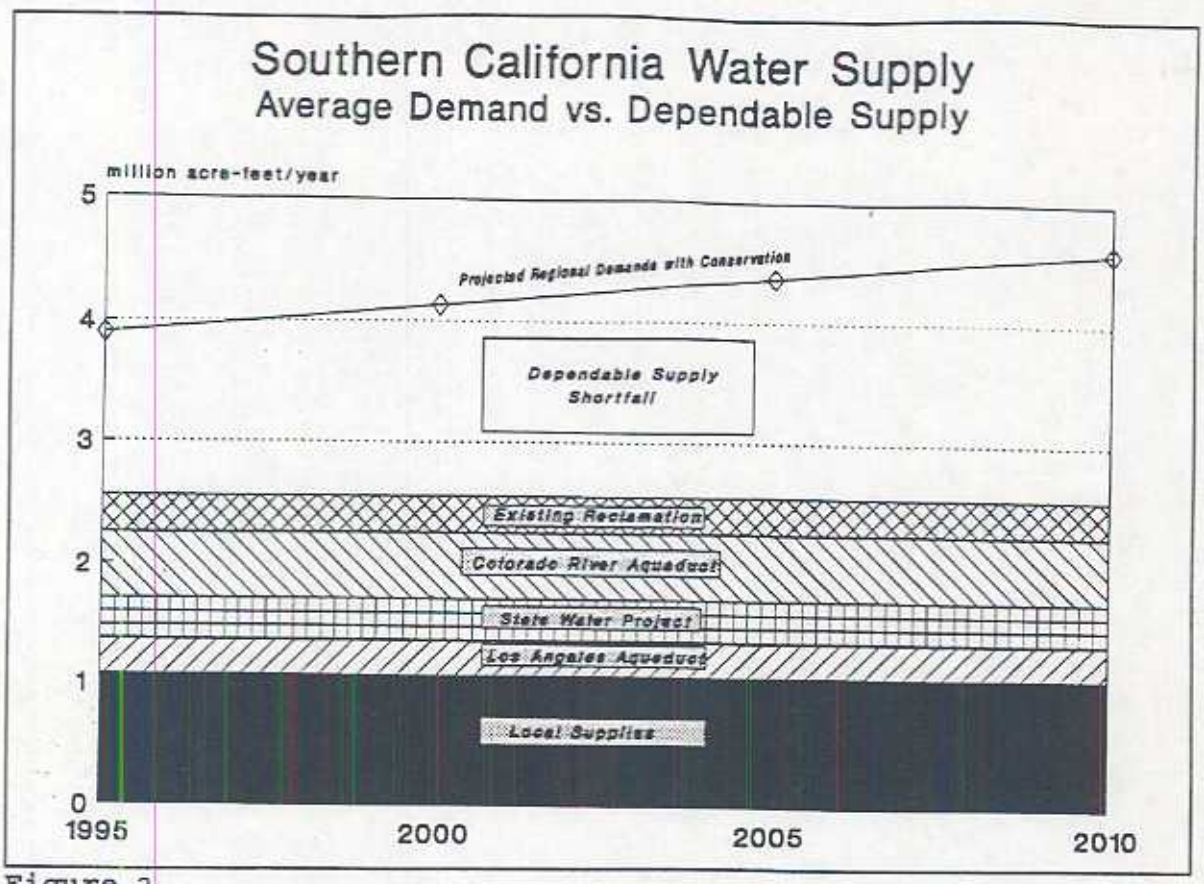


Figure 3

drought and locally wet winters in 1992 and 1993. MWD's water rates and associated charges are projected to rise over the next decade to pay for capital improvements and other programs.

Also in the area of rates, the District is conducting a major overhaul of its revenue structure. A new financial policy that takes effect in July 1995 institutes a series of charges designed to ensure that MWD has a steady revenue stream rather than one almost totally dependent on water sales that vary from year to year. The basic wholesale rate for treated and untreated water will remain in place. The two major new charges are the readiness-to-serve charge, designed to cover the District's debt service for construction projects necessary to meet reliability and quality needs of current water-users, and the new demand charge, projected to recover the cost of accommodating new demand for MWD water. Both charges will be allocated to MWD's member agencies based on a rolling average of historic water purchases from the District.

The Authority has been able to rely consistently on MWD to pursue its formally adopted mission of providing "its service area with adequate supplies of high quality water to meet present and future needs in an environmentally and economically responsible

Californians -- two-thirds of the state's population. Even before recent restrictions were imposed on the SWP to protect threatened and endangered species, the project fell far short of meeting its contractual obligations. With its existing facilities, the project could have reliably delivered about 2.4 million acre-feet each year to MWD and 29 other agencies that have signed contracts for deliveries. However, these agencies contracted for -- and are paying facility costs associated with -- long-term deliveries of 4.2 million acre-feet.

This inadequate yield is further reduced by environmental restrictions designed to provide more water for fish and wildlife in the Sacramento-San Joaquin River Delta, through which all state project water is pumped. Pumping from the Delta is restricted to some degree in every month of the year, primarily in an effort to protect the endangered winter-run chinook salmon and Delta smelt. The SWP's long-term reliability cannot be accurately calculated due to the ongoing nature of the regulatory actions and incomplete understanding regarding their impact across variably wet and dry years. Recent cooperative efforts between federal and state agencies to draft interim water quality standards and other measures for the Bay-Delta are promising, but these efforts must lead to a reliable water supply as well as provide adequate support for species. They also must set the stage for a comprehensive, long-term management strategy for the region.

The SWP needs additional facilities so it can deliver water more reliably to urban areas while protecting environmental assets such as fisheries. Expansion of the project has been held up primarily by concerns over the Delta. Environmentalists fear that expanded deliveries will cause irreparable harm to the Delta's fragile ecosystem. Efforts have been frustrated to build a facility that would allow water to be diverted from the Delta without the negative impacts of the current system. A partial solution is to build new storage facilities -- surface reservoirs and/or groundwater basins -- south of the Delta, so excess Delta flows during the winter can be captured and stored for use during months of peak demand.

In 1994 agreements in principle have been reached to revise the State Water Project Contract. These revisions eliminate some contract provisions which caused friction among state water contractors. They will also give operational control of portions of State Project reservoir storage to Metropolitan. This will provide added reliability to Metropolitan's SWP deliveries in dry years and allow water to be stored in Metropolitan's account when the project can exceed Metropolitan's demands.

The Colorado River Aqueduct continues to run full, but it will become less reliable in the near future. Urban Southern California's firm supply from the river was 1.2 million acre-feet until the U.S. Supreme Court's landmark Arizona v. California decision of 1964.

host of laws and regulations affect the water industry's ability to develop new supply sources. These include Section 404 of the Clean Water Act, the Safe Drinking Water Act, the Public Trust Doctrine, and state and federal Endangered Species Acts.

Federal and state government agencies are working cooperatively to develop water quality standards intended to halt the Bay-Delta estuary's decline and promote ecological health. Four federal agencies -- the Environmental Protection Agency (EPA), Fish and Wildlife Service, National Marine Fisheries Service and Bureau of Reclamation -- have come together as the Federal Environmental Directorate, popularly known as Club Fed. This group has been working with state agencies under the direction of the Governor's Water Policy Council. These two entities agreed in 1994 to a "Framework Agreement" setting forth processes to deal with Delta needs. Part of this agreement was to reach a decision on interim standards by December 15, 1994. On December 15, 1994, a three-year agreement was signed between federal and state agencies and other interested parties which outlines water quality needs, outflow requirements, and constraints on the water projects pumping from the Delta. This agreement provides water supply stability for the next three years, protecting the water community from additional actions under the Endangered Species Act which could further erode reliability. It also allows for more flexible project operations in normal and above normal water years to provide opportunity to make up for lost supplies now dedicated to environmental needs in dry years.

With an agreement on interim standards and commitment for additional means to improve the environment in the short-term, a regulatory context has been created which will allow federal and state agencies and interested parties to focus on long term planning needs for the Delta. Perhaps as important as the agreement itself, the pattern of the factions of urban, agricultural and environmental interests warring with one another over water management has been broken. This agreement will hopefully provide a foundation for future long term cooperation rather than confrontation.

Despite the interim accord on the Delta, the Endangered Species Acts could adversely affect the Authority, especially in regards to eight species:

- Delta Smelt. This species, which inhabits only the Sacramento-San Joaquin Delta, has been listed as a federally endangered species. A biological opinion adopted by the Fish and Wildlife Service restricted SWP operations in 1993 and 1994. The opinion for 1995 is supposed to conform to the interim delta agreement.

- Winter-Run Chinook Salmon. This is a federally listed threatened species. About 330,000 acre-feet of water was released from Lake Shasta in 1992 to aid in the transport

regulatory environment and stand ready to address them as they affect the effort to meet San Diego County's water needs.

- The interim delta agreement provides an historic opportunity to perform comprehensive resource planning for the Delta.

- The local reclamation effort would be hampered by proposed federal water quality regulations prohibiting use of local streams to deliver reclaimed water from treatment plants to sites where it can be used.

- Increasingly stringent water quality standards are expected to make water treatment much more expensive. MWD estimates its treatment cost could more than double in the next five years.

4. Political Environment

A. Historical Setting

From the early years of the 20th century, California's water industry was able to develop facilities as needed by the population. Adequate funding was available and environmental concerns were not taken into account as they are today. The result was a water-supply system that allowed California to develop the eighth largest economy in the world. Starting in the 1970s, however, the consensus behind water projects began to splinter. The environmental consequences of development -- in all its forms, not just water projects -- were recognized. The Peripheral Canal campaign of 1982 exacerbated the situation, fracturing the traditional alliance between urban and agricultural water interests and graphically demonstrating the split between North and South.

Since that time, a stalemate has thwarted attempts to improve the statewide water situation. None of the three major interest groups -- urban, agriculture, and environmental -- has enough influence to compel state decision-makers to implement its programs. However, each has the power to block the other two. The result is that the State Water Project, approved by voters in 1960, was the last major water-development project to be started in California. And even it has not been completed to meet its full contractual obligations.

In April 1992, Governor Wilson outlined a new California Water Policy that envisioned a multi-faceted solution to the State's water problems. Strategies in this policy included interim water quality standards for the Delta, development of additional facilities including storage, conjunctive groundwater use, implementation of conservation Best Management Practices, and voluntary water transfers. Definition of necessary facility solutions was to be accomplished in a three-year environmental review process. The policy required areas such as the San Diego region to commit to implementation of Best Management Practices and pursue reclamation

- The North American Free Trade Agreement could foster increased business output locally, thus boosting water demand within the Authority's service area.

- As budgetary pressures grow, the Authority and its member agencies may have to consider the issue of consolidating government functions.

B. The Drought of 1986-1992

The 1986-1992 drought increased the visibility of water-supply issues. Public opinion polls conducted over the past several years indicate an increasing awareness of San Diego County's water situation. Survey respondents consistently support efforts to construct new pipelines and storage facilities that will make the local water supply more reliable. State Legislators have proposed bills that would facilitate water marketing, though none has yet gained approval. Passage of such legislation could definitely benefit San Diego county as it is clear that the reliability of the region's future water supply will depend largely on equitable, voluntary water transfers from agriculture. The remaining sticking point in the transfer debate concerns the ability of water districts to veto user-initiated transfers. Future attempts at a user-initiated transfer bill are likely. Passage of the federal Central Valley Improvement Act, PL 102-575, opened up the CVP to water marketing in 1992. The first transfer agreement -- between a CVP water user and the Metropolitan Water District -- was agreed to in 1994.

Water's new visibility increased the level of public interest in water agencies such as the Authority. Through most of its existence, the Authority was relatively anonymous. This definitely ended during the height of the drought. Board meetings concerning drought response measures in early 1991 drew massive audiences and intense media coverage. Officials from other governmental bodies joined in the examination of the Authority's policies and decision-makers. The interrelationship between the Authority and other governmental agencies, community organizations, business groups, and other public interests did not end with the drought. Communication with such entities has continued on an accelerated basis under the provisions of the Authority's Public Affairs Plan.

The drought also focused attention on the perceived connection between water and population growth. Clearly, water supply is a basic service that is essential to jobs, lifestyles, and economic prosperity. The Authority has no control over population increases or development that is approved by other governmental agencies. This is the responsibility of land-use planning agencies. The Authority is responsible for meeting the reasonable demand for water from current residents and making prudent plans for meeting future demand.

shortages could prompt California industry to cut production and jobs and reconsider expansion plans. According to a statewide survey conducted in 1991 for the California Urban Water Agencies (CUWA), a future 30-percent water shortage could force industrial losses of $11.8 billion in production and 46,000 jobs. For San Diego industry, a 30-percent water cut could cost production losses of $340 million and 2,300 jobs.

A survey of San Diego region businesses conducted in 1994 for the Authority's Emergency Water Storage Project found that catastrophic emergency shortages would have a massive impact. A six-month cutback of 60 percent would result in job losses of 23 percent and production losses of 25 percent, according to the survey.

In addition, uncertainty about reliable supplies makes it difficult for business managers to plan for the future. Water managers must be careful when allocating water-use reductions so as to minimize negative effects on the economy. In this regard, some municipalities are considering an assured supply policy for selected businesses that require a highly reliable water supply. The City of Chula Vista has offered such a guarantee to a biotech company considering a move to Chula Vista. The City of San Diego is proposing supply reliability levels be improved above current goals through water marketing options.

Re-establishing supply reliability will require water rate increases to pay for capital improvements. But higher rates naturally concern water-users, especially during recessionary times. These two concerns are intertwined, and must be balanced. When water rates rise, increased amounts of money are drawn from the economy that could have gone for other needs. If rates grow disproportionately to the cost of other goods and services, the markets for different commodities, especially agricultural products, may not be able to support the price required for the products due to higher water costs. This development could cycle back to the Authority in the form of lower demands and pressure to withhold future rate increases. Thus far, the Authority has successfully balanced these concerns while raising rates to improve the region's water supply. Water service in San Diego County is inexpensive for the average consumer, especially when compared to water rates elsewhere in the nation or to the cost of other utilities such as power or cable television. Moreover, the cost of an unreliable water supply exceeds the cost of moderate rate increases because of an unreliable supply's impact on commerce, production, and jobs.

A 1994 statewide survey performed by an independent survey firm for the California Urban Water Agencies including customers within the Authority's service area indicated that residential customers were willing to pay between $10 and $12 a month more (roughly 30% more on average) to avoid twenty percent shortages occurring on no more than a once in thirty year basis. This indicates a high economic value for a reliable supply. This willingness is not

Figure 5 shows that current water rates among the member agencies differ significantly. This difference relates to many factors including cost of local improvements, density and elevation-related pumping costs. Local water rates and economic conditions combine to create varying degrees of controversy related to the need for water supply improvements and the ability to sustain water rates necessary for improvements.

The experience of reduced water sales during the drought and reactions to rapid water rate increases necessary to fund the Metropolitan Water District's capital improvement and water resources programs have caused Metropolitan to adopt fundamental changes in its revenue structure. These changes are designed to allow Metropolitan to fund more of its expenses from fixed-revenue sources, more equitably distribute costs of the system to the chief beneficiaries and have growth pay its own way.

Conclusions:

- Although the CUWA study of industrial shortages did not encompass the "green industry," the experiences of 1991 make it clear that large water shortages spark significant production and job losses in the landscaping and nursery businesses.

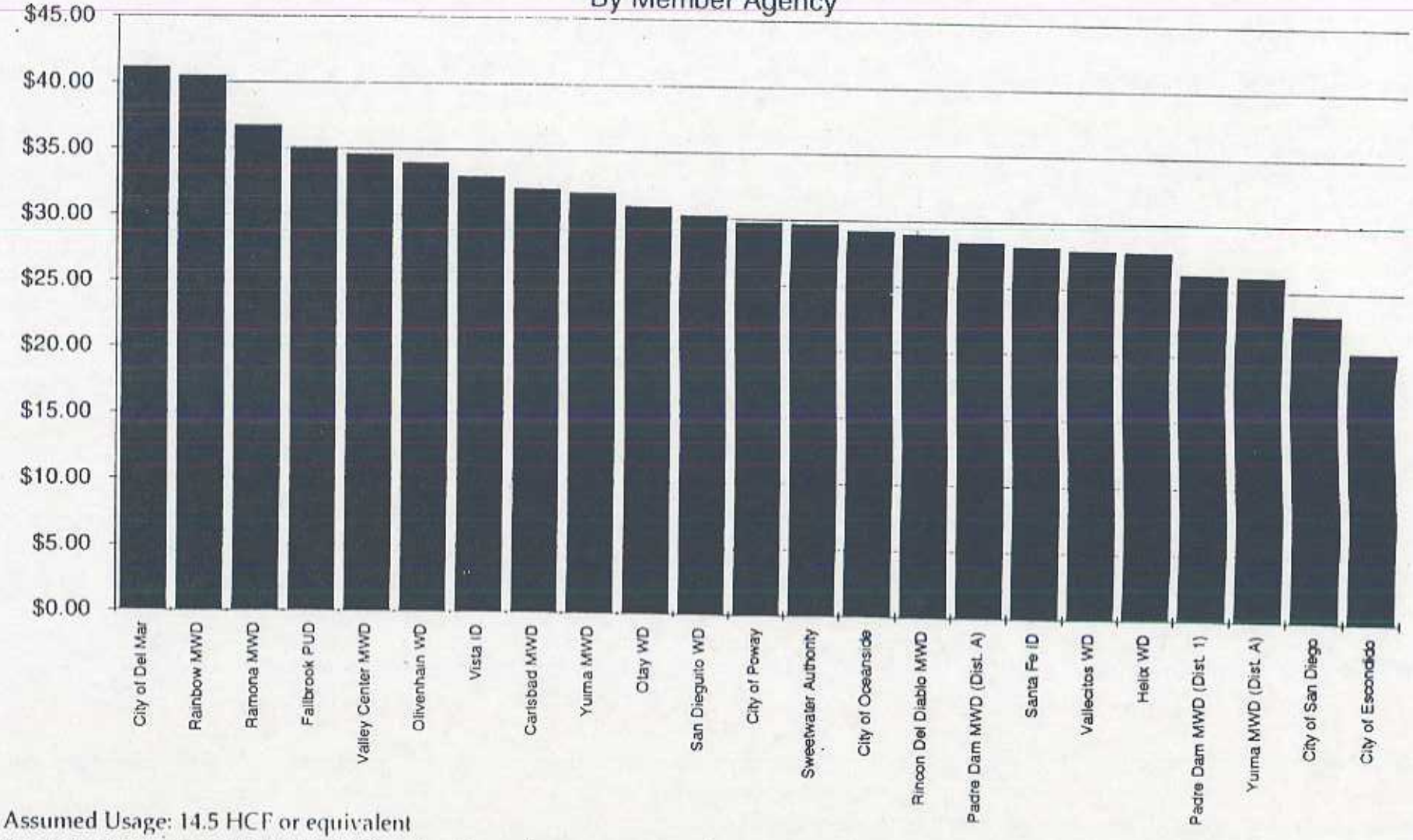
- Increased local emergency storage capacity is required to avert severe economic damage caused by an interruption of the county's imported water supply.

B. STRENGTHS AND CHALLENGES TO EFFECTIVE ORGANIZATIONAL PERFORMANCE

1. Strengths

- The confederation structure of the Authority allows the membership to act with a unified regional voice.
- The Authority is an autonomous government entity, self-funded and self-governed.
- The Authority has one basic responsibility: water supply. As such, the Board and staff can focus their efforts on a single mission.
- The Authority can utilize a variety of revenue sources.
- The Authority is governed by a diverse Board representing a variety of viewpoints and backgrounds. Directors either are elected or appointed by elected officials; all are accountable to elected bodies (except Camp Pendleton).
- The mix of tenure of the Authority's Board and staff brings a blend of continuity and fresh insights to water supply issues.
- Efforts over the past few years by the Authority to raise the agency's profile in statewide water matters have greatly improved the agency's influence the agency has in matters of statewide water policy.

San Diego County Water Authority
Average Monthly Residential Water Bill
By Member Agency



Assumed Usage: 14.5 HCF or equivalent
Single family home with 3/4" or 5/8" meter, depending upon meter size most prevalent in each agency.

Figure 5

D. AUTHORITY'S STRATEGIC PLANNING AND IMPLEMENTATION PROCESS

Planning is a continuous process that allows future objectives to be met and the Authority's mission to be fulfilled. The process involves analyzing current operations, monitoring the external environment, making assumptions about the future, matching new information with the organization's direction, and revising that direction as appropriate to respond to changing circumstances.

Strategic planning is the process directed toward making today's decision with tomorrow in mind. The primary purpose of the Authority's planning process is to improve current and future operating decisions in light of probable events and in the context of a defined direction for the organization. The Strategic Plan identifies the key issues to be addressed by the organization in meeting its mission. The basic goals and policies set forth in this document guide development of specific implementing plans to address these key issues in greater detail and support the process of achieving specific strategic goals and objectives. These plans include the Capital Improvement Program (CIP), the Water Resources Plan (WRP), the Public Affairs Plan, the Finance Plan (FP), the Affirmative Action and Emerging Business Enterprise Plans, and the Injury and Illness Prevention Program. This document also guides the development of work programs outlined in the five-year operating plans. The relationship of these plans to the strategic planning process is shown in Figure 6.

Budgets will be prepared in response to the strategic goals, objectives, organizational philosophies, and strategic policies of this plan and the supporting plans mentioned above. The staff will propose staffing and funding for individual programs at a level corresponding to the stage of completion for each objective. The Board of Directors will review the level of effort proposed by the staff and determine the appropriate expenditure of resources. Based on the accomplishment of objectives and decisions in each annual budget, revisions of the Strategic Plan may be required.

E. ANNUAL PLANNING AND UPDATE PROCESS

Each year, in conjunction with the preparation of the annual budget, the Authority's Strategic Plan will be reviewed and updated as necessary to be consistent with the previous year's accomplishments and changed conditions.

VII. DESCRIPTION OF THE AUTHORITY

The San Diego County Water Authority (Authority) was organized on June 9, 1944 under the State County Water Authority Act for the primary purpose of importing Colorado River water to augment the local water supplies of the Authority's member agencies. The Authority purchases water from the Metropolitan Water District of Southern California which imports it from the Colorado River and the State Water Project. The Authority delivers this water to its 23 member agencies through five large diameter pipelines located in two corridors known as the first and second San Diego Aqueducts.

The Authority is authorized by the County Water Authority Act to acquire water and water rights within or outside the State of California; to develop, store, and transport such water; to provide, sell, and deliver water for beneficial uses and purposes; and to provide, sell, and deliver its water that is not needed or required for beneficial purposes of its member agencies to areas outside its boundaries. In addition, the Authority is authorized to acquire, distribute, sell, store, treat, reclaim, and reuse wastewater for beneficial purposes.

The basic Act authorizes the Authority to exercise the power of eminent domain; levy and collect taxes; and fix, revise, and collect rates or other charges for the delivery of water, use of facilities or property, or provisions for service. In addition, the Authority is empowered to fix in each fiscal year a water standby availability charge on land within the Authority's boundaries. The standby charge cannot exceed $10 per acre per year, or $10 for a parcel less than an acre.

The Authority also is authorized to utilize any part of its water -- and any part of its facilities used for the development, storage, and transportation of water -- to provide, generate, and deliver hydroelectric power. The Authority may acquire, construct, operate, and maintain any and all of its facilities for such utilization. Pursuant to contract, the Authority is authorized to provide, sell, and deliver hydroelectric power to the United States, the State of California, and any other entity engaged in the sale of retail electric power.

The Authority's service area is a semi-arid region where rainfall and groundwater typically meet about 10 percent of the population's water needs. The rest of the service area's water is provided by the Authority from outside sources. As a wholesaling entity, the Authority has no retail customers; it serves only its member agencies.

The Authority is governed by a 34-member Board of Directors representing the Authority's member agencies. Each of the 23 member agencies has at least one voting representative on the Board, with